The History and New Age of Moving Domestic Household Goods

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"From my perspective, full-service moving and/or self-hauled shipments will eventually be reserved for the relocation of larger shipments and/or VIP employees; those who are willing to pay the price. So what seems to be the solutions on the horizon?"

The year 2007 marked the cessation of the Household Goods Bureau's published 400 Series tariff (400N being last in the series), which was the dominant tariff utilized in contract carriage agreements for shipping domestic household goods. The end of the 400N tariff was a catalyst for contract changes in the industry. However, since that time, move partners have grappled with increasing operating costs and a dwindling driver pool. In this article, the impact of the tariff change on household goods contracts will be examined, as well as the current and future challenges faced by move partners. Examining the trends reveals some practical steps to be taken today.

For over 15 years, I have studied and negotiated household goods contracts and their relevant tariffs, while watching that process become more convoluted over time. Each successive year, movers sought price increases in line with CPI to cover their increases in labor and packing materials, while corporations tried to negotiate increases less than or equal to CPI to keep their costs down. The result of this trend has been the deep discounting applied to the 400N tariff, and a "list price" that was often irrelevant to the shipment.

Contract negotiations used to be as easy as checking CPI, asking the client what increase they wanted to apply and making adjustments to the frozen date and discount. Effective with this article, frozen rates for more than a year are rarely acceptable.

With today's market changes, the only way to confirm best pricing is to benchmark contracts for each move. This can be done with a tariff analyzer, where the significant charges for each contracted tariff are compared and subsequently used to book the move.

How did this happen? In 2007 the 400 series tariff was shut down by the US Surface Transportation Board to stop collective rate making in the household goods industry. The common rate structure was intended to be eliminated, and the movers were no longer able to communicate regarding pricing. Each mover was required to produce its own tariff, and many chose to create a renamed mirror of the 400N. Corporate clients were either subjected to multiple contracts with multiple tariffs, or faced with reverting back to a generic 400N tariff to ensure price benchmarking. Many Corporations continued to negotiate based on a 400N contract to allow for benchmarking with the previous agreement and keep the movers' pricing and rules on "the same playing field." The trend is now turning as major van lines are pushing back on

400N and presenting their own tariff with rules and rates they can adjust, while others are enforcing an Exceptions Tariff (e.g., "104G") to compensate where the 400N lacks.

The 400N tariff contract with antiquated rules, has been frozen in time since December 31, 2007 with the exception of an annual increase stipulated in Item 40 of the tariff based on CPI and CEU indices. However, the tariff cannot be amended to meet the marketplace changes. Examples are California's AB5 and CARB compliance, TV Boxing, Electronic Logging Device requirements, etc.

One of the issues with multiple tariffs is the difficulty in benchmarking and furthermore the liberty of the van line to change the rules or rates at their discretion. For multi-year contracts, it is recommended to freeze the rules for the contract period, while allowing some annual increase in rates.

There is nothing wrong with a basic household goods RFP– it provides moving partners an opportunity to negotiate a rate that they can work with, and it offers new partners an opportunity to compete. Ultimately, it allows a resetting of market rates according to that client's needs. Of course, the lowest price does not always translate to the best choice; it can add performance headaches, increased policy exception requests, or other creative approaches to counter the competitive terms.

MOVING FORWARD

To determine a way forward, pricing factors must be taken into account and weighed. Which one factor most effects the pricing and supply of readily available moving trucks? The driver shortage. This might sound like a broken record to some. While this phenomenon has been on our radar for years, the fact remains that the household goods moving industry has not yet succeeded in gaining new, younger drivers to replace the retiring drivers over the last two decades. Kathy Thompson of Atlas Van Lines in Evansville, IN, stated that "the average age of the household goods driver today is between 55 and 60 years old." And the competition is stiff - not only are drivers in high demand amongst household goods movers, but also with freight companies, furniture stores, courier services, and local shipping companies. Why choose to drive for five days away from family, when a driver can find a job transporting goods within 200 miles of their home and get back for dinner that same night?

One significant benefit of a containerized small shipment is the specific pick-up and delivery dates with usually a one-day window and appreciably shorter handling compared to a traditional moving van. A shipment from NY to CA can take three weeks in peak season with a traditional service; container services might take 9-10 days. Ease of Transferee's move is a significant benefit in trying to retain employees.

Currently, movers are pushing for an increase of minimum weight in their carriage contracts, from the 400N's 1,000 pound minimum to a range of 2,000 to 4000 pounds. That can be reasonable in light of the overall situation. But such a solution does not help the situation of a small shipment which needs to be moved at the end of June or July. All movers have blackout (capacity) dates, no matter what the weight of the shipment. Small shipments are generally less profitable and many movers claim they operate at a loss or break even at best. Given a choice, it is obvious that the smaller shipments will be bypassed in order to transport larger and more profitable shipments. As the market gains complexity and pricing continues to be very competitive, other options have emerged.

> *While there are many options for small shipments, options are usually available within the corporate van line system. Be sure the van line agent you work with is well-versed in their product and truly know how to handle the logistics of a small shipment*

The industry has responded to this issue with a flurry of companies offering some sort of containerization approach. Containerization refers to the method used to ship the goods (that is, crated in lift vans or some other container for shipment) and usually involves different pack/load and delivery crews. This approach is not dependent on the availability of long haul drivers – in fact, because of containerization, there are multiple shipping options available. The cost of containerized shipments is typically more expensive than the traditional household goods and it is not based on tradition tariffs. Some movers quote each request while others present a pricing grid with associated rules, so that relocation and procurement know what costs are involved. Some of the benefits of containerizing shipments include: 1) faster transit times, 2) an exact delivery date, and 3) reduced storage charges.

Corporations cannot assume that household goods shipments will continue to function as they did in the past. From my perspective, full-service moving and/or self-hauled shipments will eventually be reserved for the relocation of larger shipments and/or VIP employees: those who are willing to pay the price. So what seems to be the solution on the horizon? For your smaller shipments, consider moving towards the new age where even now, containerization is becoming the standard of the future.

As containerization gains momentum on the smaller shipments and as the drivers dwindle, there will be applications for faster and better moves handled through the containerization system, even at higher weights. In 5 to 10 years, we may see that traditional full-service movers will be used for shipments 10,000 pounds and up, while shipments with less weight will be containerized.

> *Quoted pricing is used internationally today and not without its issues. Quoting each containerized shipment presents inconsistent pricing and potential cost exposures to the client. Further, all shipments should be based on a set of rules, and proper documentation should be provided to confirm all services.*

For those reading this article, it is recommended that corporate clients embrace the containerization solution with a detailed pricing structure and associated rules. You may pay more than the price of a traditional move. However, that cost is offset by faster delivery times resulting in less costs for temporary housing, per diems, etc. In addition, when you need to move that one transferee and all of your traditional-move suppliers are telling you they are unavailable, containerization is THE fallback option that will keep the transferee moving to his new destination and happy with the delivery timing of his goods. Containerization is an important new service to have in your relocation toolkit. Even if you have a great relationship with your mover, their goal will always be to deliver quality service while making a reasonable profit. There will be times when you will need another solution, and containerization is just the puzzle piece you need.

The goal should always be to improve the relocation industry by providing for the client and their transferees. As the winds of the industry shift, the best method to service the transferee should matter to your company. Now is the time to embrace containerization contracts as a way to ensure the satisfaction of your end client – the transferee.