The Value of LONG-TERM PARTNERSHIPS

In the never-ending effort to trim costs and increase quality, is there still value in, or even a place for, long-term partnerships?

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So far, 2013 has seen many interesting trends, including post-recession pressure to continually cut costs and increase quality. The relocation industry is no different. Corporate users, relocation management companies (RMCs), and supplier partners all feel squeezed, and all feel pressure to do some squeezing of their own. In the never-ending effort to trim costs and increase quality, should we even try to forge long-term partnerships? Taking on this issue from the perspective of a relocation management company (Whitaker), corporate user (Rodriquez), and supplier partner (Fritz), we maintain that there *is* still value in long-term partnerships. We explore the advantages that long-term partnerships hold over the typical *discard* style of relationship. Such advantages include *peace of mind, partnerships built on trust*, and *hard-cost savings.*

Cutting Costs, Increasing Quality

The environment in which we work resembles a competitive, amorphous, and ever-changing kaleidoscope of challenges and successes that require real (tangible) strategic solutions. Worldwide, we live in a post-recession, or in some cases, an active recession economy where companies with long memories are eking out some relocation benefits that have been missing for several years. Others still exude fear for the future and hold back on these benefits. In the broad scheme of approaches, two constants remain strong:

1. Costs are always evaluated with a goal to increase profits, and
2. Quality of products and services must continually increase.

Attention to customer satisfaction is always pushing higher. Shareholders demand that organizations strategize and put their best efforts behind cutting costs and increasing quality.

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We All Squeeze Each Other

One of the most apparent and regularly used methods to cut expenses is to change providers in order to find a comparable service at a lower cost. Executing a request for proposal (RFP) is one of the most expensive methods to accomplish this task. Some companies may seek to use the RFP for the sole purpose of testing the competition to see who will provide the lowest price. It is an effective tool to put pressure on existing vendors to keep them competitive. RMCs sometimes have RFPs for their vendors as well. Even without an RFP, companies constantly keep an eye out for supplier partners who provide the biggest corporate discounts, the largest referral fees, and a commitment not to compromise on quality. Lastly, supplier partners are not immune from the squeezing game. Bringing this full circle, we cannot blame the corporate user for starting all this squeezing. Corporate users feel squeezed by demands from internal stakeholders for quality services, flexibility, accurate data, and lower prices.

What is the result? As companies, departments, entities, and individuals—we all do some squeezing and we all feel squeezed!

Do Long-Term Partnerships Have Value?

With all of this squeezing going on, the question can be asked fairly: "Is there still value in long-term partnerships?" Is the pressure to trim costs and increase quality so great that in order to save a buck or improve quality, do we feel we have to make drastic changes and start all over again?

We are all involved in a tricky dance. Corporate users rely on relocation management companies. RMCs rely on their supplier partners. Supplier partners often have to rely on RMCs to communicate the value of their respective service back to the corporate user without any face time themselves. Wal-Mart changed supply chain management techniques worldwide by having more suppliers than needed so that losing a noncompliant vendor would not present a problem. The volume they ordered from their vendors was so high that suppliers could not afford to be the nail that stuck up—they would get pounded back down, or worse, lose the contract.

These kinds of high-pressure vendor situations exist in our industry as well. One company tried four RMCs in less than four years. Compare the acquisition of relocation services to the purchase of a new car. The company essentially said, "The Lexus doesn't quite feel right; let's try the BMW. The BMW didn't work; how about a Mercedes? Maybe I don't need a luxury car; how about a nice, reliable Nissan? Nissan let me down; perhaps I'll try a Ford. …" Is there something wrong with a BMW, a Mercedes, a Nissan, or a Ford?

Three Hidden Benefits

It doesn't have to be this way. We maintain that dedicating your organization to a long-term partnership brings great value and some terrific advantages. Long-term partnerships also have some hidden benefits available only to those who stick with

them. Here are a few of the strongest advantages to a long-term partnership in relocation:

Peace of Mind

We all buy things that bring us peace of mind, such as term life insurance, security systems, and cars with airbags. The first thing a true partner will do is bring peace of mind. Partners accomplish this by teaching each other what they need. They take time to explain to each other *why* they need the things they do and *why* they are the best fit for each other. Then they remind each other of it often. Then actions are taken to become that best overall fit that the two companies planned and developed together. The peace of mind that a long-term partnership brings saves time and energy, and causes less stress, because both parties know what the other would want in most situations.

Partnerships Built on Trust

In addition to peace of mind, a long-term partnership provides some conveniences that can be felt only when the relationship is built on trust. Trust comes from knowing you don't need to reply to that e-mail. Trust comes from knowing that when a situation does arise, a solution is already in place.

Long-term partnerships bring collaborative solutions to problems that benefit all parties. An example of this would be a sticky problem where the source cannot be easily traced to just one partner. The corporate user, RMC, and supplier partner could agree to share the cost. Or they could outline a strategic response to the issue with an outcome that excites the end user.

