



LOGISTIC CHALLENGES OF THE INTERNATIONAL REMOVALS INDUSTRY

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Abstract

Transporting used household goods (HHGs) between different countries involves a great deal of specific processes before and after the actual transportation, which make the industry a specialty of its kind, with its own logistics challenges. Some challenges may look familiar to colleagues of other logistic areas, but most are very particular to this industry. Pronounced seasonal peaks, specific set of skills required, the nature of the goods being transported and the difficult access to them are some of the particular challenges. Tackling them individually is a reasonable task, the problem comes when, as it is the case, the challenges need to be confronted simultaneously. The requirement of specific skilled labor, for example, would not be critical if the business demand was steady throughout the year. Or the other way around, a high variance workload between peak and low seasons would not affect in such way if the job didn't demand such specific and rare skills. Being one of the less known areas of Logistic Services, it worth having a look into some of the particular characteristics of the International Removals Industry and the challenges they create.

Keywords: international moving, international relocations, logistic services' challenges, household goods moving

Introduction

International removals of used household goods (HHGs) is one of those industries, where you have to get into a deeper explanation when asked: "What do you do?" Even some experts from other logistics areas are not familiar with International Moving or do not recognize its size and scope. If you are not involved, it would be difficult to imagine a market, of *50.5 million expats worldwide, of which 2.8% (1.4 Million) are corporate customers and 73.6% individual Emigrant Workers, which narrowed to a 10% addressable market gives 3.7 million potential*

moves, with an expected total market (worldwide forecast 2014) of EURO 50 bn, assuming €14,700 spend per corporate assignee and €8,000 spend per direct consumer¹.

The “international” term on international removals companies is for “removals”, not for the “company.” Traditional companies are local, with physical coverage of a country or part of it, only. Yet, they offer global scope to their clients. There are few organizations with global (almost) presence in the industry; they exist due to merges and acquisitions or simply because of the selected business model and their capability to do so. Still, for these few groups, the agents’ network principle works among their branches and with other agents.

To offer a global service, moving companies must rely on other moving companies “agents” around the world to perform Origin and/or Destination Services, putting their clients and reputation in someone else’s hands. Except for very few cases in the world, in a country are more than one International Removal Company; therefore, company “A” will have to select an Agent in a country to be used (over the other agents), and in turn, make sure of being selected for such services when required at their location.

Transporting used household goods (HHGs) between different countries involves a great deal of specific processes before and after the actual transportation, which make the industry a specialty of its kind, with its own logistics challenges. Some challenges may look familiar to colleagues of other logistic areas, but most are very particular to this industry.

