

HOW TO CHOOSE

A RELOCATION SERVICE PROVIDER



Most large companies that relocate 50 or more employees each year tend to have relocation departments or full-time staff dedicated to running their relocation programs. And they have supplier management departments to help select relocation service partners.

But what do you do if you're a startup or a medium-size business that relocates only a few employees each year or your program is growing faster than you can keep up with it?

There are many variables to consider when deciding what's best for your company, and there's a confusing maze of services offered by relocation service providers. One thing to keep in mind is that your company's needs are not going to be the same as other companies. You need to determine what's right for you.

In this paper, we help you assess what kind of relocation assistance your company needs, describe the types of suppliers that could meet those needs, and help you select the service provider that will best meet the needs of your company and employees.

▶ WHAT RELOCATION ASSISTANCE DOES YOUR COMPANY NEED?

Today, there are more relocation service options than ever.

When reviewing alternatives, the approach you choose should meet two basic criteria: Does it get the job done at a reasonable cost, and does it reflect your company's culture? We can't answer these questions for you. But keep them front of mind as you go through this analysis. There are two more issues to think about as you consider the kind of relocation program you wish to offer:

1 RELOCATION IS NOT A BENEFIT.

An important point to consider is that relocation is not a benefit. The IRS treats relocation as a form of compensation, which means employers do not have to adhere to "fairness" principles. They can deal with each situation as needed.

2 TAX TREATMENT HAS CHANGED.

New tax laws repealed deductions for moving expenses and final travel costs that were previously non-taxable to relocation employees. With the new corporate tax rate reductions, however, there is likely some trade-off of net cost between overall tax savings and relocation gross-up costs.

Managing Relocation

Your company's approach to managing relocation is determined by how you want to manage relocation activity and what types of relocation assistance your company wants to offer.

Let's begin by excluding the option of an "in-house" program whereby your HR staff manages all the service providers and coordinates the services your employees will use wherever they're moving (household goods shipments, temporary housing facilities, etc.). This is an expensive and complicated option that's not recommended for small or medium-size businesses. That leaves two other choices: outsource to a professional relocation management company (RMC) or leave it up the relocating employee as a "do it yourself" move.

1 PROFESSIONAL SUPPORT. **You recognize that relocation is complicated, stressful, and time consuming for you and your relocating employees.**

You want your employees to work with competent suppliers and to arrive at the new job location on schedule. And you want your corporate money to be spent wisely. If that sounds like you, the solution is to outsource relocation to a relocation management company (RMC) that will support your relocating employees throughout the move, select suppliers in each location, and manage the costs of each relocation.

Companies that offer a professional program have two ways to determine the assistance they will provide. They can pay the full cost by covering all reasonable expenses that result from the move. This usually includes a tax "gross up" of the payments that are treated as ordinary income to make the employee "whole" after taxes.

To control costs, a company can also offer targeted assistance, whereby the company only pays for specific services. The company recognizes this approach will not cover every expense and that the employee will have to decide if the new position is worth some out-of-pocket costs.

2 DO IT YOURSELF (DIY).

Under this approach, your company does not want to be involved in the personal decisions that an employee has to make to move to a new job location.

You believe your employees can manage the process themselves using market-available resources. If this is the case, you give relocating employees a one-time cash payment to cover their costs. The amounts of such payments may vary by the employee's situation. This approach can often be challenging for employees who have little experiencing moving and they may have difficulty arriving to their new job on time and within budget.

These "lump sum" payments are ordinary income, so the employee will only have the after-tax amount available for their move. For that reason, some companies "gross up" the payment to cover the tax liability. The employee pays all of the costs of relocating, even if they exceed the net amount of the payment. Conversely, the employee keeps whatever funds are left over.

- ▶ **Some companies select an option based on the job level and circumstances of the employee. A recent college graduate new hire may get the DIY approach, whereas an experienced executive would have professional support.**

▶ WHAT SERVICE OPTIONS ARE AVAILABLE IN THE MARKET TODAY?

For many years, relocation services have been treated as a commodity, with the thinking that “all RMCs are pretty much alike.” But things have changed in the last few years. Technology has created significant differences among suppliers, in terms of service offerings and pricing. Relocation services are no longer a commodity.

We all know how technology has affected other industries. We don't call a travel agent anymore to make an airline reservation. And we don't call a taxi service and tell them where we are and where we want to go. Rather, we use an app on our smartphone.