Long-term partnerships provide opportunities for mutual growth and success. Corporations grow and succeed with partners who work well with them. RMCs grow and use their stellar records with corporations for references and referrals. Finally, a supplier partner's volume grows when its corporate and RMC customers grow. It's a *virtuous* cycle. They can help bring each other success as well. A corporation with a heavy reliance on its RMC and supplier partners will need to get advice on best practices, trends in pricing for certain services, and trends in other areas. Long-term partners keep each other educated, because each has a sincere desire to see the other succeed.

In a long-term partnership there is room for give-and-take. There is room for forgiveness. There is room for better, more collaborative solutions to sticky problems and their implementation for the benefit of the end users (customers). Entities can learn not to point fingers and assign blame to their newest partners. Instead, they will realize that each decision affects another.

Hard-Cost Savings

The financially minded may think, "Of course, there are some benefits to a long-term partnership, but a company has to have an edge to really keep its costs down." Essentially, they are asking, "Are there really *hard-cost savings* to having a strong and successful partnership?"

The hard cost to an organization to run an average RFP is estimated at around $20,000. In terms of the manpower to review, gather resources, present, prepare, etc., the real cost is actually much higher. One client corporation estimated that the time value of a recent large RFP exceeded $230,000. And this is the estimated cost by the company *initiating* the RFP, not to mention the costly efforts of those responding to it. In some cases, the amount of data corporations receive back as part of an RFP can be overwhelming. It can easily take a corporate client hundreds of hours to organize, present, gather, analyze, and compare data and make a decision.

If there is a fender bender, are you going to sell the entire car? Investing in long-term partnerships can save serious money in transition costs.

Remember the company that transitioned four RMCs in less than four years? It was unable to settle on a BMW, a Mercedes, a Nissan, or a Ford. This analogy could go further. If the car needs a new windshield (policy structure), or a new engine (benefit offerings), or a new paint job (cultural fit), or new tires (household goods movers), or new leather seats (homefinding), the owner can go to a mechanic or other specialist, isolate the problem, and get it fixed. A new car should run fine for 10 years. How about your relocation partnership? Isolate a problem and make repairs, but if there is a fender bender, are you going to sell the entire car? In most cases, a repair is less expensive than buying a new car. Investing in long-term partnerships can save serious money in transition costs.

When you move out of a relationship and into a new one, you move into the landscape of perception versus reality, which is always a gamble. Just as the grass is always greener on the other side, companies need to acknowledge that sometimes there might be nothing wrong with the partnership, but that users have changing expectations for what they want out of their relationship. Isn't it worth some effort to rectify current issues before making a switch away from any partner? You would want to make a repair or two to your current car before rushing out to buy a new one, wouldn't you? Before attempting to make a repair, wouldn't you also check that the rattling sound you're hearing is not coming from the baggage in your trunk?

There is also forecasting to consider. Having a more accurate picture of what fees to expect, without surprises, and what the costs of the program will be can create hard-cost savings. On an annual basis, even factoring in any changes in policy that have occurred, an organization should be able to paint an accurate picture of what it should expect to pay. However, with regular changes to partners, such forecasting is much more difficult, if not impossible.

If an organization is indeed going through a difficult time and truly does need to cut costs, doesn't it make sense to do so by reducing benefits rather than changing partners? The real money in relocation is spent on benefits, not on file fees or other service-related charges. Who better to help organizations restructure their benefits than their long-term partner? Companies should be careful not to allow internal pressures to make hallmark changes based on cost alone. There are cost savings to be had with the value of a long-term partnership.

Good partners grow with each other and do not just "see potential" for value—they proactively create value.

Long-Term Partnerships Are Worth It

While we do see, and will continue to see, changes in our industry landscape that push us all toward cutting costs and increasing quality, corporate users, relocation management companies, and supplier partners will all benefit from a little less squeezing. In the never-ending effort to trim costs and increase quality, let's get creative and find ways to achieve our goals while still valuing the long-term partnerships, rather than going along with the turn-and-burn culture of today.

Meet with your RMC. RMCs, call in your supplier partners. Celebrate with them. Communicate openly with each other about internal pressures. Make them aware before making an emergency. Find ways to fix the problem before you are forced to. Show trust in your partnerships, and maintain that there is still value in long-term partnerships. Give them a second chance. Give them a third chance. Seek the advantages that long-term partnerships can bring—*peace of mind, partnership built on trust,* and *hard-cost savings.*

Understand that a long-term partnership takes, well … time. You can't just request a benchmarking report for partnership. Become the benchmark. Good partners grow with each other and do not just "see potential" for value—they proactively create value.

So that's the "why" of building a long-term partnership. The "how" will have to wait for another day. *M*

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