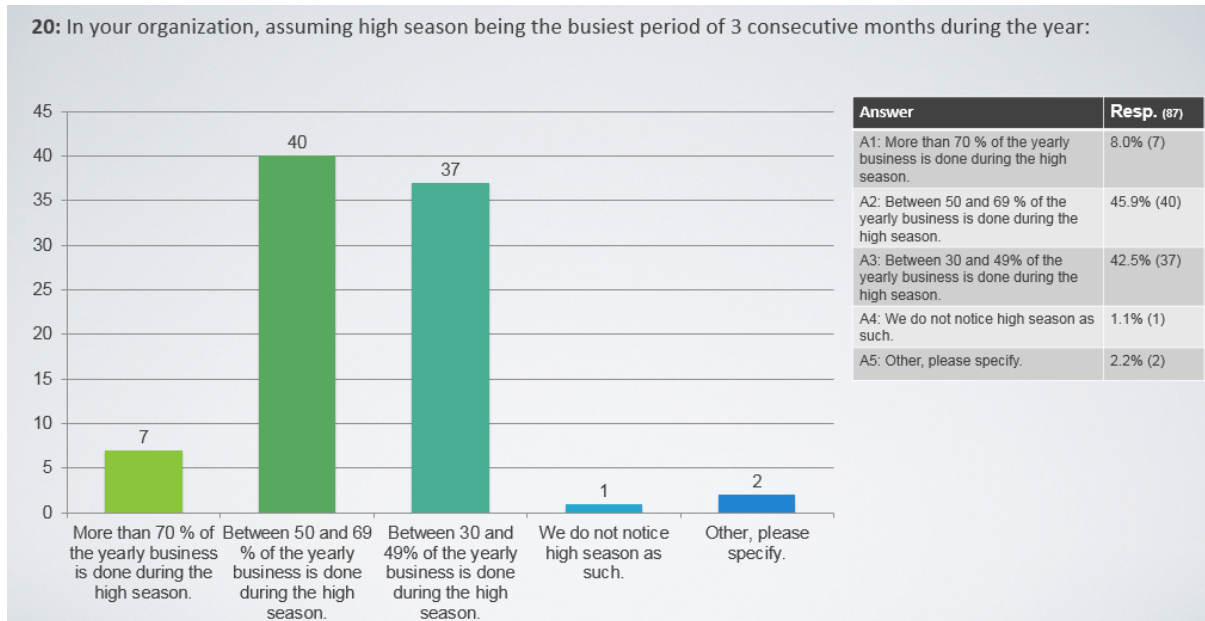
1. The challenges

The **seasonal character** of International Moving is common, as well as on other logistics areas, as pointed out by Amy Partridge speaking about SCM on seasonal retailers; *after enduring record port congestion, an ongoing driver shortage, and a 10-day West Coast port shutdown that backlogged over 300,000 ocean containers, the industry has better prepared to deal effectively with seasonality challenges².* In International Moving, the trigger for the peak season is the summer’s (North hemisphere) school holidays, as international assignments are often postponed or advanced accordingly to avoid disruption of children’s education. In Australia, Southern Africa, and South America, there is an increase in their summer, which helps, but they are strongly influenced by Europe and North America’s trends.

A recent survey among International Removals Companies (survey technical specifications on appendix 1) shows 54% of surveyed companies handle more than half of the yearly business volume during 3 months’ peak season period, as shown in Graphic 1.

¹ Santa Fe Group 2020 Strategy Report. Investor Briefing. 22nd September 2015, pp. 19-20. Primary source: Global Expatriates: Size, Segmentation and Forecasts for the Worldwide Market (2014). Finaccord.

² A. Roach Partridge: Unwrapping Seasonality Challenges. Inbound Logistics, Feature Story November 2006 Viewed at <http://www.inboundlogistics.com/cms/article/unwrapping-seasonality-challenges/> (accessed on 14th April 2016).



Graphic 1. Business distribution during high season. Answer from 87 International Moving Companies

Source: Survey: International Removals Industry: Areas where improvements have higher impact on overall performance. Surveys technical information on Appendix 1.

Seasons are not the main problem. Like other logistics areas, International Moving copes with the issue by using strategic planning and outsourcing, among other techniques, and seasons are assumed as inherent in the business. The real problem is the combination of other challenges with a pronounced peak season.

