



Pendragon
VEHICLE MANAGEMENT

TURBOCHARGE YOUR BOTTOM-LINE

FIVE STEPS TO EFFECTIVE FLEET MANAGEMENT FOR PROFESSIONAL SERVICES



“ If it appreciates, buy it. If it depreciates, lease it

J. Paul Getty
Billionaire oil tycoon and American Industrialist



INTRODUCTION

Company cars are fantastic perks and can help differentiate your business, attract the best candidates and retain your best talent - but they don't need to cost you a fortune. By employing effective fleet management techniques, you can save your business money and turbocharge your bottom-line, reducing costs and improving profitability.

In this guide we will show you 5 steps on how you can move your business into effective fleet management.

1**Choosing the right vehicle****2****Choosing the right type of vehicle funding****3****Choosing the right SMR partner****4****Utilising fleet technology****5****Outsourcing your fleet operation to the right partner**

WHAT IS EFFECTIVE FLEET MANAGEMENT?

Effective fleet management is the application of experience and technology to streamline processes and reduce unnecessary administration and costs in a fleet operation. It ensures your directors, senior partners and managers are driving the right vehicles at the right time, without your business incurring unnecessary costs or inconvenience, and which ultimately projects the right image outwards to best suit your brand.

What you will achieve with effective fleet management

- 1 Reduced time spent on administration
- 2 Reduced costs to the business
- 3 Improved brand image
- 4 An appealing work benefit with which to attract and retain the best talent



Chapter 1

Choosing the Right Vehicle



Your organisation trades on the quality of services it offers and the reputation of the business, and the vehicles you use are going to reflect that. You're therefore looking at premium brands such as Jaguar and Mercedes, perhaps exotic brands such as Porsche or Aston Martin for your directors and senior partners, or maybe want to try something different with electric or hybrid vehicles like Tesla or BMW.

Where you can utilise these premium manufacturers and drive a reduction in costs is through:

Selecting appropriate models that are fit for purpose

Calculating and reviewing car selection on a whole life cost basis

Developing a choice list based on CO₂ emissions and MPG

Selecting appropriate models that are fit for purpose

1

Clearly define your needs

Vehicles must be fit for purpose and safe – consider vehicle choice, contract term and flexibility

2

Define vehicle usage

Determine what type of roads you will be driving on, length of journeys and how often, to decide engine specification and fuel type

3

Check vehicle efficiency

Choose a vehicle that is as fuel-efficient and green as is practical

4

Get feedback

Check with drivers and get practical experience from demonstration vehicle

5

How many vehicles are needed and when

Order vehicles as they are required, but be sure to consider future plans of the business

6

How much will it cost?

Don't simply compare rentals, instead determine the whole life cost of the vehicle. Consider a fleet management company to ease the admin burden

Calculating and reviewing car selection on a whole life cost basis

With choosing the right car, it's important that your analysis goes beyond comparing rental values of the vehicle, and instead review car selection on a whole life cost basis to get a holistic view of the total cost of your vehicle.

To do this, we use the following calculation:

$$\begin{array}{c}
 \text{(Effective Rental x Number of contract payments)} \\
 + \\
 \text{Contractual Insurance Cost} \\
 + \\
 \text{Contractual Fuel Cost} \\
 + \\
 \text{Class 1a National Insurance Cost}
 \end{array}$$

FINAL THOUGHT
 Develop a choice list based on CO₂ and MPG



The cost and environmental arguments for adopting a basic capping level on CO₂ and MPG are very strong. By rewriting your choice list to include only vehicles with CO₂ figures of no more than 110g/km and with fuel consumption of no less than an average of 50mpg you will realise savings in fuel, National Insurance and Benefit in Kind taxation.

You may feel that this change would add too many restrictions; however, many cars available on the market being able fit into the lower emission target you'll be pleasantly surprised at the range of vehicles available.

