

THE COST OF SHARING

**UNDERSTANDING THE UPFRONT AND
HIDDEN COSTS OF THE SHARING
ECONOMY IN RELOCATION**

A MasterKey Alliance White Paper

May 2017



GLOBAL ACCOMMODATIONS.

TODAY'S RELOCATION REALITY

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Economy

Corporate Housing is a market ripe with opportunity. In 2016 the demand for corporate housing rose to its highest levels since 2008 according to the Corporate Housing Professionals Association (CHPA).

In the US alone, corporate relocation spend was valued at \$12.2 billion dollars annually. ⁱ

With rates for temporary accommodations growing steadily each year over the last decade, we are seeing greater competition in the accommodations space, with new private and public accommodation options vying for their share of the relocation pie each quarter.

Whether the relocation industry has embraced it or not, the sharing economy is asserting itself as an attractive supply source for business travelers. In less than a decade Uber has become the largest transportation company globally. Under that same time period, Airbnb has evolved into the world's largest accommodations provider. With a sharing economy estimated to exceed \$335 billion USD by 2025 by PWCⁱⁱ, we can expect to see greater pressure on organizations to source services outside of traditional channels, including in the relocation industry.

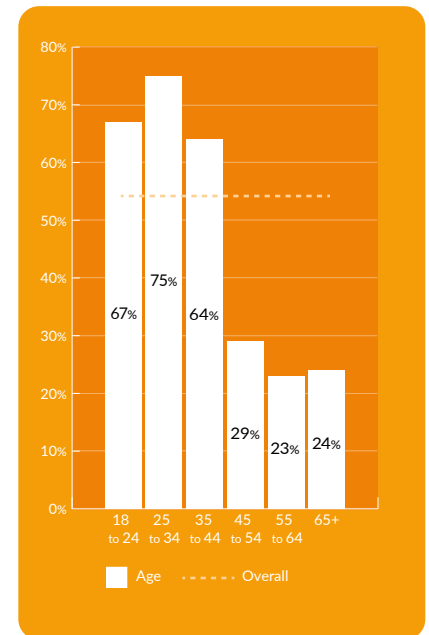
Employee Influence

As corporations look to better manage their budgets, more and more onus is put on employees to control spending. The relocation market has seen a surge in pressure on price, as well as employees working to minimize their spending on accommodations to maximize their benefits from per diem and lump sum programs. As a result, relocation experts are seeing greater transferee involvement in accommodation selection.

Compounding on this price pressure is the evolution of the workforce. Mobile talent in our workforce is seeing growth in younger technical and managerial professional and dual career families. A typical transferee is described as male, 26-40 years old, with a professional or technical based career, or manager, looking to move with their spouse. ⁱⁱⁱ

Age also impacts acceptance of the sharing economy. According to Goldman Sachs Global Investment Research, 54% of travelers who identify themselves as being familiar with peer to peer lodging have used the sharing economy in the past year. ^{iv}

Figure 1. Age Impacts Sharing Economy Accommodation Use



Source: Survey of 2,000 US consumers - Goldman Sachs Global Investments Research. Note: The sample was limited to people familiar with P2P lodging sites who traveled at least one day in the last year.



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This research confirms that younger travelers are more likely to try accommodations found through the sharing economy than older travelers. In fact, over two thirds of travelers under the age of 44 who have traveled at least once in the last year have reported that they would use the sharing economy to book accommodations if they have previously done so. This compares to nearly one quarter of travelers over 45 who have previously stayed in accommodations booked through the sharing economy.^v

Although the overwhelming majority of transferees are still male, making up over 75% of Canadian and 81% of international transfers, the decision is no longer simply theirs. According to the Canadian Employee Relocation Council (CERC);

Over 50% of transferees are accompanied by a spouse who is “actively working at the time of transfer.”^{vi}

In conjunction with the trends on younger professionals preferring to try the sharing economy, professionals who make less money are also more inclined to test this accommodations source. The same survey of travelers who have previously booked peer to peer accommodations reported over 51% of professionals making between \$30,000 and \$49,999 a year, and 58% of professionals making \$50,000 to \$69,999 in annual income were likely to try booking accommodations through the sharing economy again. As we watch trends in our transferees, notice the drastic jump in preference at incomes exceeding \$70,000. As family incomes rise, the interest in staying with shared accommodations falls significantly.^{vii}