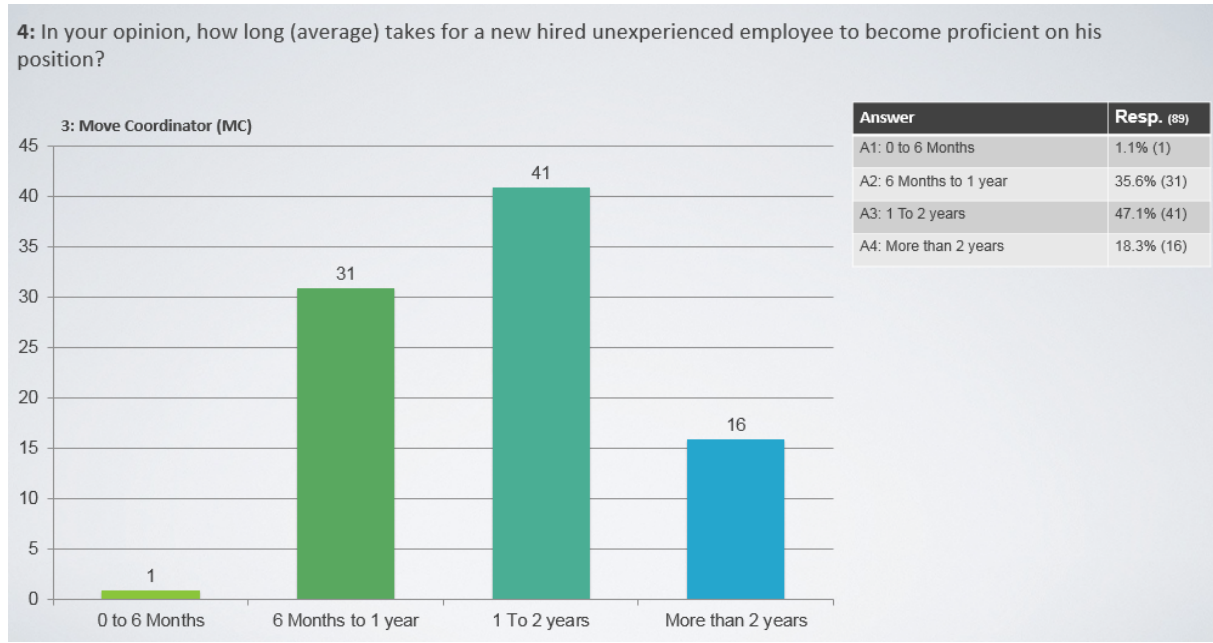
1.1 Specific skilled labor

The requirement of specific skilled labor, for example, is a reality in this industry, which would not be critical if the business demand was steady throughout the year. Or the other way around, a high variance workload between peak and low seasons would not affect in such way if the job didn't demand such specific skills.

Other logistic areas rely (for high season) on employment agencies, who provide warehouse workers and logistics clerks on demand, for as long or as short as needed. Temporal labor can be fully operational within weeks, if not days, after arriving at the new position, thanks to skills transferability among general logistics posts. *Some retailers and logistics contractors are already struggling to find enough seasonal workers to keep their new facilities humming. Soon, United Parcel Service Inc. UPS, FedEx Corp, and smaller regional delivery firms will face the same problem*³. On International moving, the crew and their skills make a huge difference on the move's outcome, such as final volume of the loaded move, number of items reported damaged after the move, client's satisfaction, actual time taken to do the job, etc. The packing (or unpacking) crews are in direct interaction with the client, at his/her own home, and handling their most beloved personal goods. Crews are bombarded with questions they cannot or should not answer. They often face clients, who "know better" how they should do the job; they have constant time and quality pressure, yet they must keep a smile on their face; after all, they are the only face (apart from the surveyor) of the moving company the client sees.

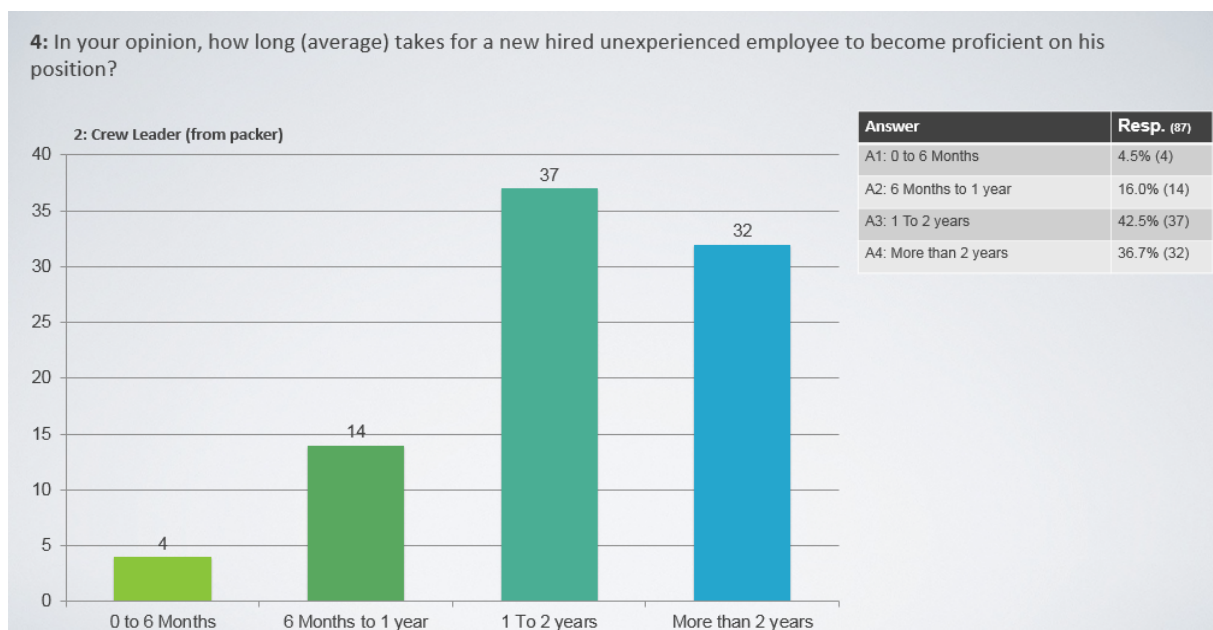
³ L. Stevens, L. Chao: Big Retailers, Delivery Firms Face Struggle to Find Holiday Workers. The Wall Street Journal. 15th September 2015. Viewed at: <http://www.wsj.com/articles/ups-holiday-hiring-outlook-is-in-line-with-last-year-1442326978> (accessed on 14th April 2016).