■ Chapter 2
Choosing
the Right Vehicle
funding type



Company vehicles will need paying for and there are many funding types, with contract hire the UK's favourite way of doing so. Choosing the right funding method can lead to tax savings and reduced monthly rentals, whilst avoiding unforeseen costs like balloon payments.

Contract Hire The Benefits

Useful for cash flow

Easy budgeting fixed cost per vehicle each month

Financial and operational data can be provided by and held by leasing company

From the 1st April 2018, on low CO₂ cars (sub 110g/km), all monthly rentals can be offset against corporation tax. For vehicles over 110g/km, 85% of monthly rental can be offset

At the end of contract **you can hand the vehicle back and choose which new vehicle** you want to upgrade your fleet with next

Manufacturer Discounts

Leasing company takes all risk on residuals

50% of VAT can be reclaimed on monthly rentals

Can reduce 'duty of care' risk through policy on vehicle specification and safety

A leasing company will source the vehicle and, once the contract hire term has ended, will handle the disposal and re-sale of the vehicle

Driver benefits include no credit checks, a managed service for ordering, service and maintenance, and reduced costs.



Contract Purchase

The Benefits

Contract Purchase is a vehicle funding method by which a business will pay fixed monthly rentals on a brand new vehicle, over a period of between 2-5 years, with a view to purchasing the vehicle at the end of contract.

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From the 1st April 2018, on low CO₂ cars (sub 110g/km), all monthly rentals can be offset against corporation tax. For vehicles over 110g/km, 85% of monthly rental can be offset

A leasing company will source the vehicle for you, so you don't have to

On balance sheet - allowing you to claim capital allowances depending on the CO₂ of the vehicle

Driver benefits include **no credit checks, a managed service for ordering, service and maintenance, and reduced costs**



Outright Purchase

The Benefits

You may choose to purchase your vehicles outright, which offers flexibility though it more time consuming. The advantages and disadvantages of Outright Purchase are the following.

Your vehicles are assets of the company

No Mileage Restrictions or contractual obligations

You have to pay the total fee of the car, whether in one payment or monthly instalments

On balance sheet - allowing you to claim capital allowances, depending on the CO₂ of the vehicle

Flexibility - buy and sell when you need to, without early termination penalties

You can sell the vehicle, recouping some of the money spent

You may miss out on corporate discounts available to leasing companies

You will be **responsible for arranging insurance**, maintenance and repairs and the cost of it. A fleet management can be used to assist with this - see section 3 >



Cash Allowance In Review

Offering a cash allowance would allow your partners and directors to choose any vehicle they wish, and sort their own servicing and maintenance.

Doing so would not be very time effective, taking away from business critical tasks, and potentially more costly when you factor in servicing and maintenance. By allowing for any car to be chosen, mileage reimbursement may be higher than a vehicle selected from a carefully defined choice list. It would also be less time-effective, taking away time from business critical tasks.

Furthermore, you would have a legal obligation to provide a duty of care to any driver using their personal vehicle on business use. Due to the Corporate Manslaughter and Corporate Homicide Act 2007, should the driver have an accident in their vehicle whilst on business, the company would be liable if they are unable to demonstrate a suitable level of care, including checking the user is fit to drive, the vehicle is taxed and insured, and the car is regularly serviced.

FINAL THOUGHT

Do you
already own
your vehicles?



If you have previously purchased your vehicles then you can still benefit from the perks of contract hire. You can do this through a sale and leaseback – letting a leasing company purchase your existing outright purchased vehicles, injecting capital into your business, and then have them leased back to you. At the end of contract, you can then move them to new vehicles, just like with contract hire.

■ Chapter 3
Choosing
the Right
SMR Partner



One of the biggest costs involved in running a fleet vehicle is the servicing, maintenance and repairs aspect of running a vehicle. Keeping the vehicle on the road and minimising downtime is also critical if the vehicle is intended to be used on company business, or simply even for the convenience of the driver.