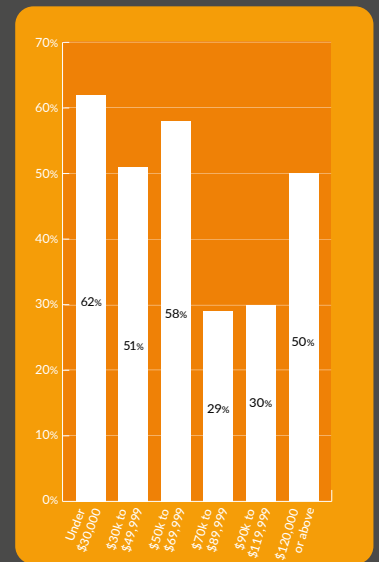
This evolving transferee workforce, has moved to a more hands on approach to accommodations to better manage their budgets and expectations to transition through a community until they find their new home. Corporations are seeing a growing interest in younger, lower income transferees moving to the sharing economy to meet both of these needs, regardless of whether their corporate programs are prepared to navigate this market.

Decision Makers

While employees lead the charge on engaging with the sharing economy, more and more travel managers within corporations are currently evolving their travel management programs to accommodate the sharing economy. The Association of Corporate Travel Executives (ACTE) reported that the number of travel managers who are considering how to modify processes in their programs to accommodate employees sourcing accommodations through the sharing economy has jumped from 8% to 51% in one year.^{viii}

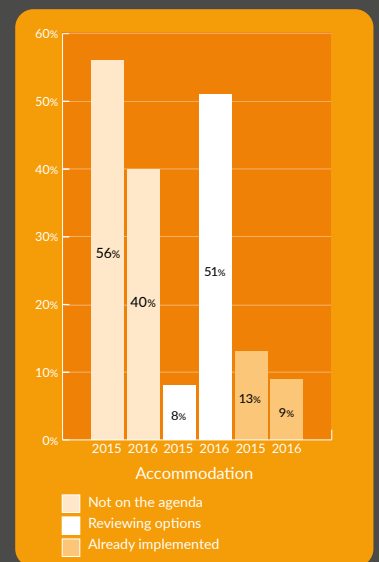
Our opportunity to educate these professionals on the differences between the sharing economy, and professionally managed accommodations, offering them the information and tools they need to make the right choice for their organization is now.

Figure 2. Sharing Economy Intent to Use by Income



Source: Survey of 2,000 US consumers – Goldman Sachs Global Investment Research. Note: the sample was limited to people familiar with P2P lodging sites who traveled at least one day in the last year.

Figure 3. Sharing Results: Is the Sharing Economy on the Travel Manager's Agenda



* 2015 data from *The Evolution of Travel Policy: A Global View on the Future*, ACTE 2015.



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COMPARING APPLES TO ORANGES

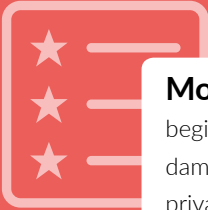
As organizations consider moving from professionally managed accommodation sources to the sharing economy, there can be an education gap in what they are purchasing. In the case of accommodations, on the sharing economy, transferees may find private, individually operated housing options with rents for 20% - 50% less than monthly rates offered through relocation companies. With such drastic differences in price, a professional must wonder, “why?”

The answer is: **they are not purchasing the same quality of accommodations and support.** Yes, there is still a roof over the transferee’s head, and a bed to sleep in, but those are not the only needs a transferee and their company must address in selecting temporary accommodations. Consider the following differences between the service offered by professionally managed accommodations and those rented from private individuals.

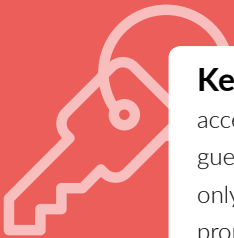


The Cost of Security

Relocation firms work with professionally managed accommodation firms who have standard security protocols to protect and offer peace of mind to transferees such as:



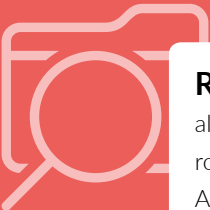
Move-in / Move-out Inspections: Professionals conduct thorough property inspections at the beginning and end of each stay to ensure that your firm or transferees are not erroneously charged for damage or theft that occurred prior to their occupancy. There is no guarantee that this will take place with privately held accommodation rentals, leaving your organization open to potential liability.