So all the members of the crew, above them the crew leader, who handles communication and paperwork during the packing/unpacking, must have a mixture of high technical acumen and people skills. It is difficult for a moving company to have 20, 30, 50 or more crew leaders, plus their crews, during the peak season, not keeping all of them (at an unaffordable cost) the rest of the year. Graphics 2 and 3 show (as per survey) time to reach proficiency for a Move Coordinator (office based position) and a Crew Leader, key and very particular roles in the International Moving Industry.



Graphic 2. Average training time for a packer. Answer from 87 International Moving Companies

Source: Survey: International Removals Industry: Areas where improvements have higher impact on overall performance. Surveys technical information on Appendix 1.



Graphic 3. Average training time for a crew leader (from being an experienced packer)

Source: Survey: International Removals Industry: Areas where improvements have higher impact on overall performance. Surveys technical information on Appendix 1.

Many moving company owners have expressed (in interviews, part of the same study) how difficult is to hire adequate staff. In some countries, this is more critical than others, but generally speaking, it is the main challenge, both at operational and at managerial levels.



Graphic 4. Awkward shape item packed for an international move

Source: Yanko Design. Designer Patrick Sung. Universal Packaging System. Online Magazine. <http://www.yankodesign.com/2010/04/20/ups-universal-packaging-system-recyclable-corrugated-cardboard-sheet-by-patrick-sung/> (accessed on 14th April 2016).

1.2 The nature of the goods being transported

Used household goods (HHGs) are of different shape, size, density, material, condition, and value. The first challenge due to this variance, apart from the packing itself (Graphic 4 shows an irregular shaped item after packing), is **the calculation of the volume of a move**, which is estimated when the goods are still in their normal position (books on shelves, china in cupboards, clothes in closets, etc.) at the residence of the client. The surveyor must make sure all will be included in the move is shown to him (sounds like an easy task, but experience proves otherwise), make an abstract disassembling and packing of each item, and a metal loading (container/lift-van/air van or truck) of the move.

Based on this estimation, the whole move will be planned in labor, schedule, type of transport, 3rd party services, etc. This is not an exact science; therefore, an error margin is allowed, and there are IT applications available, but miscalculations often mean high extra costs, overflow⁴, or shortage of resources during the job. Inaccuracies are sensitive when the moving volume is right in the capacity limit between 20 ft. and 40 ft. containers. For example, in this case, only the combination of a good volume estimation (surveyor) with high loading skills (crew leader) would avoid overflow. A container must be packed from floor to ceiling, not leaving empty spaces, as shown in Graphic 5.

⁴ Overflow: Occurs when the actual volume of the move is higher than the estimated one, and as a result, few goods must be moved separately from the main shipment, usually using a different transport method.



Graphic 5. The container being loaded with HHGs

Source: Daily Movers Inc. International Moving. Viewed at: <http://dalymovers.com/household/international-moving> (accessed on 14th April 2016).

The second challenge, due to the nature of the goods, is **Customs Procedures**. Although most countries have a commodity code for used HHGs, in others, every item must be imported with its own code, making it a troublesome import. Physical inspections at customs premises are a source of damaged and lost items. Tough and complicated regulations on the importation of used HHGs makes international moves an easy target for corruption in some countries. Moving Companies must be creative and adapt themselves to their country's reality to set up a smooth (as much as possible) import process, this will last only until Customs regulations for HHGs change, which is often in many countries.

Although in an ideal international move, the goods are loaded at origin into the container or truck, in front of the residence, and unloaded at the residence at destination, more often than not, storage in transit or long-term storage, Customs inspections, and shuttles are needed, introducing extra handling. Due to the nature of the HHGs, it has to be done item by item. The risk of damage is greater during handling than during transportation.

Unloading a full container (for Customs inspection for example) and after, loading it all again, is a challenge when the container is at its full capacity. Damages caused during customs inspections (not only with HHGs shipments, but in any goods) became so repeated that some carriers have changed the language of their bills of lading to provide that their responsibility ends with the delivery of the container to the terminal designated by Customs⁵.

