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MOVING SERVICES

The Cost of Doing Business: Why Corporate Relocation Prices are on the Rise

Many of us remember our grandparents lecturing us on the historical affordability of products, real estate, and services. It seems we have entered a lengthy period of inflation that may result in us having those same conversations with each other very soon. As of March, according to Forbes prices rose 8.5% when compared to the same time last year. When coupled with the challenges and pitfalls of doing business throughout the global pandemic such as labor and material shortages, many companies across numerous industries have found themselves having to raise prices to make up the difference.

In the world of corporate relocation, it can be easy to forget that while we are a customer-centric, business-to-business service, in many ways, we are logistics providers who straddle several industries in order to perform our core competencies, among them, the logistics and trucking industries. These two industries have been particularly fraught with challenges throughout the now two years that we have been living through the pandemic. Driver shortages that existed previously were only made worse by COVID-19, while shutdowns, state-to-state variations in restrictions, and rising fuel prices created a perfect storm of low capacity and increasing operational costs.

According to the American Trucking Association's moving and storage conference survey, moving and storage companies were hit particularly hard over the course of the last year or two. Every moving and storage company (100%) surveyed stated that their labor costs have increased, while nearly all of them have experienced a loss of both labor (98.6%) and qualified drivers (92%). Importantly, more than half of the companies surveyed indicated that these losses were substantial, making up anywhere from 20%-40% of their total workforce while 40% of these firms are shouldering an increase in labor costs in that same range of 20%-40%. Costs incurred from recruiting new employees to make up for these substantial labor losses averaged out to about $30,000 per company, resulting in yet another additional labor cost for businesses to cover.

Pandemic/Inflation Impact on Moving Industry:

- **98.6% lost labor**
- **92% lost qualified drivers**

- **4% employee costs**
- **10% driver wages**
- **30% loading/unloading labor wages**
- **90-100% crating and lumber materials**
- **90-100% lift vans**
- **35-50% insurance coverage (truck & liability)**
- **43% diesel fuel**
- **13% repair costs**

As you can see, labor costs in particular have exhibited a burdensome increase. Based on this survey, it is estimated that overall employee costs within the industry are up 4% with drivers' wages increasing significantly by 10%. Another major labor cost increase came from the purchased loading and unloading labor which has gone up 30% in order to compete with both other hourly jobs and the amplified unemployment benefits extended during the pandemic. Beyond labor costs, there have been other price increases for the industry. As mentioned at the beginning of this piece, inflation has touched nearly every aspect of our economy and this includes the other products and services needed in order to provide moving services.

Returning to the results of the American Trucking Association's moving and storage survey, we are able to see a perfect storm of the costs of doing business increasing across all facets. Of those surveyed, 42% stated that the costs for crating and lumber materials had gone up 90%-100% with nearly half of respondents seeing that same percentage range of price increases for lift vans. The cost of insuring the trucks and maintaining liability coverage also skyrocketed by an estimated 35% but with a third of respondents indicating their insurance premium shifts were actually larger and closer to a 40%-50% increase. Finally, there are fuel and repair costs to account for. The price for diesel rose an astounding 43% while repair costs for the trucks and trailers themselves saw a 13% uptick in cost. While it is clear that the costs of doing business for moving and relocation companies have skyrocketed, we would be remiss if we did not also discuss the impact capacity shortages are having on pricing as well.

As you may be aware, capacity shortages within the trucking industry have been a longstanding challenge in the United States. Over the last several years, having an insufficient number of drivers to cover the demand for capacity became the norm. Like so many other pre-existing challenges, the trucking capacity issue has been compounded by the complexities of the pandemic but also through losing existing drivers to retirement or to other industries entirely. In fact, data from the Bureau of Labor Statistics shows that during the peak of the pandemic last year, the trucking industry lost 6% of its pre-pandemic workforce or about 1.52 million employees.

Beyond a lack of drivers, corporate relocation capacity is also being impacted by drivers selecting higher paying moves. Corporate moves are locked in at their contracted rates and are insulated from price fluctuations during peak season and other impacted moving periods. On the flip side, with capacity issues the most challenging they've ever been, pricing for non-corporate moves have also been at their peak (supply and demand). As a result, corporate business has been competing with higher paying business channels for already limited capacity. Military, government, and consumer moves have been winning the attention of drivers as they exhibit a willingness to pay historically high rates.

What Does this Mean for Corporate Relocation Prices?

There is no denying that the moving and trucking industries have been hit heavily by rising business and labor costs. Add to that the lesser supply of capacity and what you have is a recipe for rising prices. Many major van lines have already announced a 7%-10% increase in their tariffs moving forward and for us at northAmerican®, we find ourselves in the same position of having to counter rising costs. We have also seen proactive price increases from relocation management companies (RMCs) as well as military and government entities. Importantly, we want to thank our corporate clients for their support throughout the pandemic and beyond. Despite the challenges occurring within our industry, we remain committed to providing the best possible service to you and your employees. Our decades of experience and customer-centric approach have allowed us to do the very best we can to solve problems in satisfactory ways. We also remain confident and optimistic that market conditions will calm, providing us with a more favorable and familiar environment in which to serve our clients.

Are you currently without a corporate relocation partner in this challenging environment? Let us help you navigate this complex capacity crisis and make relocation costs more predictable for your company. Want to learn more? Contact **Bobbi Maniglia** at **Bobbi.Maniglia@northamerican.com** today and find out why northAmerican Van Lines is the highest rated provider for satisfaction three years in a row.

For more information visit: **northamerican.com**

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