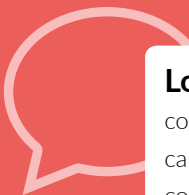
Key Control: Most temporary accommodations don't have the option of a hotel card, so to ensure access to old tenants is no longer possible, locks are re-keyed with every new resident. Keys from previous guests are required to be returned, and new keys are offered to the new transferees to ensure they are the only individuals outside of the property owners who can access the accommodations. The majority of the properties have key tracking systems with release and permissions processes to manage property access. This reduces the chances of theft and unexpected visitors, as well as helps individuals maintain their peace of mind in new, and often unfamiliar communities.



Criminal Background Checks: Employees of a professionally managed accommodation firms are subject to criminal background checks. The owners have a responsibility to ensure professional, responsible individuals are available for support. In the absence of a corporation in the sharing economy, this level of security is often overlooked, as almost anyone can sign up a suite for rent online.



Regulatory Compliance: Professionally managed accommodations are required by law to meet all regulations on fire and building codes. In fact, their business license often depends on it. This means routine measures are in place for fire prevention as well as infestation prevention and swift extermination. Although many jurisdictions are reviewing and revising their laws, currently business licenses are not required for properties available through the sharing economy in most locations. As such, no regularly scheduled inspections are required.



Local Community Knowledge: As transferees seek accommodations to fit their lifestyle, the community plays a significant role. Working with professionally managed accommodation providers, transferees can be confident that the accommodation exists in a community that meets their needs for security and comfort from walking to amenities to alternative transportation. Through the sharing economy, local crime rates, alternative travel, or access to amenities are often times unclear to the transferee, and can result in unanticipated risks.

Emergency Response

In a perfect world, we would all start our workday at 9am and pack up to head home at 5pm. However, most individuals involved in relocation programs find themselves traveling and working well outside of these standard service hours. Relocation companies understand that a transferee may require service at any moment during the day or night, so standard systems are in place to ensure transferees have access to:

Flexible Check-In and Check-Out Times: While private landlords may be limited to when they can physically be at a property to welcome a transferee and check them into a property, most professionally managed accommodation firms understand that transferees could be arriving at any time of the day or night. Routine processes are in place from on-call service, to lock boxes, to alternate inspection protocols to ensure the transferees are able to access their temporary accommodations, no matter when they arrive. Companies don't have to worry about their transferees finding locked doors, wrong keys, or surprises in their accommodations late at night with nowhere to turn.

24 Hour Emergency Service: Life does not always go as planned. When accidents happen, transferees need to know who to call to solve the problem. Whether you run into a weekend plumbing emergency, or you lock yourself out at 2am, you can expect a professionally managed accommodation firm to provide round-the-clock access to their service team to support transferees.

State of the Property

In the sharing economy, individuals are putting their faith in other individuals that their property offers exactly what they say it does, and the imagery is representative of its current state. There are no checks and balances put in place to ensure private owners complete:

Repairs and Maintenance: Property management firms provide prompt service handling repairs and other problems that may arise in an accommodation because it is their job to care for the suite and the building. They have staff dedicated to service and maintain the suites. Private landlords often have daytime jobs, and may be less eager to spend their time and money on repairs or maintenance when the cost comes directly from their pockets.

Professional Cleaning: Professionally managed property firms have dedicated staff to service rooms prior to transferee arrival with processes from cleaning to towel and linen replacement, guest information, and more. The result is a temporary home that meets the look and feel the transferee reviewed in the property profile. Private landlords often do not have corporate or industry standards to adhere to, or dedicated staff to thoroughly prepare a property. In addition, cleaning services are not usually available from private bookings, however, professionally managed properties often offer these services weekly, or upon transferee request.

Insurance: As with any home, temporary accommodations can be impacted by accidental

damage, loss of property to theft, or even infestation by bedbugs. Private landlords are less likely to be aware of the laws regulating landlord and tenant responsibilities, as well as have processes in place to help transferees overcome these problems and quickly get their lives back on track. Professionally managed properties have insurance policies in place that cover accidental damage, loss to property inside and sometimes personal property such as laptops or golf clubs outside the home, as well as bedbug or infestation coverage. This can mean the difference between paying a small fee or deductible, to thousands of dollars in replacement costs or finding new accommodations on short notice.