⁵ P. Jones: Liabilities for damages following inspection of containers at direction of Customs. FORWARDER-LAW.COM, December 20th 2005. Viewed at: http://www.forwarderlaw.com/library/view.php?article_id=356 (accessed on 14th April 2016).

1.3 Restricted access to the goods

Awkward access to the origin or/and at the destination is a different challenge on each move, both inside the building and on the road. Shuttle and long carry are commonly needed; parking suspension is often compulsory in residential areas, which require a weeks' notice, like in Camden in London: *The minimum notice period required to suspend a parking space is 14 calendar days advanced warning period, plus 3 working days processing time*⁶; however, the arrival date of the move to the residence (affected by the Customs clearance process) is uncertain almost to the day before it happens. External lifts are frequently needed in European cities, but space for the lift and the removals vehicle is often not available. Graphic 6 shows a lift being used for unloading a move. Unloading heavy items, such as pianos, safes, oversized furniture which, sometimes, have to go through the roof terrace, balcony or a window, requires the use of specialized equipment, such as cranes, which would require the blocking of the public road with permission and assistance from police and local authorities.



Graphic 6. Unload of a move using an external lift

Source: King Hoists, Solution for Lifting. Viewed at: <http://www.kinghoists.com.au/lifting-service.htm> (accessed on 14th April 2016).

1.4 Routing

Route Planning is a challenge in every transportation activity, and seldom are routes identical over time; however, in most logistics industries, routes have patterns that can be forecasted, and using routing software and optimization tools is an absolute solution. On international moves, schedules must include not only vehicle and driver, but crews. Each move has a different starting date and duration. Complexity is a variable too. Many moves are included or modified at the last minute (alterations are more likely on destination services than on origin services). On the arrival to the residence, the crew may find a different situation than expected, changing the plan for the next few days, affecting other moves also. Again, this reaches the status of “challenge” in the peak season.

⁶ Suspension of Parking Spaces, Canden.gov.uk. Viewed at: <https://forms.camden.gov.uk/cus/servlet/ep.app?ut=X&admin=Y&typeId=277514&auth=211> (accessed on 14th April 2016).

1.5 Short notice requirements

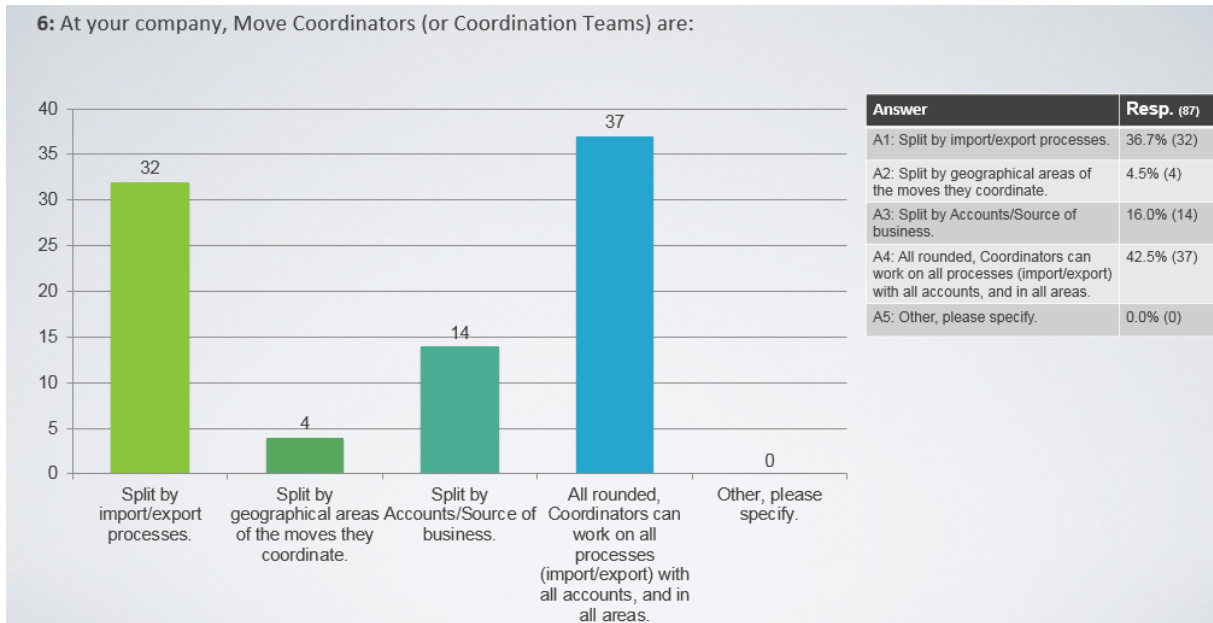
Short notice moves (once treated as “exceptions”) are more common every day. [65.3% of the surveyed companies claim to be able to perform a typical Origin Services with 3 days or less notice. Out of them, 26.1% can perform the service with notice of 24 hours before packing date]. The capability for a prompt response is costly for moving companies. First, it pushes to have medium/long-term pre-agreed rates and tariffs, which involve a certain risk, but the main issue is a big step towards commoditization. Bearing in mind the challenges mentioned above, when a company has a couple of days only, to survey, quote, plan, and execute an international move, the risk factors increase, and cutting corners (in the process), sometimes, is the only way to accomplish the move on the given timeframe. What is most painful about short notice moves is that, often, they could have been avoided; no one decides to move him/herself or to relocate an employee abroad within 3 days. Somewhere in the pre-move process, where the moving company is not involved, there is a communication breakdown. However, the move is done within short notice, and once ‘it’ is done, clients expect ‘it’ to be the norm.

