

# International Household Goods Suppliers

## How to achieve value for money

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## Introduction

In the last 15 years the International corporate moving company has become a more significant and integral part of corporate International Human Resources (IHR). Rising out of back street warehouses as an offshoot to traditional moving the modern corporate mover is now a prominent service partner, forward facing and integrated with the corporate client and their sophisticated international assignee population.

The corporate mover is now faced with a new challenge; the realisation that a quality service solution has to be met with lower pricing to meet the corporate client's demand for reduction in their IHR mobility spend. This trend has dramatically and irrevocably increased during the global financial crisis.

When looking for a value for money mobility solution, the intelligent buyer will have to evaluate the base cost of the service against the likely incremental costs generated by the service. Several initial "scoping" questions should be asked to avoid common pitfalls, such as:

*What should the service cover?*

Does my pricing cover all elements of the service? If not, which are reasonable out-of-policy elements? What is the likely incidence and cost of out-of-policy elements?

The service may appear good value, but may exclude a number of highly-likely additional cost elements. For example, the corporate mover may appear to offer the best price, however they exclude full export packing and several key insurance elements. Once these are assessed and added to the base price parity between bids can be established.

*Is the service reliable?*

Is there a likelihood of cost increase through service failure?

The service may be unreliable, risking service failure and considerable extra costs per individual project. For example, an unreliable corporate mover may be unable to deliver an assignee's goods at the agreed time due to customs clearance. This can result in re-scheduling flights, hotel accommodation for the assignee and family and delayed assignee take-up.

Once the above parameters are established, there are two more fundamental questions to consider:

- ◆ Is a global or a regional platform required?
  - ◆ A global model should ensure more uniformity of service, however in practice uniformity is a challenge for all global businesses
- ◆ Is it better to adopt a sole-supplier or a competitive bid model?

The usual approach to obtaining comparative prices is the use of a pricing matrix. This needs to mirror as closely as possible both the likely volumes/weights of the host destinations. Otherwise soundings should be taken to establish defined policy and allowance limits before sourcing a new provider.

## What do I review over and above pricing?

When reviewing a submitted pricing matrix, it is imperative that the corporate client refers back to the base and likely additional costs. The mover needs to make a profit from the overall business and in a highly competitive market they may aim to ensure their margin in the following ways:

- ◆ Undisclosed and/or un-quantified additional charging
- ◆ “Break even” rates on less frequently used traffic lanes balanced against higher profits on busier lanes. By traffic lanes, these are defined routes between original location and host location for the assignment overseas. The corporate mover, from the disclosure of information, will go to near costs rates on those lanes that have little or no volume to ensure they look very competitive in their overall pricing.

## Can we guarantee the service level?

Fundamentally, the corporate mover may feel forced to adopt a position whereby a high throughput of business is needed to generate a respectable margin. This could lead to a loss of service levels.

Ultimately this position is unsafe and should be guarded against. There should be a consistent level of charging and profit to ensure that all projects warrant the same level of attention and resource.

## How do we ensure supplier quality?

Once the cost and value of the service has been established, the supplier's service delivery model should be interrogated. This is where quality and expertise should be expected to combine to offer a responsive and fluid experience for both the client and the assignee. The corporate client needs to clarify that the services on offer fulfil their IHR needs.

A key focus should be on the number and value of client and assignee “touch points”, i.e. where the corporate mover, corporate client and assignee share information. These should be readily apparent prior to the assignment commencing and throughout the moving process, culminating with assignee feedback post-relocation. The corporate mover should drive this process, thus reducing the workload for IHR by lessening the need for Human Resources to intervene and mediate.

The questions the IHR representative has to ask are “Can I step away from this service provider?” and “Do they have the competency and expertise to fulfil both mine and my assignees expectations?”

### Is a measured and efficient service possible?

Setting Key Performance Indicators with the corporate mover will assist in measuring and assessing the efficiency of the service. The corporate mover will be able to suggest a suite of such measurables; however these should be targeted accurately to your business model and needs.

Value for money can also be achieved by the formulation of a panel of International Corporate Movers. This will also help enable the client to continually benchmark costs and avoid “price creep” across the service that can occur with a sole supplier in place.

The panel should comprise of suppliers who offer coverage across all your business’s key geographical locations. This does not automatically mean a Global platform; a regionalised model will often offer far greater flexibility, accountability and local knowledge. Moreover a regional model places more emphasis on the importance of each individual project.

### The control of process; how do I achieve this?

The roles and responsibilities of each party (client, assignee and international mover) should be fully mapped out to ensure clarity and balance:

- ◆ The client retains overall control of the contract and all strategic decisions
- ◆ The international mover holds control of the day-to-day moving process, referring back to IHR purely for out-of-scope requests and in-move and cumulative reporting
- ◆ The assignee’s expectations will be set and managed to ensure the process is as fluid as possible with minimum disruption

### Does a cost plus model work?

Once a panel suppliers is assembled, it is necessary for all to operate and report costs in the same manner. One option is to follow a “cost plus” model. In this scenario the corporate mover will invoice all charges at cost, plus a management fee (typically 20% of total spend). This approach appears to offer the greatest degree of clarity and transparency, however there is one potential drawback. Are the costs presented by the mover the actual charges paid? In order to check this, all original invoices will need to be audited against charges made by the mover. This analysis can be laborious and costly.

## In summary

It is apparent that a genuine comparison of two or more corporate movers and their respective services can be challenging. Essentially this is achieved by the corporate IHR defining the quoting structure so each of the corporate movers provides pricing in the same format, making it simpler to compare and analyse. Balancing realistic costs with excellent service, reduction of indirect assignee costs (e.g. hotel) and putting suppliers on a corporate platform who wish to work together to create a meaningful partnership. Financial reporting needs to be regular, accurate and linked to the client's business needs. Reviews with International Household Goods Suppliers need to be suitably frequent to enable regular evaluation and fast, accurate remedial action to be taken when needed. All KPI measures should be interrogated at each review meeting, to ensure compliance with agreed targets.

In the current financial climate we are all looking to achieve real, measurable value for money. Reduction of costs should be reasonable and not involve the driving-down of costs to below an economic level, which can result in loss of service, quality and increased negative assignee feedback. Moreover this can cause "price creep" where the international mover looks for profit opportunities elsewhere within the project. The best policy is to take a balanced approach to the basic cost structure, so to capture all possible costs from the corporate mover - "transparency is the key".

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