

Position Paper on the Three-Bid and Lump Sum Buying Processes for Corporate Moving Services



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Three-Bid Purchasing of Moving Services

Our studies, research and client surveys show that the Three-Bid strategy for procurement is best employed for one-time purchases of capital equipment such as copiers, computers or production machinery but not for repurchased goods and services such as moving services.

Given (1) the high level of personalized service and communication required for a successful relocation, (2) the repeat nature of your need for relocation services, and (3) the knowledge required by the carrier of your specific relocation policies, we believe that a longer term, more intimate relationship is required. This relationship cannot likely be developed under a bid situation even if the bid opportunity is extended to the carrier on each move.

We simply believe that the corporate customer, the transferee, and the van line partners are all better served through alternative purchasing practices. Three-Bid approaches are time consuming for the transferee, the company and the van lines and do not guarantee the best possible service, value or post-move follow-up.

A Three-Bid or Lump Sum Program is never the lowest total cost.

Three-Bid

While on the surface, gathering three competitive bids seems like a logical process to ensure the lowest price to the sponsoring corporation; our research demonstrates it is simply more expensive. When looking at the Total Cost of Ownership to the corporation and the many hidden soft costs associated with a Three-Bid program, a Three-Bid can cost an additional \$800 to \$1,200 per move. At Allied Van Lines, our corporate customers enjoy many services under a service agreement that are chargeable in the COD/Retail market. Many hidden items contribute to the true total cost of a move. For example:

1. Replacement-Value Protection is a chargeable item in the COD/Retail market but is provided at no charge to transferees of our corporate clients.
2. Bids require much greater administrative time to gather and review the estimates for the shipper and corporate buyer.
3. The higher costs associated with setting up multiple new vendors with accounts payable, most of which will likely not be used again.
4. Variances between estimates and actual invoices.
5. Peak season rate surcharges and capacity restrictions regularly apply in the COD/Retail market.

On average, users of a Three-Bid program subject their transferee, human resources, procurement and accounts payable teams to an additional 8 to 15 hours of work to deliver the same order. Customers with a dedicated carrier that understands their program and policy, uses expedited order placement, and has integrated electronic funds transfer (EFT) with accounts payable, report that they spend considerably less time administering a move. Also, with a corporate agreement, you will not pay for Replacement-Value Protection or seasonal rate increases.

Additional value to a corporation to be a repeat customer to a van line is extensive, including service priority, expedited claims settlement, service guarantees and metric-driven quarterly reports. These services and value-adds are not available to our one-time account moves or to our COD/Retail customers.

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Lump Sum

The use of a Lump Sum moving benefit also typically creates greater total costs and places a heavy burden on the relocating family to properly secure professional, quality moving services. Most corporations that provide a Lump Sum benefit do not provide training for the relocating families on how to select a quality, reputable, financially stable carrier. As highlighted in multiple news features and documentaries, many "rogue" movers operate in the deregulated market space and present themselves as professional carriers. Many times, the sponsoring corporation will be faced with covering additional costs should their transferee become a victim of fraud.

Without proper measurement or tracking, Lump Sum programs often overpay the amount of benefit needed to accomplish a professional, successful move. Additionally, the Lump Sum amount is personally taxable to the transferee and has tax implications to the corporation.

What are you actually comparing when looking at estimates?

Many customers erroneously believe that by simply comparing the bottom-line price of competing estimates, they are securing the best price for their move. The guaranteed price quote is only valid for the items included on the estimate form. If additional services or items are included post-estimate, the final invoice cost will increase. To minimize the total end-cost of the move, it is much more important to secure a realistic and complete estimate from a trusted service provider like Allied than to compare bottom-line estimated price only.

How do I control costs?

The easiest and most common way to control moving costs is to design and implement a tiered moving policy where certain benefits are provided based upon position within the organization. Through the use of policy, the company can control costs, provide the exact benefit to match the need, and have better control of data for future analysis. Use of a trusted, vetted service provider helps ensure that policy is followed, only actual and approved services are expensed and that the service needs of the shipment are accurately estimated, pre-planned and communicated transparently and efficiently. Sample policies and recommendations are available through your Allied Van Lines representative.

What is our recommendation for purchasing moving services?

Our recommended alternative is a written service agreement. A service agreement is a set of legal definitions, procedural understandings, service commitments and price guarantees established between your company and Allied Van Lines.

Service agreements are non-exclusive and do not require any volume commitments from the corporate client. The agreement details – in advance – the price and service provisions which will apply on any shipments tendered to the service provider.

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FAQ 1:

“I have gotten good service and competitive rates with the Three-Bid system, and frankly, I think it is a good way to keep my carriers honest – Why change?”