1.6 Diversity of processes

Although, strictly speaking, every move is done using multimodal transport method, there are different types of shipments: FCL, LCL, groupage, air freight, road full load, road part load, etc. Each type has its origin service process (survey, packing, loading, export) and destination service process (import, unloading, unpacking), both likely to have accessorial services added. Moves can be corporate, diplomatic, or private, and the moving company may handle their own client or an agent’s client (if acting as Origin or Destination agent). Within the corporate accounts, each account has their own process requirements. Most Moving companies have an SLA (Service Level Agreement) to be followed by agents providing services to them, and although SLAs are similar within the industry, some companies have very particular ones. Therefore, the combination of possible types of moves, each requiring a specific process, makes Move Coordination a difficult task. Big companies may structure their teams as import/export, corporate/private, own/agent moves, or even allocate a team for specific corporate accounts, but in the average moving company, the Move Coordinator must be able to handle any move that lands on his/her desk. In Graphic 7, we can see, in 42.5% of the surveyed companies, Move Coordinators are “all rounded.”

Processes must be set for each type of move, managed and measured individually, *this measurement can be done using an evaluation system but due to the vast diversity of logistic processes, it is extremely difficult to give general recommendations regarding the performance of autonomous control methods in different settings. Especially companies have to be able to find the most suitable methods for their individual logistic processes*⁷.

⁷ K. Windt, T. Becker: Applying Autonomous control methods in different logistic processes – A comparison by using an autonomous Control Application Matrix. Global Production Logistics, Jacobs Univ. Bremen, Germany, 2009, p. 2.



Graphic 7. The structure of coordination teams

Source: Survey; International Removals Industry: Areas where improvements have higher impact on overall performance. Surveys technical information on Appendix 1.

1.7 The network

The network way of working, which is the essence of the International Moving Industry, is an excellent set up for a global business. It is very effective and provides several advantages, but it introduces challenges, as well. There is a particular situation where a company that today is my supplier (Origin/Destination service provider), tomorrow is my customer (when I am the O/D agent in one of their moves), but at the same time, is my constant competitor. Traditionally, the only competitors an international moving company had were other companies in the same country. Not only for the impossibility of doing business together, but for the constant fight to be selected by agents from other countries and for the local market. Any company abroad was a business partner, rather than a competitor. In today’s global market, corporate accounts purchase in different countries for global contracts, regardless who will do origin and destination services. The contest is for the global contract, which puts the bid winner in a better position in front of competitors, which most probably, will be partners on the execution of the moves related to that contract, anyway.

Keeping Differentiation. Creating and defending differentiation, in terms of processes optimization, is a challenge, as in the network way of working, the operational interaction with partner/agents exposes all process developments. For example, if a company introduces a new step in the process, which avoids communication problems with the client during long transit times, the execution will involve the Destination Agent, who will see how effective the new step in the process is, and most probably, will adopt it for their own moves. Even if that agent is not a competitor, in the same way, he will pass it forward, and so on; soon the new development will be a common practice.