Whilst it is possible to take the vehicle to a local garage, you may end up paying over the odds for a job or pay for jobs that are unnecessary.

Leasing and fleet management companies will both offer maintenance management that can reduce the time you spend dealing with the maintenance requests, and the cost of it.

Choosing the right SMR partner The Benefits

1

Get maintenance on a pay-as-you-go basis or include it in your monthly lease for easy budgeting.

2

Preferential rates due to enhanced purchasing power, reducing costs.

3

Leasing companies often employ expert teams of maintenance controllers who will treat your costs as if they're their own, approving maintenance spends before they're actioned to ensure that unnecessary costs are avoided, saving you time and money.

4

Maintenance management may also include tyres, glass and breakdown cover, to reduce vehicle downtime. This may include a relief vehicle to keep your directors and senior managers moving.

5

Trend analysis and proactive fleet management can lead to preventive servicing, fixing any vehicle issues before they become a bigger problem and saving expense in the long run.

6

Smart systems can track progress of servicing and maintenance, allowing controllers to see where a job is and push it on if the work is taking too long.



How to choose the right SMR partner

Step-by-Step

1

Decide your organisational needs.

An account manager at a leasing company can help you define this and help shape your policy

2

Seek a partner.

A partnership with a provider goes a lot further than a buyer-seller relationship. A fleet leasing company can be made to work for you, allowing you to get on with business critical tasks whilst the leasing company manages your drivers, vehicles and maintenance

3

Seek to integrate SMR with your vehicle provider.

Many of them will have preferred partners in the industry and will benefit from stringent SLAs. Close integration between the provider and SMR partner will lead to further cost-reduction and time-saving

FINAL THOUGHT

Accident Management



In addition to servicing and maintenance, you may benefit from accident management. In the event of an accident, the driver can call a dedicated number and be put through to a controller, who will handle the accident process from the initial incident through to the recovery and repair of the vehicle, and any subsequent claim.

Chapter 4

Utilising fleet technology



The fleet industry is continuing to digitise with many new services and technologies available that can simplify processes and identify areas of inefficiencies.

Fleet Management Software

Fleet Management software can be used to produce a holistic overview of a fleet manager's vehicles. The system pairs drivers up with their cars, and tracks everything from servicing and mileage to contract end dates. Such systems allow for drivers to login and order their vehicles, and fleet managers to extract reports - which can also be done by an account manager at a leasing company to save time.

This software is designed to remove the use of multiple spreadsheets and simplify the ordering process.

Driver Apps

Many leasing companies are now offering driver apps to help communicate with drivers on basis, whilst providing drivers with a direct route to support functions such as reporting an accident from the convenience of their smart device.

A Driver App can reduce the reliance of a driver on their fleet manager, as well as produce an always on demand support service.

New Fuel Types

Despite the bad press that diesel is receiving, it continues to be the fleet fuel of choice due to its fuel efficiency and low CO₂ emissions. However there is a burgeoning market for hybrid and pure electric vehicles, which benefit from lower BIK and VED rates.

Furthermore, there is an element of prestige around certain electric/hybrid vehicles such as Tesla and BMW that may attract your directors and partners, with these vehicles on the cutting edge of technology, style and comfort.

FINAL THOUGHT Choose Wisely



Integrated and proper-use of technology has the potential to seriously save your business time and money, but only if the technology employed simplifies processes and is easy to use. Technology runs the risk of providing too much data and aimless information that without context is meaningless and may slow the business down. It is therefore important to understand exactly what technology can do for you and that it is customisable to your needs.

■ Chapter 5
Outsourcing
your fleet operation
to the right partner



Leasing companies are much more than funding houses and vehicle providers, and are capable of delivering a range of services that can reduce time and costs spent on managing a vehicle fleet, leaving you to get on with core-business activities.