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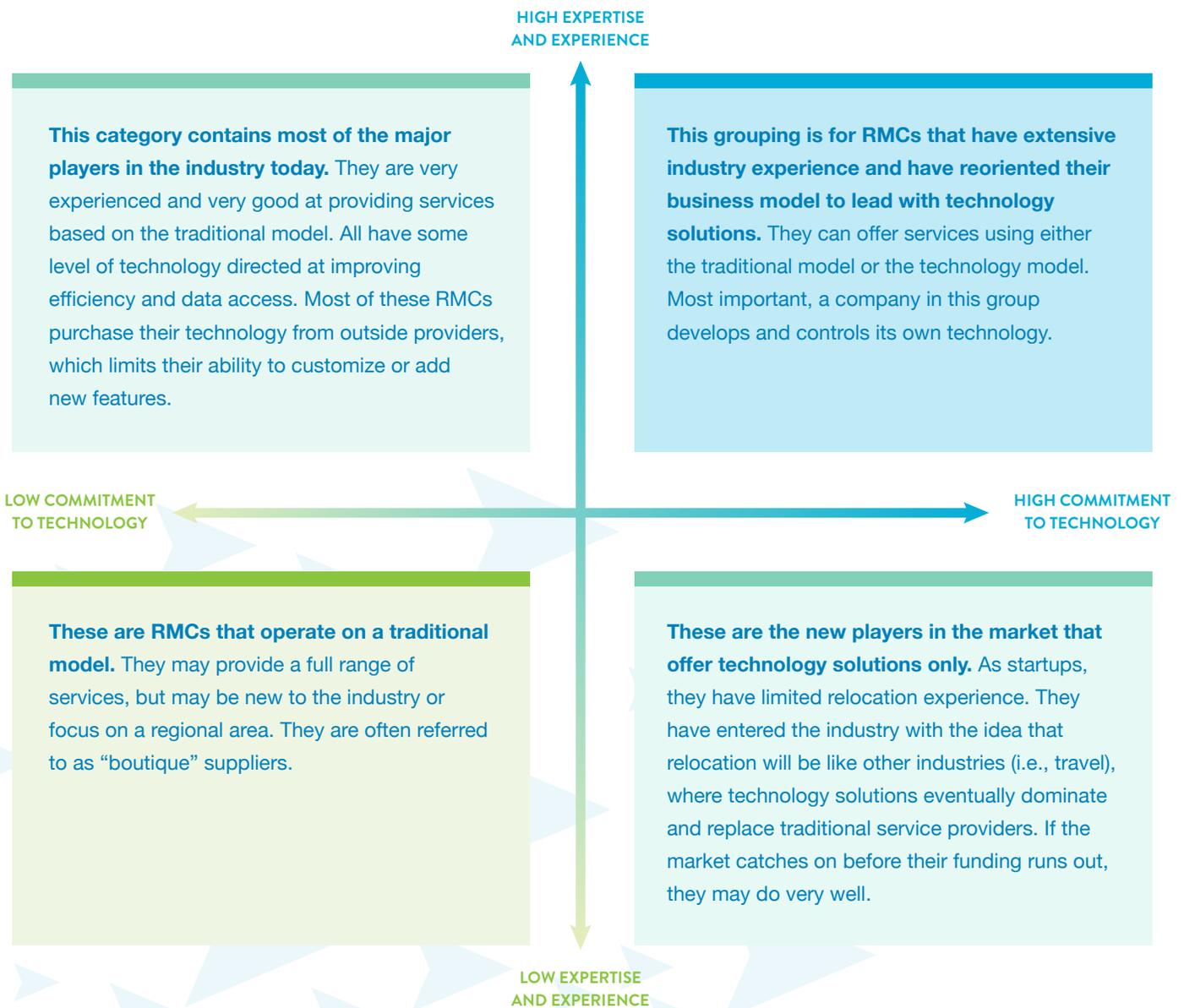


Today the “traditional model” for delivering relocation services depends on a professional relocation consultant. The consultant does most of the work of arranging and facilitating payment for services needed by a relocating employee.

The new “technology model” is very different. It empowers the employer and the relocating employee to manage all aspects of a move themselves, with much less emphasis on the consultant. The new process is more convenient, more efficient, and less expensive.

RMC Players

To help better understand the characteristics of relocation management companies, we have divided the population into groups based on a combination of industry experience and commitment to technology.



Selecting an RMC

In the U.S., there are about 30 to 40 RMCs to choose from. An important step, then, is to narrow the field to the two or three that are most likely to meet your company's needs. To help you in this decision, let's introduce two additional factors to consider: commitment to serve medium-size companies and, of course, managing costs.

1 SERVING THE MIDMARKET:

Historically, RMCs have focused on the largest companies, such as the Fortune 500, mainly because of the high one-time implementation costs and ongoing support costs necessary for each client. With large clients, these costs can be spread over many relocations. In short, it has not been cost-effective for most RMCs to serve the midmarket client.

2 MANAGING COSTS:

This topic can be complicated. To help explain it, we divide costs into two piles: "total spend" and "service fees." Total spend refers to the total amount of money that a company pays for a relocation. It includes the payment to a van line that moves the employee's household goods and the reimbursement of the employee's travel expenses to the new location. Service fees are what the RMC is paid to manage the process, and they're included in total spend. As a guideline, RMC service fees should average around 5 percent of total spend.

But technology is changing the rules of the game. There's good evidence that the greater the commitment to technology the more likely that the RMC will provide a solution for midmarket clients and that clients will have increased control of their costs — both total spend and fees.

➤ To bring this all together, we would argue that today **THE** determinant of which RMCs to consider comes down to one factor: **technology.**

If we have made our case well, then you would select the two or three RMCs that you want to evaluate from the groupings we described as having a “high tech” commitment.

NEXT STEPS

This paper is intended to help you and your company find the right solution to meet your relocation needs. We hope the information we have provided will help you narrow the list of competitors to consider, evaluate the solutions offered by each, and make a final decision that's best for your company. The next and final steps are up to you.

If you would like to see how NuCompass is serving the midmarket with our CoPilot cloud-based technology, visit our website or call us at 925-734-3869 to schedule a demo. We invite you to test our “High Experience, High Tech” solution in your own working environment.

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