Developments on packing materials or techniques will be shown on the first shipment received by other agents. The introduction of technology, such bar codes or tracking systems, is fully effective, only if all parties involved in the move use the same technology.

2. The Transition from being a transport provider to being a 3PL

Agent's network way of working, always present in the moving industry, involves the management of the Origin/Destination agent. However, except for seldom 3rd county moves, one of the services (origin or destination) was performed by the company, and the freight, as well as the other agent, was controlled. It was transportation business in essence.

With the need of crews subcontracting, as answer to the peak season challenge, and global contracts, where 3rd country moves are very common, the "moving company" who has the contract is not necessarily involved in Origin or Destination Services. The above, plus the incursion of moving companies into other business, such relocations, commercial moves, and other logistic services (see Graphic 8), are shifting International Moving into to 3PL's grounds. This transition represents a challenge, because the needed network goes beyond the already existing agent's network, and its management has additional levels and more dynamic changes. *Implementing a network configuration based on today's data will become sup-optimal under tomorrow's conditions*⁸.



Graphic 8. Diversification of services

Source: Survey: International Removals Industry: Areas where improvements have higher impact on overall performance. Surveys technical information on Appendix 1.

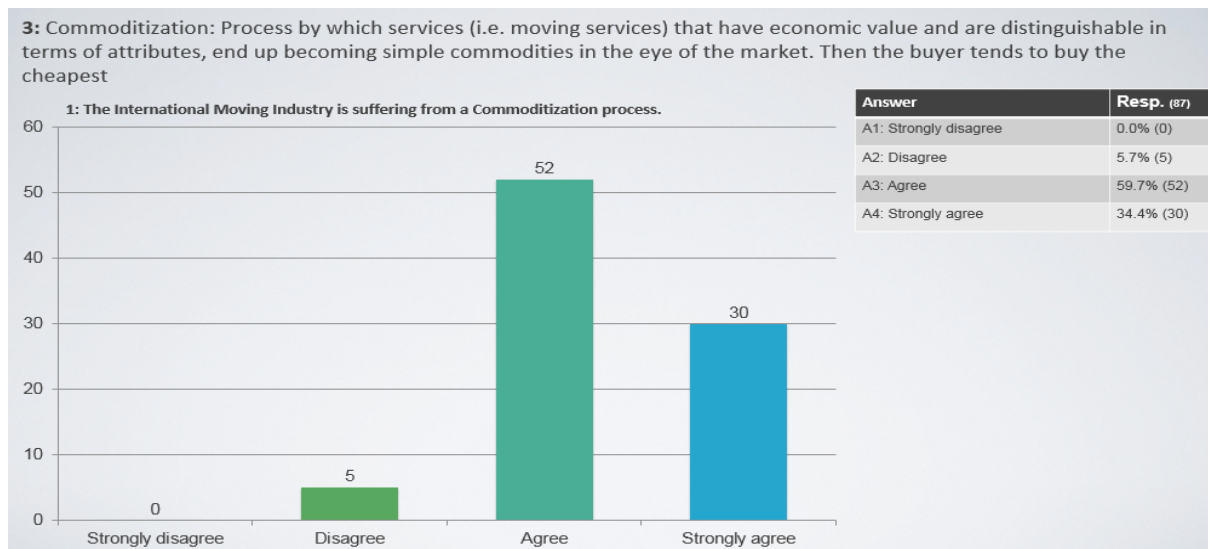
Among companies, whose core activity is International Moving, 60.70% agree and 33.3% strongly agree that our industry is suffering from a **commoditization** process, as shown in Graphic 9. These results are not surprising. Many logistics services sectors, even the healthiest ones, have been there, and most to stay. For example, 3PLs, *the sector is booming, but shippers are still "shopping around" for a better price or a complete service*⁹. Note there is no mention of reliability or quality issues here.

⁸ M. L. F. Cheong: Logistics Outsourcing and 3PL Challenges. Singapore-MIT Alliance, Nanyang Technological University. November 2003, p.3.

⁹ P. Burnson: Optimizing 3PL Relationships: How to Avoid Commoditization. Logistics Management. October 1st 2014, p.3. Viewed at: http://www.logisticsmgmt.com/article/optimizing_3pl_relationships_how_to_avoid_commoditization (accessed on 14th April 2016).

