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WHAT ABOUT THE LITTLE GUYS?
A CASE FOR PROVIDING RELOCATION SERVICES
TO START-UP AND SMALL VOLUME CORPORATIONS

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Entering the 21st century, the business model that the relocation industry has operated from since its inception has changed. The small-staffed, low-volume company, often run by entrepreneurial types, and often referred to as a startup, dotcom, or emerging company has assumed a larger role in corporate America.

Evidence of this is found at the Small Business Administration's advocacy site (http://sba.gov/advo/int_data.html). The site reports that for 1995, 5,878,957 firms existed in the United States and 5,089,841 or 86.6 percent of those firms had less than 500 employees, with the largest concentration in firms with less than five employees. By 1997, the overall number of firms had dropped to 5,541,918 firms with 5,525,839 or 99.7 percent of the firms having less than 500 employees.

The greatest concentration of employees was in the firms with less than 20 employees. A little more than 20 percent of ERC's corporate membership moves less than 50 employees per year.

Based on numerous survey results from ERC and others, the preferred method of delivering real estate assistance is through relocation management companies. But, through my experiences and discussions with those in the relocation industry, this aforementioned growing core of small businesses - ones that relocate from one to a dozen employees per year - has been ignored.

In this tight labor market, these startup companies are becoming increasingly more involved in hiring and, ultimately, in transferring employees nationwide. The general philosophy of the relocation service company industry is that unless the corporate transfer volume exceeds a certain level, most companies are not interested in providing service to them. Or, to make up for the fewer relocations required by these companies, the relocation management companies charge an additional fee to handle the small volume.

There are several reasons why some major relocation management companies are not interested in serving this small company market.

First, industry representatives say that, as a rule, it costs too much to deliver services to the small-volume startup firms because of the extra personnel hours needed to properly serve them.

Second, these industry representatives said that to handle the initiation efficiently they must deviate from existing policies and procedures that are based on economies of scale. Consequently, they face the inconvenience of revamping policies and procedures for the low-volume client.

Third, the relocation management company representatives I spoke with felt that people at the low-volume transfer companies ask too many questions about the general process of relocation. When providing relocation services to these employers, these smaller companies asked why things were done a certain way. As the client, they were operating under their rights to inquire why a certain policy had particular procedures and the effect these policies would have on their corporation.

Fourth, the relocation management company representatives expressed concern regarding their future relationship with the client. They hesitate when thinking of investing in a company that in a few years may no longer be in business.

Fifth, the relocation management company representatives expressed concern about the startup's lack of bona fide financial standing. During their early years, many dotcom companies have trouble demonstrating a true financial picture. However, they are also the types of companies that the venture capitalists tend to support first.

From the service provider's point of view, these are valid concerns. However, service providers must consider a valuable alternative view. There are countless examples of startups that have gone on to major success, for example, Hewlett-Packard and Apple Computer.

Relocation management companies must not overlook that the dotcoms of the world represent a major segment of the American economy. Valid arguments can be made against the reasons listed above to explain the snubs.

Service providers should not turn away business by arguing that it costs too much to provide service to the low-volume companies. By ignoring these startups, service providers truly are passing up the chance for potential revenue, no matter how little the fee might be.

As for not wanting to deal with the frequency of questions from startup firms, service providers should not forget that they are not only in the business to serve, but also to educate. It is the service provider's responsibility to explain to clients why the process works the way it does. If a service provider truly is dedicated to establishing a learning relationship with clients, then it should be prepared to answer to answer any question to the client's satisfaction. The client, rightfully so, should demand to know and understand the relocation process. Service providers should welcome the opportunity to learn about their clients and answer their questions.

Service providers should realize that they are operating in an industry that has become more aware of delivering customized customer service. The way a company delivers its service should be designed to fit the specific needs of each and every client. It no longer is sufficient to offer one process that has been designed to serve all clients.

No one has a crystal ball that will forecast which startup company could go on to become the next Hewlett-Packard or Apple Computer. However, these low-volume companies deserve an equal chance to be that next great client.

Most agree that these prospective low-volume clients can be more demanding than larger, well-established corporations. However, it is right to give the smaller firms the chance to become proficient in

providing outstanding relocation service to their employees. Treated with professionalism, they can be a source for higher volumes of ongoing business in the future,

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