

Relocation: Efficiency and Savings

International Household Goods:

*What You Should Know About Outsourcing
and
Negotiating Your Next Contract*

Relocation: Efficiency and Savings

- Welcome and Introduction
- Why we're here today
 - Assuming in today's corporate environment you have a mandate to save money
- Understanding how to get the best value when relocating employees
 - Transportation: domestic and international

Relocation Models

How many of you use a relocation firm for employee moves?

- Model 1: Use relo firm & their transportation contracts
 - Domestic: Contracts with the transportation carrier
 - International: Contracts have a commission structure
 - Carriers are paying commission to the relo firm

- Model 2: Do not use relo firm
 - Company oversees employee moves

Understanding Relo Contracts

Two contracts exist for Model 1:

- 1) Between you and the relo firm
- 2) Between the relo firm and the carrier

- Unless you are knowledgeable of policy loopholes, you cannot identify problems that may be costing you *millions of dollars*
- Even if you are knowledgeable, you cannot negotiate the contract between the relo company and the transportation carrier

Problems with Model 1

“Contract and Policy Loopholes”

Areas in which you can realize savings

Identifying loopholes does not imply that any particular relo company engages in these abuses. However, all these problems have occurred.

- Conflicts of interest
 - Third party audits their own invoices *or* align themselves with specific auditors
 - They pay the auditor—not a clean situation—abuses can arise
 - Pay to play
- Abuses of a corporation’s normal and customary allowances
 - Shuttles
 - Long pushes
 - Crating
- Online Auctions



Problems with Online Auction

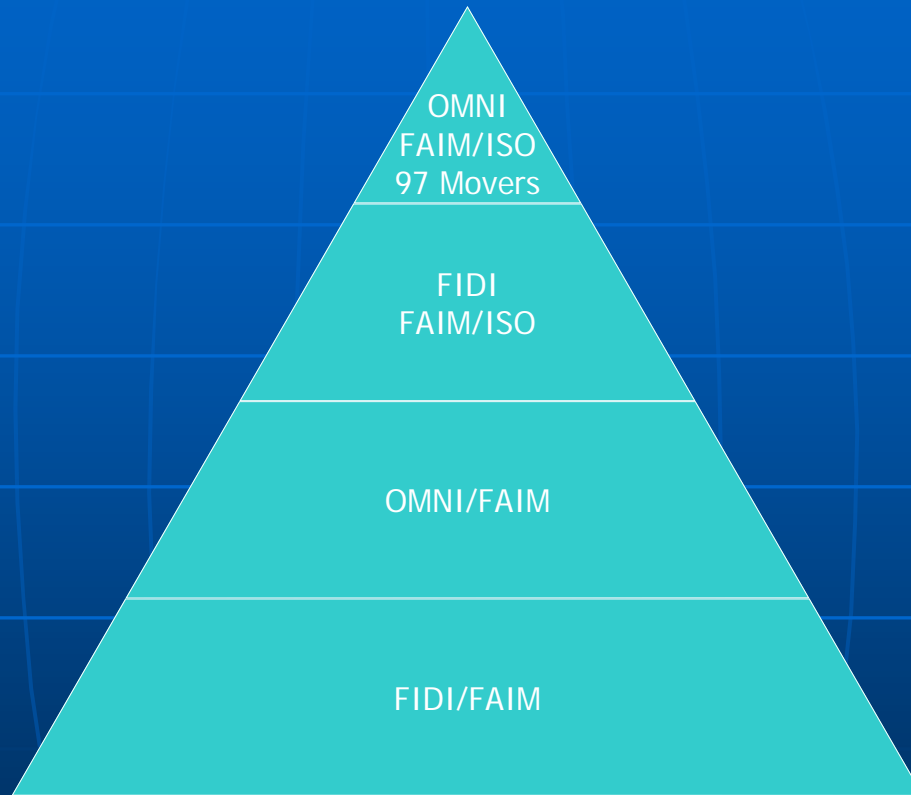
- Online auctions
 - If relo company determines which mover to use there is no guarantee that you are getting the best value
 - They award shipments without the carrier survey
 - Based on policy
- Adherence to contracted rates
 - Door to Door
 - Review 2132 quotes per shipping lane (41 Providers)