Damage Deposits: Most privately owned properties will require a damage deposit of up to the first month's rent. This can significantly increase your accommodation costs, and there is no guarantee this money will be returned after your transferee leaves the property. Professionally managed properties often have insurance policies in place that eliminate the need for haggling over small repairs and damage deposits, saving companies time and money. It may also not be covered in a transferees' budget, adding significant upfront costs that could take 30 days from the day of move out for those funds to be returned.

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Time is Valuable

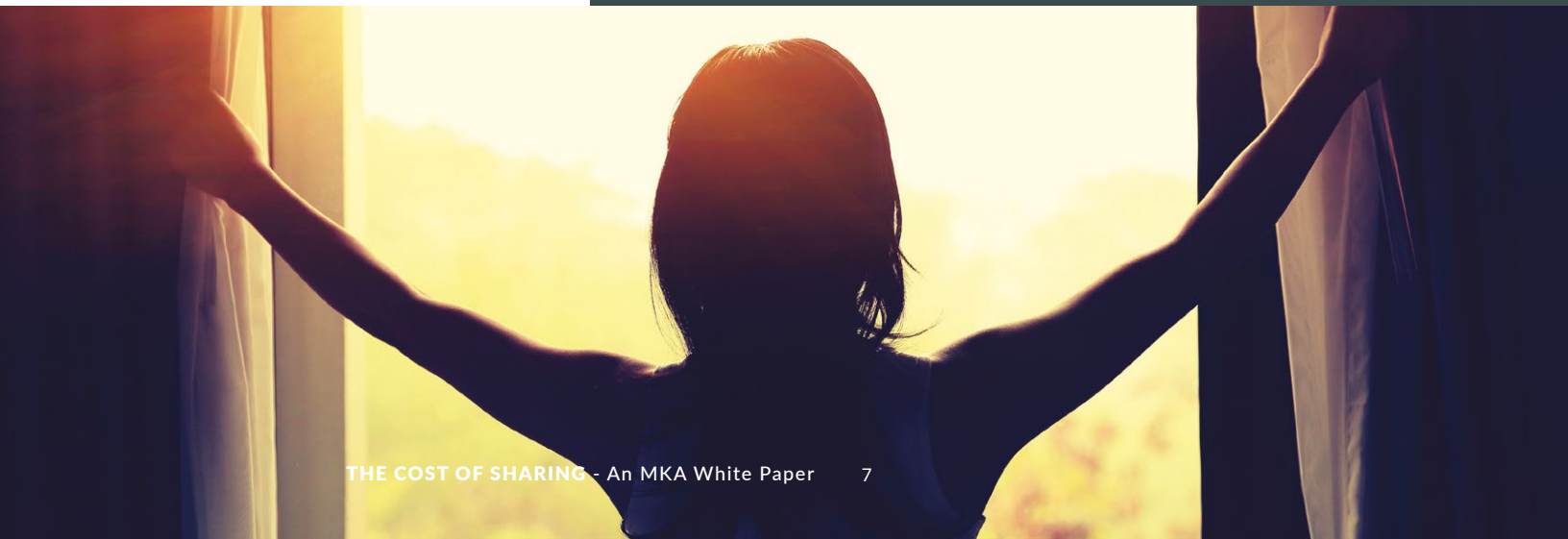
Managing Multiple Vendors:

With a relocation company, your team can deal directly with one relocation agent, one dashboard, and one system. This relationship becomes the hub for all of your booking, payment management, cost analysis, and reporting functions, saving your travel management team time and money. They can compare apples to apples so you know what you are investing in relocation accommodations, and take advantage of economies of scale. By booking directly with privately owned properties, you can double or triple your team's time in sourcing purchase orders or invoices, change orders, budgeted vs. actual paid fees, misaligned reporting metrics, and more. This can cost your team thousands of dollars per month in time that could be better spent on serving your organization.

Searching Costs: In today's business world, time is a precious resource. Consider what you pay your administrative staff per hour, and compare that to the salaries of the transferees. Between online searching, email correspondence, and booking, to making arrangements for arrival, special services and requests, and departure, the average booking takes 8 hours. Rather than ask a professional in your organization to spend their time looking for solutions and learning how to be relocation experts, you could be working with relocation experts so your administration team and transferees can focus on their strengths.

