

#relo rant

A Lively Conversation with Steven M. John, SCRP, SGMS-T, President and CEO

TANSTAAFL

“TANSTAAFL,” for the uninitiated, means “there ain’t no such thing as a free lunch.” Surely, a greater truism does not exist. Coined in the early 1900’s, “free lunch” referred to the practice in saloons of the era offering a free lunch to those who purchased a drink. The phrase has come to refer to the economic truth that you can’t get something for nothing. It has even found usage in popular literature, Robert A. Heinlein’s, “The Moon is a Harsh Mistress,” and non-fiction, the economist Milton Friedman’s, “There’s No Such Thing as a Free Lunch.” As illustrated in the case of the Saloon patron, the cost of the “free lunch” is tacked on to the cost of the drinks.

If everyone agrees that there’s no such thing as a free lunch, how do relocation management companies (RMCs) offer their services “at no charge” and why do corporate mobility leaders tout to their management that they “pay nothing” for relocation services?

In one word, “rebates” (also called “commissions” or more notoriously, “kickbacks”). Most RMCs survive by taking rebates from many of the transactions they process and pay on the client’s behalf. These rebates are possible because the ultimate provider of the service has inflated their charge to the RMC by the rebate amount. RMCs pay and “pass-through” the inflated amount to their clients, then get their rebate on the back end and as a monthly or quarterly check from the provider. No “fee” is charged to the client and in most cases, the rebates are not disclosed to the client, so they feel they are getting something for “free.”

Of course, this simply proves there is no free lunch. The cost of RMC services (lunch) is simply buried in costs the clients pays for, such as household goods shipment, auto shipping, temporary housing, etc. To add insult to injury, the inflated provider invoices are subject to gross-up, further increasing expenses to the client.

At HomeServices Relocation, our goal is your goal, to keep costs to a minimum. We provide our clients with full transparency of costs and keep taxable amounts as low a possible. We know you understand that good service is worth the cost and don’t try to insult your intelligence by pretending you are getting something for nothing.

Thanks for listening!

Steven M. John