



Is a Three-Bid Procurement Strategy for Employee Relocations Wasting Time and Money?

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Collecting three competitive bids for purchases is a logical, sensible way to find the best price for goods and services. Today, many companies regularly employ a three-bid procurement strategy for a variety of purchases in order to find the best value for their dollar. Like all good frameworks and strategies, three-bid procurement works well in specific contexts like the buying of computers, machinery, and other capital equipment. Likewise, three-bid can prove counterproductive when employed in ill-fitting contexts such as repurchased goods and certain services such as moving and other relocation-related purchases. For those companies that utilize a three-bid procurement strategy for employee relocations, they may not be considering how this approach may be overtaxing their financial and human resources while also creating conditions for less than stellar relocation experiences for their employees.

Performing a three-bid procurement strategy per each employee relocation means that the company is likely working with different moving providers for each move. Doing this prevents companies from building relationships with a trusted, high-performing provider who knows the company's preferences, processes, and specific relocation policies. Not only does this mean that each employee may be receiving various levels of service quality, but it also sets the stage for a loss in efficiency for the company who must spell out their specifications and policies anew each time, with no way of knowing how well they will be adhered to until after the fact. In fact, according to our past studies and surveys, three-bid procurement strategies for relocation services cost an average of 8-15 hours of additional work spread across the relocating employee, human resources, procurement, and accounts payable teams for a single relocation. By comparison, companies who were contracted with a professional relocation provider, on average, spent less than one hour working on a given employee's relocation.

More than a waste of your time, a three-bid procurement strategy for employee relocation is also a waste of money. Ironically, the process by which companies are supposed to select providers based on low bids is in reality, quite costly when you account for what is not included. Why? When you opt for a three-bid procurement strategy for employee relocations, you are likely utilizing a lump sum or reimbursement relocation program for your employees. Inherent in these programs is the fact that your employees become consumers in the marketplace and are treated as consumer customers, not corporate relocation clients. There are major cost and time-savings that come with a corporate relocation contract. These savings stem from the fact that your relocating employees are treated as



corporate clients who receive certain guarantees, benefits, and preferential treatment over a consumer customer. These differences correlate into costs that can mean an additional \$800-\$1,200 per move for companies without a corporate relocation contract. There are many hidden soft costs that factor into the true total cost of a move that a three-bid approach overlooks, such as:



The administrative time required to collect and review estimates for the corporate buyer and shipper.



Replacement-Value Protection is not an included item for consumer moves, rather an additional and separate charge.



The additional setup costs associated with adding new vendors to accounts payable who may only be used for one move.



The difference between the cost estimate and what is invoiced.



Surcharges that must be paid for peak season moves and their associated capacity restrictions for which corporate relocation clients receive preference over consumer moves.

It is also important to note that the three-bid procurement process for employee relocation exacerbates the top challenges that most professionals charged with moving talent face. According to the SIRVA 2018 Annual Mobility Report in which 250 mobility and HR professionals were surveyed, the top challenges they encountered with their relocation programs were cost management, process efficiency, and speed to deploy. By increasing administrative time and cost, forgoing the benefits and cost savings associated with contracting with a provider, and the loss of efficiencies that can be gleaned over time from a long-term, working relationship with a sole provider, three-bid procurement only worsens these issues. On top of this, as many as 80% of companies do not always take the lowest bid. Taking a truly holistic view, we also must consider the employee's experience as well. To do this thoroughly, we would be remiss to not touch on the fact that three-bid procurement strategies in relocation go hand-in-hand with either a lump sum or reimbursement relocation program.

Beyond being viewed as consumers, these employees feel like consumers. Meaning, that while this is a work-related move, employees are forced to carry out the planning, commissioning, and other peripheral work required. For employees that are homeowners, this workload is further complicated by needing to sell one's home and contending with the time and financial realities of that additional, in-depth process operating in tandem with the planning of a life-changing move. Often, employees are expected to also continue with their present job duties and prepare for their new role in their new city while also potentially having family members for whom the move means significant life-changes like finding new schools and places of employment. In the case of a reimbursement program, the employee must also finance his or her move, only recouping their costs at the completion of their relocation. In short, there is a cost to these programs that extends well beyond what you see on invoices that must be examined to ensure alignment with company culture and remain competitive in today's talent market.

In evaluating the best purchasing and relocation strategy for your company, it is important to take a multi-factorial view in your analysis. While three-bid procurement strategies work well for certain things, when applied to employee relocation they are counterproductive and costly. Companies should take a closer look at working with a relocation provider. Full-service relocation programs help to diminish the top challenges experienced by relocation and HR professionals such as cost management, process efficiency, and speed to deploy. Unlike a three-bid lump sum or reimbursement approach, these programs ensure cost savings through a reduction in administrative costs, the inclusion of benefits such as Replacement-Value Protection, and guaranteed pricing that is insulated from excessive seasonal increases. Working with corporate relocation providers also results in time savings for companies that employ these full-service programs, upwards of 14 hours per move across the relevant internal stakeholders. Other benefits like preferential access to trucking capacity, long-term relationship building (and its positive correlation with increased efficiency), and less burdened employees who are receiving the utmost in service make full-service, provider-based programs the best choice for today's cost and culture-conscious firms looking to drive efficiencies.

A Note on Lump Sum and Reimbursement Programs

Employees moving without a full-service corporate relocation benefit are viewed as consumers by moving providers; they are subject to fluctuating and seasonal pricing shifts and are not given priority to the limited trucking capacity available. On top of that, such employees must personally handle, typically without any professional guidance:

- Collecting bids and securing a mover or moving solution (something few people have experience with)
- Coordinating home sale and home purchase, as well as procuring a mortgage
- Move related activities, like setting up utilities, registering children for school and, possibly, finding employment for the spouse or partner

All while tying up loose ends in their existing position and preparing for their new one. This makes a typically stressful situation even more arduous for the relocating employee."

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