Table 1: Shared Economy vs. Relocation Firm

Typical Services Provided	Sharing Economy	Relocation Firm
Transferee Accommodation	Yes	Yes
Move-in Move-out Inspections	Maybe	Yes
Key Control	Rarely	Yes
Criminal Background Checks	No	Yes
Meets Local/Regional/Federal Regulations	Maybe	Yes
Flexible Check-In Check-Out Times	Maybe	Yes
24 Hour Emergency Service	No	Yes
Prompt Repairs and Maintenance	Maybe	Yes
Professional Cleaning	No	Yes
Insurance Coverage	Maybe	Yes
No Upfront Damage Deposits	No	Yes
Efficient Vendor Management	No	Yes
Effortless Search	No	Yes



COST COMPARISON: A Lightbulb Opportunity



Figure 4: Companies Consistently Comparing Estimated vs. Actual Relocation Costs Globally

When relocation budgets are created, often times companies get caught estimating the initial costs, and miss the actual impact these projects have on their teams and their bottom line as explained above. In the case of the sharing economy, by substituting apples for oranges, organizations are incurring additional hard costs, as well as opportunity costs, that may not have factored into their original decision.

In 2016, only 24% of companies managing global employee mobility compared the actual cost of a relocation to the estimated costs after the employee was permanently placed according to Global Mobility Trends. This number increases to 35% when looking at companies relocating employees in the Americas.^{ix}

With three quarters of the market unaware of the actual cost of mobility, relocation firms have an opportunity to help manage those budgets and share the return on investment that organizations gain through working with professionals, as opposed to splitting the workload, and cost management among multiple members of their organization.

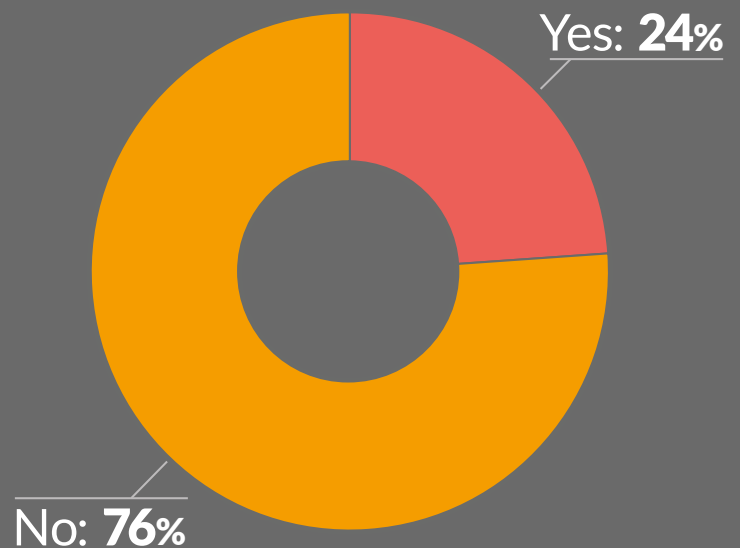
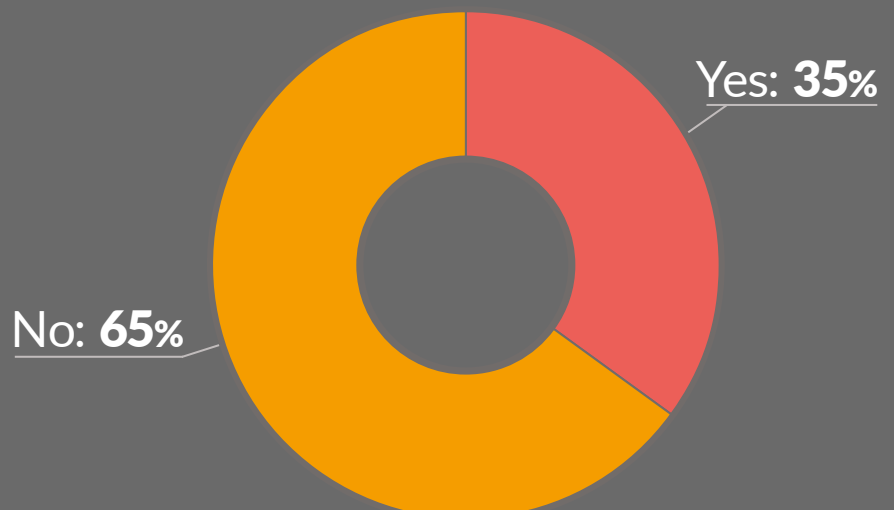


Figure 5: Companies Consistently Comparing Estimated vs. Actual Relocation Costs in the Americas



Typical Relocation Accommodation Costs

Relocation remains the number one reason employees are seeking accommodations for terms of 30 days or more in North America. The Worldwide Employee Relocation Council (ERC) estimates the average employee completes a relocation in 31 days.* Consider the following relocation example, and how the true costs of comparing the sharing economy to corporate housing meets an organization's needs.