Outsourcing some or all of your fleet operation to the right partner has a number of benefits:

Outsourcing your fleet operation to the right partner The Benefits

1

Reduced time spent on administration – Organisations that try to do too much in-house can incur unnecessary costs and allocate valuable resources on non-core business activities. By outsourcing some of the more routine back office fleet tasks you may be able to take advantage of an external company's best practice efficiencies and cost savings delivered through expert maintenance management. Leasing companies can source vehicles, deal with maintenance and servicing requests and handle the re-sale and disposals at the end of contract.

2

Reduced costs – leasing companies benefit from preferential service, maintenance and repair rates, will work to reduce vehicle downtime and provide advanced analysis to identify areas of inefficiency and cost reduction in your fleet operation.

3

Day-to-day interaction with your drivers, supported by a helpdesk manned by persons that fully understand your car policy, your restrictions and requirements.

4

Strategic analysis of fleet data. Your Account Manager should not just oversee transactional and reactive service, they should provide recommendations on policy or pricing improvements and keep you up-to-date on industry developments, legislation, manufacturer negotiations, management information, driver support and added value services.

5

How quickly can you access information showing your fleet costs? Taking action to reduce costs is fine, but proving your achievements and identifying the tricky areas without powerful fleet reporting tools will be difficult. Your Account Manager will be able to provide you with timely management information and quarterly reviews, but this should be supported by an online capability available at any time and accessed via your own personal login.

6

Fleet Advice - government rulings, tax increases, changing vehicle technology and new fuel types are just some of the ever-evolving challenges faced by the automotive industry, but a fleet expert will be able to proactively alert you to impending changes or provide advice where it is needed.

How to choose the right fleet partner

How should you select a new fleet partner to deliver cost savings without making sacrifices in customer service? You may be tempted to look at one of the biggest fleet companies, but you should also take into account how your business looks to them within the context of their own 'fleet size'. They may do a great job looking after clients with fleet sizes of 1000 vehicles or more, but how do they treat customers with a smaller fleet of 20-40 vehicles? In this instance a smaller sized fleet company may be a better fit.

Other important areas to look at:

- How long have they operated within the sector?
- What service level agreements and key performance indicators do they work towards?
- What makes them tick? – is their culture rooted in finance, motors, IT?
- Have they recently merged with another company and are still going through the integration process?
- Are they tied to a single funder and do they cover all manufacturers?
- How many long standing clients do they have?
- What do their customers and lost customers say about them?
- Who is the parent group? What are their IT capabilities?
- Are prices proposed in the early tender stages sustainable over the longer term?
- What would their implementation plan look like?

FINAL THOUGHT

Sole-supply or Multi-supply



Depending on the size of your vehicle fleet, you may decide that there are multiple partners that may suit your business, in which case you could operate a funding panel. These panels could be operated through a fleet management company or by yourself.

The benefit of a panel is that you will put your partners in competition with each other, which may push down rentals – however, you will lose management efficiencies due to having to manage a more complex fleet, potentially losing out on maintenance savings. We would not recommend more than 3 providers on a panel otherwise the opportunity becomes unattractive to the leasing company.

■ Conclusion



CONCLUSION

Effective fleet management is in reach for firms of any size and in this guide we've looked at 5 steps that will reduce time and money spent on your operation, turbocharging your bottom-line and improving profitability. These are:

- | | | | |
|----------|--|----------|-------------------------|
| 1 | Vehicle Selection | 2 | Funding Type |
| 3 | Servicing, maintenance and repair | 4 | Fleet technology |
| 5 | Outsourcing | | |

By reviewing each section of your operation or by working with a partner to analyse your existing processes, performing each of the five steps will lead to efficiencies in your business.

The right partner will offer a complete, end-to-end, intelligent solution that supports your journey toward achieving effective fleet management with customer service and professionalism built in at every level.

It's Pendragon Vehicle Management's mission to help you turbocharge your bottom-line through offering effective fleet management.

To learn more about how we can assist you with your fleet operation.

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