Service is Back! (*Mobility*, June 2012)

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It has been more than a decade since most countries enjoyed robust economic growth and business leaders and consumers were generally confident about the future. Their continued uneasiness and uncertainty has propelled an ongoing effort to control costs. Companies worldwide have laid off millions of employees and continue to rein in spending wherever they can. In some instances, businesses and consumers have sought cheaper substitutes for their preferred products and services; in other cases, they have simply done without. Yet an interesting counter-trend has emerged across the economy: a renewed focus on quality, service and value—not just cost.

For example, a recent survey from CarMax, the used car superstores, showed that quality continued to be the most influential factor for used-car buyers over price; in fact, more than double the number of respondents chose quality over price as the most important factor. An IBM study showed that even in these difficult times, 72 percent of consumers are more concerned with the quality of the food they are buying than the price. And in purchasing business services, companies are again seeking a balance of service and price, rather than reflexively making a cost-based decision.

Relocation Service Then and Now

Over the years, the relocation cost/service continuum has reflected the prevailing business climate. In the “Mad Men” 1960s era, the economy was booming, most programs were still managed in-house and service was paramount. The transferee, and certainly the assignee, populations were smaller and higher-profile—typically, current or future leaders of the company. Domestic relocations and international assignments, even to desirable locations, were perceived as a hardship, requiring a rich package of benefits and kid-glove treatment. Policies were generous, exceptions were de rigueur, and keeping employees “whole” was the overarching philosophy.

As relocations and international assignments became far more common, and began to include middle-managers, new-hires and college graduates, aggregate program costs started to rise. Service was still important, but companies began to take a closer look at their transferee (and later, assignee) populations; most abandoned the more paternalistic, “whatever it takes” program management philosophy of the past and adopted a more standardized, shared responsibility approach. For domestic relocations, companies began to establish tiered policies, differentiating the level of benefits by job responsibilities, in an effort to offer just enough assistance to accomplish the relocation.

Cut…and Cut More

As relocation programs grew in complexity and cost, most companies ultimately decided to outsource their relocation function to relocation management companies (RMCs).

Initially, many of these outsourced programs continued to be directed by in-house relocation experts at the client companies, and service and cost-containment were prioritized more or less equally. However, as economic conditions deteriorated and the business environment became far more challenging, the cost/service scale increasingly tipped in the direction of cost containment. Relocation presented what seemed to be a tempting target for the corporate budget axe, given the significant amount spent on a benefit for a relatively small employee population.

Given the importance accorded to corporate cost cutting in this era, procurement professionals gained stature in many organizations. Meanwhile, many HR departments were downsized and a large number of the champions of a more balanced cost/service approach were lost to attrition, layoffs and retirement. With this internal expertise diminished, relocation services began to be treated like any other company purchase; in effect, a more or less generic commodity that could be delivered by the lowest bidder. While good service continued to be a tacit requirement, program cost containment became the real litmus test for the RMC administering the program.

But Wait…

A funny thing happened on the way to the commoditization of relocation. Too often, the selected low-bidder turned out to be a poor match for the company. Considerations beyond cost, such as fit, culture and people were sometimes minimized in the evaluation process, producing ill-fitting “arranged marriages”. Not surprisingly, many companies found themselves in a seemingly endless cycle of revolving-door relationships with different relocation management companies. No sooner would the implementation be accomplished and the service team acquainted with the client than HR management, the procurement group or both would be looking for the door.

So just as relocation service programs seemed destined to be treated like photocopier service plans, frustrated HR professionals, who ultimately must work closely with the selected RMC (and are accountable for its performance), began to champion the importance of service and fit. In many organizations, they gained the attention of senior management by underlining the consequences of a poor selection, and in the best cases, they have been able to partner more effectively with their company’s purchasing group.

Cost and Service in Balance

Like so many processes in nature, business and politics, a pronounced swing in one direction unleashed a countervailing force, ultimately restoring equilibrium. While any company contracting relocation services pays close attention to cost and some continue to make use of tools such as reverse auctions to further this goal, there is much more attention being paid to whether the selected RMC can accomplish the task at hand, and its strategy for doing so.

Given today's anemic business environment and moribund real estate market, relocations have become ever more difficult to complete. Resourceful, empathetic counselors and seasoned, creative program managers have earned new respect and appreciation. The RMC has a highly visible role, most likely interacting with the client's business leaders and with many employees under stress, who often see its counselors as de facto parts of the company. As such, they need to mirror the client's culture and to be able to speak knowledgeably and authoritatively as a virtual part of the client's organization. They need expert problem-solving skills, great creativity and tact and the ability to keep today's fragile relocation and real estate transactions on time, on track and on budget.

During better economic times, even a less distinguished service effort could usually still accomplish the relocation task at hand. Today, mediocre service will produce longer cycles, swelling home inventories, disgruntled employees, ballooning costs and potentially, failed relocations and assignments.

Cost-competitiveness, in fact, is more properly viewed as table stakes in assessing an RMC; service and fit are the true differentiators. Despite the sometimes lopsided focus on cost, the opportunity to achieve marked relocation cost reduction through the procurement process is limited. As Worldwide ERC's *Guide for Managing the Mobile Workforce* emphasizes, "…almost all mobility costs result from policy entitlements—employee allowances, subsidies, tax assistance, and allowable third-party direct expenses, few of which are subject to supplier negotiations.

"For procurement's purpose, the only targetable "compressible spend"—the costs that can be controlled and negotiated—consists of service fees, interest charges, revenue-sharing rebates, and markups or margins on direct costs." So "For most employers, cost reduction in mobility is better accomplished through tighter move authorization controls and assistance with policy redesign than through contract renegotiation per se."

A Smarter Sourcing Process

In evaluating prospective RMCs, it is relatively easy to eliminate candidates with fees that lie well above the group norm or a subpar history of program cost performance. (Many companies wisely view unusually low bids equally suspiciously, as they often mask hidden or surprise fees that will only be fully realized after the contract is signed.)

The more difficult task is assessing how effectively the RMC will work with the company and help it to active its global mobility objectives. It is worthwhile to conduct careful internal due diligence with key management to ensure that the service ultimately purchased is well-aligned with the company's quantitative *and* qualitative objectives. Pricing, historical performance and other quantitative measures are critical, of course, but qualitative assessments of the RMC's organization, philosophy, people and even its charitable and "green" presence, if these are important to the company, can be just as important.

Human resources managers instinctively understand the “service” part of outsourced services, but the mushy, difficult-to-quantify nature of these intangibles can frustrate procurement professionals. Too often in the past, this meant that what should be key considerations were simply marginalized.

There is, in fact, a way to apply a more objective assessment model to qualitative service considerations. Some companies apply weighted scores to both concrete, technical factors and less tangible, service-based considerations. For example, a company might apply a weighting of 65 percent to technical factors and 35 percent to qualitative factors, such as mission and values, customer service approach and community involvement. This approach can be even more granular to suit a company’s requirements, with smaller weightings attributed to many specific line items.

Regardless of how the process is structured, in the end, there is no need for a trade-off between service and cost. Balanced consideration of cost and service elements, and careful weighting of those qualitative service elements that are most important will help to ensure the success of the program. In fact, proper consideration of service will likely reduce the company’s total relocation costs. With a better organizational fit, the RMC will be able to offer more targeted, cost-saving policy recommendations and will be able to execute the program far more effectively.