Typical Relocation Example

Meet Carson. Carson has just accepted an opportunity to work in Dallas, Texas as a Project Engineer. He is 35 years old, has a wife, and a Labrador Retriever who will be relocating with him. He needs a one bedroom, one bathroom, pet friendly home for 30 days in Dallas.

Based on actual information, below is a cost comparison of similar properties found online through the sharing economy, and available via MyKey.com, a property management solution.

Table 2: Shared Economy vs. Relocation Firm Cost Comparison

Actual Service Charges	Sharing Economy	Relocation Firm
Employee Accommodation	\$2,640	\$3,630
Service Fee	\$162	Included
Move-in Move-out Inspections	Included	Included
Pet Fee	\$350	Included
Key Control	\$75/lock	Included
Criminal Background Checks	\$50	Included
Flexible Check-In Check-Out Times	Not available	Included
24 Hour Emergency Service	Not available	Included
Repairs/Maintenance	Upon Request	Included
Professional Cleaning	\$50	Included
Insurance Coverage	\$100	Included
Upfront Damage Deposit	\$2,640	Included
Search & Vendor Management	\$160*	Included
Taxes	\$171	No Tax for 30 Days or More
Total Cost	\$6,323	\$3,630
Total with Full Damage Deposit Return	\$3,683	\$3,630

*Assume \$20/hour for employee time

Although the initial cost of rent was 27% lower on the property found through the sharing economy, note that the actual cost to the company was nearly \$2700 higher if the damage deposit was not returned. If the full damage deposit is returned, which is not a guarantee, then the sharing economy property cost is still \$53 higher than working through the relocation service. Considering the time and effort required by employees to source and secure the accommodations, as well as coordinating additional services, it is likely that the greater value for organizations relocating employees is to work with a relocation expert.

THE COST OF THE SHARING ECONOMY

By engaging with the sharing economy for accommodations, most organizations will find that their procurement and management teams will invest greater time managing multiple service partners, expense sources, payment processes and policies that increase overall costs. The inability to effectively track and report expenses can result in expense and tax management compliance issues, reductions in productivity, and hard costs to the organization through lack of understanding on their estimated vs. actual spend on relocation.

In addition, the potential risks and issues with private property landlords and property management practices can lead to increased program costs and potential finance compliance risks, unvetted or unmanaged accommodations, insurance providers, and an increase in risk to transferees.

Although the sharing economy has made great strides in serving business travelers, the true costs of this model still outweigh the investment in working with relocation companies.

With support from planning to reporting, relocation companies remain the more cost effective, efficient solution.

ABOUT THE AUTHORS

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Dedicating over 25 years to guiding professionals through relocation and corporate housing challenges, Brown built a lifetime of success stories securing temporary accommodations across the globe with a keen knowledge of the market in the United States. She has spent the last 20 years specializing in corporate housing, and is respected throughout the industry as an authority on global mobility, relocation, contract negotiation, and custom build solutions. Noelle currently serves the industry as Global Sales Representative, at MasterKey Alliance Inc., responsible for managing relocation accommodation needs for national and global clients.

Jodie Robulak, VP Marketing

As a proven marketing strategist, Jodie Robulak has built a career developing programs, systems, and strategies to propel companies through changing global markets. Based on business analysis and market insight, Robulak has shaped business plans, marketing strategies, teams, tools, and campaigns to build business and motivate audiences. As the Vice President of Marketing for MasterKey Alliance Inc. Jodie provides guidance from strategic planning through to implementation, sharing marketing insight to support the organization's partners and clients' needs.





- ⁱ Corporate Housing Providers Association Site. (2016) *The Value of Corporate Housing*. Accessed: February 12, 2017 at: <http://www.chpaonline.org>
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GLOBAL ACCOMMODATIONS.