Problems with Online Auction

- Not a “reverse auction”
 - Awarded to provider before survey at residence
 - Client has no input over preferred regional carriers
 - Can receive orders for 800 international shipments
 - Impossible to review 1,705,600 potential quotes in a day
 - Carriers would need dedicated staff to manage this process
- Determination of proper weights/volumes being charged
 - Volumetric chargeable weight – when should it apply?
- Normal & Customary issues
 - Long Carries
 - Elevators
 - Crating

Continued Online Problems

- Mover or Forwarder
 - Is there a preference?
- Insurance becomes a profit center to relo firm
 - Insurance % varies per shipment and by region
 - Carrier loses revenue stream by issuing insurance policies
- Relo commission from carrier
 - 10% for surface, air, & storage shipment
 - \$150.00 administrative/audit fee
- Carrier controls overseas shipment
 - How do you manage quality?

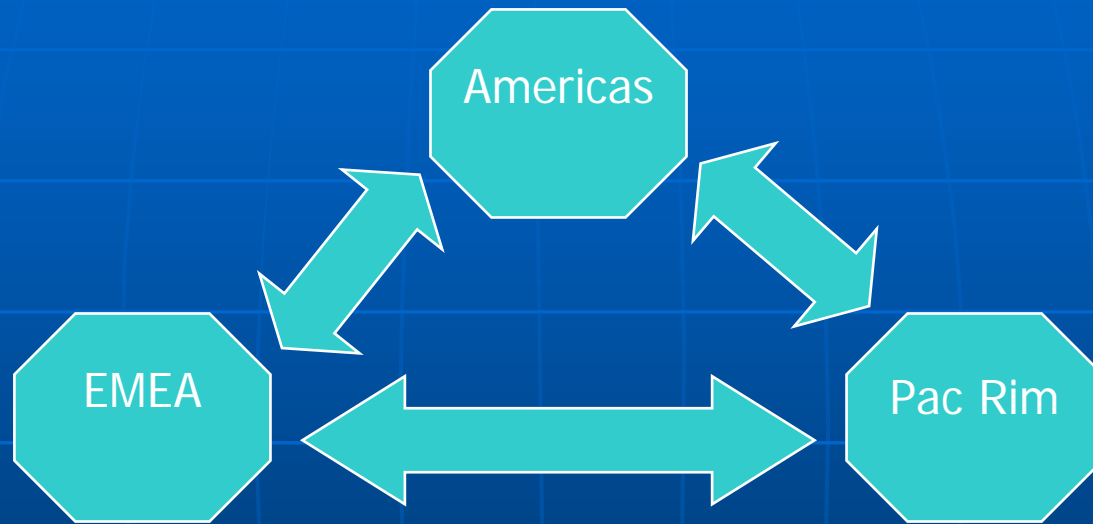


Solution

- Model 3: COT

Carve out the transportation aspect from your contract with the relo firm

COT International Model



Benefits of COT Model

- Performance based pricing
- Contract negotiated so that your company gets better service and saves money
- It is your Global Service Provider Model and is closed ended
 - Understand the components of costing an international shipment – for air, ocean and permanent storage
- Limit Normal and Customary charges
- Tonnage benefits the client

COT Model Benefits

- Reciprocal tonnage is no longer a factor with preferred vendors
 - Vendors utilized this tonnage for their benefit
- Satisfy HR departments in each region by utilizing their preferred vendor(s)
- Develop dollar volume discounts with service providers in each region
- Develop transportation contracts that lock in pricing for up to 3 years
- Better ability to maintain quality in all regions
 - OMNI/FAIM/ISO
 - C-TPAT Compliance (Customs Trade Partnership Against Terrorism) this is a supply chain security program

Can I really manage this?

Right now you may be thinking:

“ How can I do that and still be cost effective & efficient?”

Won't I have to hire more staff to manage the transportation?

- A transportation advocate can develop transportation pricing based on the specific needs of your company and negotiate a contract that reflects those needs with pricing that saves you money
- Sometimes the savings can be millions of dollar a year
- If you carve out transportation, the relo firm will continue to manage transportation

Wrap-up/Conclusion

- To maximize or even realize cost savings must use COT model
- Third Party provider (relo company) no longer provides transportation
- No need for additional staffing
- HR satisfies their mandate

It's a Win-Win Situation

By carving out the transportation and working with someone who has expertise in this area, you can maximize efficiency and minimize your costs

Thank you