The main challenge commoditization brings is the drop in prices. *Commoditized products have thin margins and are sold on the basis of price and not brand. This situation is characterized by standardized, ever cheaper, and common technology that invites more suppliers who lower the prices even further*¹⁰. The second challenge is how to keep differentiation (already difficult, due to the agent’s network way of working), as on a commoditized service, price is the only difference to the customer's eye.

There are other important challenges in this industry that, although more of economic or business nature, have an influence on logistic operations; Due to the uniqueness of each move, there is a big potential of unpredictable extra costs, which cannot always be passed to the client (another token from commoditization!). Another situation is that the service’s user (the employee being relocated abroad) is not the payer (his/her employer is), and the expectation of service level of the user does not always match with the price expectation of the payer. The strategic negotiations skills needed to deal with partners, who are competitors, and other business challenges, which arrive at the same point, which is the main challenge of all, for this and probably for every logistics industry: Profitability.



Graphic 9. Commoditization process at the International Removals industry

Source: Survey: International Removals Industry: Areas where improvements have higher impact on overall performance. Surveys technical information on Appendix 1.

Conclusions

The International Removals Industry shares many of the common challenges in the Logistics Services world. In addition, there are specific situations intrinsic to the nature of the goods, their location, the business model, and variability on its processes, that put this industry in a different category. For example, involvement of the good’s owner in pre and post transportation stages, with the intensity and detail as in International Moving is rarely seen in other logistics areas.

Another characteristic, not common elsewhere, is the concentration of different, and unrelated, tasks and skills needed to perform them, in a single role. The Crew Leader is accountable for, and actually performs; face to face customer service, administration procedures

¹⁰ Business Dictionary. Viewed at <http://www.businessdictionary.com/definition/commoditization.html> (accessed on 14th April 2016).

(complex paperwork), staff management, physical work (packing, carrying loading), and if he drives the truck, even better!

Challenges like these are found at all levels and in all sections of the business, however on each circumstance where there is one, there is also a positive feature associated. Successful Moving Companies are those who have learnt how to take advantage of the prospective gains from the industry's particularities.

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LOGISTYCZNE WYZWANIA SEKTORA MIĘDZYNARODOWYCH PRZEPROWADZEK

Streszczenie

Dostarczanie używanych przedmiotów użytku domowego pomiędzy krajami wymaga szeregu specyficznych działań przed i po samym procesie transportu, co sprawia, że jest to działalność jedyna swego rodzaju z własnymi wyzwaniami logistycznymi. Niektóre z nich wydają się podobne do tych w innych obszarach logistyki, lecz większość ma cechy szczególne dla tej dziedziny gospodarki. Wyraźna sezonowość, wymóg szczegól-

nych kwalifikacji, istota przewożonych przedmiotów, trudny do nich dostęp to kilka ze szczególnych wyzwań. Rozwiązanie jednego z nich jest już wystarczającym wyzwaniem, problem pojawia się kiedy mamy do czynienia z kilkoma jednocześnie. Wymóg szczególnych umiejętności nie byłby wyjątkowy, gdyby popyt na usługi rozkładał się równomiernie w ciągu całego roku. Podobnie duże zróżnicowanie sezonowe nie byłoby takim problemem, gdyby nie wymóg specjalistycznych i rzadkich umiejętności. Będąc jedną z mniej znanych dziedzin usług logistycznych, sektor międzynarodowych przeprowadzek wymaga badań jego cech specyficznych i wyzwań jakie stwarza.

Słowa kluczowe: międzynarodowe przeprowadzki, międzynarodowe relokalizacje, wyzwania w usługach logistycznych, przewozy przedmiotów użytku domowego

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Appendix 1. Surveys technical information

Survey title:

International Removals Industry: Areas where improvements have higher impact on overall performance.

Administrator: Hermes Jordan, University of Gdansk.

Purpose: Part of a research for a dissertation on a PhD. in Economics.

Universe: International Removals companies around the world.

Population: (1327 companies) International Removals Companies that:

- Are active members of FIDI or IAM or both.
- Actually participate in the logistics process of the international moves*.

Sampling Method:

- SRS, Single Random Sample.
- Stratified by geographical location**.
- Stratified by company size (number of branches).

Sample size: 87

Confidence Level: 90%

Variability Level: 0,5

Confidence Interval = 0.88

Administration: Invitation by direct email to a web based survey.

Field work: From August to September 2015.

*Excluding members who main activity is not the physical move of HHGs, such software providers, lead generators, etc.

** Pro-rata according to the number of existing companies in each continent.