

TCO & Mobility



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Agenda

- Total Cost of Ownership
- Mobility Services
 - Home Sale
 - Household Goods
 - Temporary Housing
- Example of TCO Tool
- Conclusion



Total Cost of Ownership

TCO [Total Cost of Ownership]

- *traditionally applied to technology, but in reality, TCO applies to all purchases*

- Visibility of cost may be limited, depending on how the visibility tools and categories of your Spend are setup
 - **One example: The spend category Corporate Mobility**
- Benefits of providing insight into your mobility spend:
 - Enables evaluation beyond the initial purchase price / management fee
 - Provides visibility beyond HR-Relocation
 - Enhanced visibility into the TCO of your global mobility program

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Why Focus on TCO for Mobility Services?

...Many companies don't understand how to plan for or quantify the long-term costs of managing mobility services...

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RESULT

Difficulty in determining your company's policy direction and desired outcome

- Increasing complexity of mobility services makes understanding ongoing TCO more critical
- Companies rely on providers to deliver and support mobility services—services which could fail at numerous points in the process
 - Mobility suppliers should be in alignment to help you meet your goals
 - Track and report KPI's that drive Total Cost
 - Track the pros and cons of various mobility decisions and strategies

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How to Calculate Your TCO?

HR-Relocation $\approx 85\%$ of the costs in a US Mobility program exist within three categories (other than tax)

1. Home Sale
2. Household Goods (HHG)
3. Temporary Living

How do you calculate the TCO of your mobility costs?

- Evaluate costs a few layers deeper, focusing on: the hidden or consequential costs associated with deploying, operating, and maintaining an end-to-end mobility benefit

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Home Sale: Spend Evaluation

% Loss to Acq Price → Amended Rate ↓	7%	8%	9%	10%
90%	\$ 210,000	\$ 240,000	\$ 270,000	\$ 300,000
85%	\$ 315,000	\$ 360,000	\$ 405,000	\$ 450,000
80%	\$ 420,000	\$ 480,000	\$ 540,000	\$ 600,000
75%	\$ 525,000	\$ 600,000	\$ 675,000	\$ 750,000
70%	\$ 630,000	\$ 720,000	\$ 810,000	\$ 900,000
65%	\$ 735,000	\$ 840,000	\$ 945,000	\$ 1,050,000
60%	\$ 840,000	\$ 960,000	\$ 1,080,000	\$ 1,200,000

Home Sale

- Average home sale costs an organization \$90,000*
- Types
 - Buyout – % purchased
 - No Buyout – Days on Market
- 1. Supplier Costs
- 2. Performance – primary driver of home sale TCO

*Source Worldwide ERC®



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Household Goods (HHG): Spend Evaluation

- HHG
 - A HHG cost is \$12K (US-domestic) and \$20K (international)
 - High discount from base tariff does not mean low cost
 - Broad variance in suppliers
 - Recognize the layering of costs, especially on international moves
 - While tendered to one agent, is it being executed by a different agent or series of companies?
 - Understand the compensation impact to the driver and packers who are handling your goods
 - Does securing the right information provide quality feedback on the key process inputs?



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Temporary Living: Spend Evaluation

- Temporary Living
 - Leverage volume
 - Application across multiple departments
 - Training, interns, temporary assignment ... as well as relocation
 - Visibility: understand who owns the lease
 - Do you know the lowest level of cost opportunity?
 - Ensure that the HR policy aligns with/supports purchasing methodology



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TCO Report: Structure and Build

- **TCO Objective:** estimate all costs related to the ownership, management, support and usage of the mobility program and services
- Components of a TCO Report/Evaluation
 - Indirect costs are a key component of the TCO
- Direct and indirect costs might include:
 - Program fees (≈3%)
 - Sub-supplier fees
 - Costs associated with performance or misaligned service levels

