



# Rethinking Traditional Three-bid and Lump Sum Practices

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A More Effective Purchasing  
Strategy for Corporate  
Relocation Solutions



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# Introduction

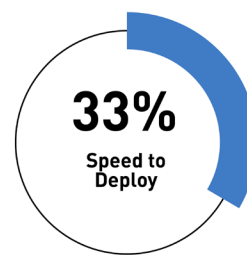
As a purchasing director or procurement manager, you are focused on securing high quality solutions and partners for your organization.

We recognize that it's important to consider all purchasing strategies before jumping into an employee relocation agreement. As experts in corporate moving, we've done extensive research on the relocation process from coverage to logistics, moving, storage and project management. We've found that establishing sustainable practices and reliable relationships that can be used for future relocations is a fundamental necessity for the continued success of an employee relocation program.

The traditional relocation policies such as a three-bid procurement strategy or a Lump Sum package may seem logical on the surface. However, these quick answers do not serve as longstanding solutions for companies that want to ensure that everyone involved in the corporate moving and relocation process has a positive experience including the human resources department, hiring managers and the employee that is moving on behalf of your company.

Our studies, research and client surveys have shown that corporate relocations in which long-term relationships are established are more successful for the corporate customer, transferee and the moving/relocation partner. In our most recent mobility report, we had almost 250 participants representing 235 organizations from a variety of industries take part in the survey.

We found that **61 percent** of participants said cost management was their biggest mobility challenge, while **46 percent** said process efficiency was their biggest mobility challenge, and **33 percent** said speed to deploy was their biggest challenge. Streamlining all processes under one partner reduces these top three mobility challenges by helping manage costs and increase process efficiency and speed to deploy.



# Three-Bid

A three-bid strategy for corporate relocation entails a procurement manager sourcing three competitive relocation bids and comparing options to uncover the best price. When it comes to one-time purchases of capital equipment such as copiers, computers or production machinery, the three-bid strategy can prove to be successful for procurement. However, given the importance of customer centricity, this kind of procurement strategy is not ideal for repurchased goods and services such as moving services.

While conducting an external search for appropriate suppliers and selecting the top three choices may seem like a beneficial route, it actually complicates the inner workings of your organization. Instead of streamlining processes and building lasting relationships, a three-bid strategy requires the procurement manager to identify potential suppliers, verify for quality, check for availability and negotiate prices all before a relocation agreement is set into motion. Bids require much greater

administrative time to gather and review the estimates for the shipper and corporate buyer, and unfortunately there is always the risk of a “bait and switch” bidding technique, where a vendor may not uphold the needs of the corporate buyer all the way through the project’s completion.

In addition to the time required to research vendors, the three-bid strategy is also costly. There are much higher costs associated with setting up multiple new vendors with accounts payable, most of which will likely not be used again. 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. Then, once the move is over, the supplier and organization who procured its services split ways. The next time the organization has a corporate move, the process starts all over again with a new set of potential vendors, expending more of the procurement team’s time and budget.

**Many hidden items contribute to the true total cost of a move. For example:**

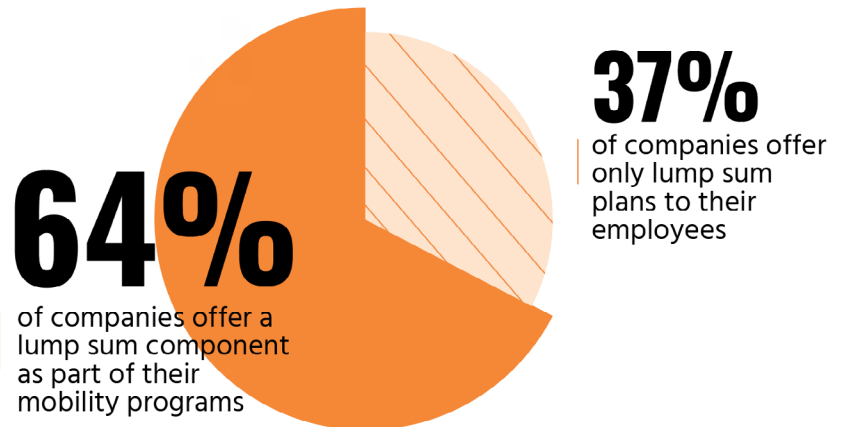
1. Replacement-Value Protection is a chargeable item in the COD/Retail market but is provided at no charge to transferees of our corporate clients.
2. Bids require much greater administrative time to gather and review the estimates for the shipper and corporate buyer.
3. The higher costs associated with 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.

# Lump Sum

Similar to a three-bid procurement strategy, a Lump Sum relocation package is also time consuming and less cost efficient. A Lump Sum package is a cash payment to a relocating employee that is intended to cover all or a portion of relocation services that would otherwise be delivered directly to the employee. Lump Sum packages appear attractive to both employees and employers because, on the outside, they provide financial support to relocating employees while minimizing the administrative responsibilities placed on the organization.

In fact, SIRVA's 2018 Annual Mobility Report, Talent Mobility for Business Growth – Aligning Practices to Drive Organizational Impact says **64 percent** of companies offer a lump sum component as part of their mobility programs and **37 percent** offer only lump sum plans to their employees.

However, Lump Sum packages are actually not the best strategy for the employee or the company. Without proper measurement or tracking, questions about how to



best allocate funds can arise. Additionally, the Lump Sum amount is personally taxable to the transferee and has tax implications to the corporation. Instead of managing the move for the employee, a Lump Sum places the burden on the employee to research movers and distribute their funds efficiently.

Most importantly, Lump Sum payments are not near as safe for the employee as a master services agreement because employees are not choosing from a vetted list of reliable movers. Without an existing relationship with a moving company, employees are at risk of encountering “Rogue Movers” that present themselves as professional carriers but intent to commit fraud. Trust only ProMover members, and choose a moving company with a reputable record of moves.”



# What's the alternative? What could be more effective?

Additional value to a corporation to be a repeat customer to a moving/relocation partner is extensive, including service priority, expedited claims settlement, service guarantees and metric-driven quarterly reports. There is a high level of personalized service and communication required for a successful relocation, and there is a deep knowledge required by your relocation partners to understand your specific relocation policies and needs. This kind of relationship is not easily developed with the use of a three-bid procurement strategy, or a Lump Sum relocation package, but is best achieved through a master services agreement.

A master services agreement is a set of legal definitions, procedural understandings, service commitments and price guarantees established between your company and your moving partners, such as Allied Van Lines. In a master services agreement, all relocation services are administered and contracted through one source. This kind of agreement enables your organization to enter into a trusted relationship with a corporate mover that offers transparent and competitive pricing, outstanding quality, on-time delivery and superior dedication to meeting your company's needs. Allied Van Lines is providing a new breed of master service agreements, with services working for you around the clock,

around the world with one goal in mind—to be your single-source provider of corporate relocation services including coverage, logistics, moving and storage.

When evaluating a purchasing or relocation strategy, it's important to consider how each given strategy can be utilized over a long period of time. While processes like a three-bid procurement strategy and a Lump Sum relocation package may seem beneficial at first, they don't provide as high a time or cost value for the transferee, company or mover. Service commitments are the most reliable, convenient, care-focused and financially responsible route to cover all relocation needs from start to finish. In the end, your employees both now and in the future, deserve a higher quality of care.

Allied Corporate Moving specializes in integrated relocation solutions that support organizational strategic goals and help to build a more agile mobility program.

If you'd like to explore our Master Services Agreement options, let's connect:

[allied.com/corporate-relocation-services/  
contact-us](https://allied.com/corporate-relocation-services/contact-us)