It is unfortunate but inevitable – sooner or later you will have a service, billing, or claim failure to cope with. When that happens, are you better off as an occasional customer to a given carrier or a corporate partner with a service agreement – a repeat customer? We believe the answer, in the long term, is clear. Additionally, many such problems can be avoided entirely when a clear understanding of our expectations of one another are detailed up-front in the form of a service agreement. In terms of keeping the carrier “price honest,” this is better accomplished by periodic solicitations for competitive proposals since, to the carrier, the award of a service agreement is of greater value than the award of an individual move.

FAQ 2:

“How do service agreements benefit me and our relocating employees?”

Extraordinary care is taken with your transferee’s belongings because with each move, Allied has the entire corporate partnership at stake, not just that one move. But first, let us address how service agreements benefit the corporation:

- Your relocation policy is better administered due to the repeat use of a carrier who becomes familiar with your wishes and procedures. This also greatly reduces your personal administrative burden.
- Service standards and expectations are addressed and clarified up-front as opposed to bids which, by their very nature, dwell on price issues and often neglect the service concerns of you and your transferee. Our corporate accounts enjoy service level agreements unavailable to COD/Retail customers such as:
 - Replacement-Value Protection – Coverage up to \$100,000 per shipment is provided at no additional charge. On a Three-Bid situation, your valuation would be the industry standard which is 60 cents a pound. For example: if a 30 lb. flat screen TV was damaged, the transferee would only receive \$18.00 unless they bought additional valuation.
 - Enhanced Transit Times – All corporate contract clients receive priority service and non-performance penalties.
 - Expedited Claims Service – All corporate shipments receive expedited claims offer of settlement and include non-performance penalties.
 - Pairs and Sets Coverage – In the event of partial damage where repair or replacement is not possible; for example, if one lamp of a pair is damaged and not repairable, both lamps of the set will be covered.
- With predetermined price levels, you can more accurately budget and audit relocation expenses. With bids, you must collect and retain estimates and refer to those estimates when the invoice arrives. Even then, comparisons are made difficult because actual versus estimated weights and services might differ, often invalidating the original estimate. *Because of this, choosing the carrier with the lowest initial estimate seldom translates into the lowest price paid.*
- Consistency of pricing means that moves will not be priced differently based on their size, the time of year in which it moves, the miles the shipment is moving, the competitive climate of the given market, or the whims of the carriers at the time the estimate is performed – all of which play into the pricing decisions on individually bid moves.

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- Credit can be extended to a corporate client and service agreements are the only method to extend payment terms beyond the legally required seven-day period. There are other terms and programs which are available only on an agreement basis such as special valuation packages, expedited claim processing and value-added services for your transferee.
- At Allied, corporate contract clients receive priority service. Our best drivers are dispatched specifically to corporate client shipments. Also, corporate clients are exempted from occasional summer booking restrictions when our system is booked beyond capacity and one-time COD/Retail customer registrations are temporarily prohibited. As truck capacity in the moving industry continues to shrink, ensuring your transferees a dedicated service capacity in the peak season months should be one of your top priorities. Under a Three-Bid or Lump Sum program, your transferee is recognized as a COD/Retail customer, receiving none of the guarantees and value-adds as described herein.
- Finally, we have an elite group of customer care representatives exclusively for our corporate client transferees. These customer service representatives handle many functions such as transferee counseling, billing, claims and tracking. One individual is assigned to your account and is knowledgeable of both your relocation policy and the terms of your agreement. Additionally, our team follows industry trends and practices and will apprise you when we believe market changes suggest you may want to consider updating your policy.

And here is how the **transferee** benefits, beyond those items addressed above:

- You have chosen only the best carrier on their behalf on the basis of reputation, price and service capabilities, and references from other companies. In a bid situation, the transferee is asked to make a decision based solely on their impression of the salesperson that comes to their home – someone who will not even be involved in servicing their relocation.
- Extraordinary care is taken with your transferee's belongings because with each move, SIRVA has the entire corporate partnership at stake, not just that one move.
- Perhaps most importantly, your employee does not have to:
 - Concern himself or herself with price, service, valuation or other issues which he or she likely has little knowledge or experience with.
 - Endure the inconvenience of contacting carriers, arranging appointments, and parading multiple people through his or her home at this very busy time in your transferee's life, each of whom will be doing essentially the same thing and asking the same questions.

We hope this explanation will help you make a more informed decision regarding your procurement practices on behalf of your company. We are confident that this process will result in a more positive experience for your transferee, while ensuring robust cost containment for the corporation. Our goal is a long-term, mutually beneficial relationship based on great service and full transparency.

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