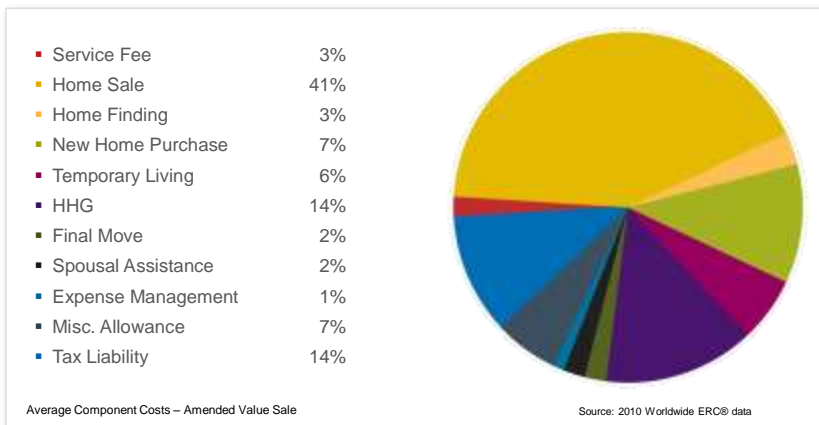


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TCO Analysis: Step One

- Identify the cost components and the opportunities for savings within each component



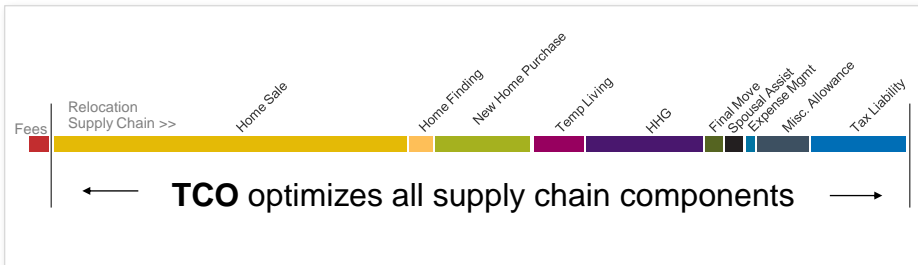
Includes direct homesale costs & homesale bonus. Does not include loss on sale assistance or duplicate housing costs

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TCO Analysis: Step Two

- To control total cost of ownership, you must be able to isolate and control actual cost drivers within each component of the mobility chain in order to optimize overall savings

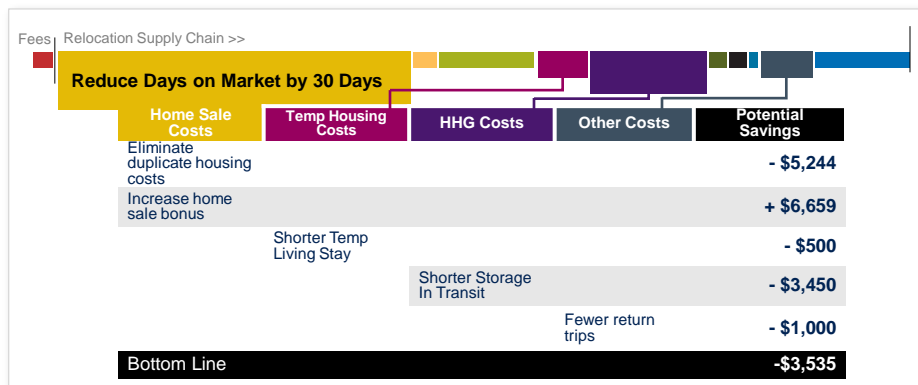


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TCO Example of Reduced Costs

- Impact of one simple element: reducing days on market
- Result:** drives costs down throughout the supply chain resulting in significant bottom line savings



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TCO: How We Do It

Total Relocation Assessment Calculator (TRAC)™

SIRVA's business decision tool that enables organizations to identify, itemize and clearly understand component and overall mobility costs.

Section	Item	Value
Basic Data	Mover and Furniture Load	
	Relocation Date	
	Relocation Month	
	APO	
Costs	Home Sale	
	Household Goods	
	Temporary Housing	
	Travel	
	Relocation Services	
	Storage	
	Insurance	
	Utilities	
	Other	
	TCO Summary	Total Relocation Cost

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Conclusion

- A complete assessment of a mobility program requires a complete view of all associated costs, and engagement with all stakeholders
- Companies need to understand their relocation goals and how to support those goals – a TCO assessment can help clarify
- A company can then assess the value of their mobility policy
 - A low TCO in any program is not necessarily good and a high TCO may not necessarily be bad
 - High/low values help you flag areas that require attention

Thank You

Q&A