



Fleet & strategy

A comprehensive and robust strategy is vital to run an effective fleet. This 10-page report looks at the key areas to include, how to make it relevant to your business and how to use it to measure performance

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Shape the future of your fleet with an effective strategy

Robust planning can reduce journeys, improve finances and increase safety. But it's also about getting people and products from A to B, finds [Andrew Ryan](#)

An effective fleet strategy is an important tool in defining an organisation's approach to fleet management over the short, medium and long term. It should be a clearly written document that identifies the business need for the fleet, helps secure a fleet that is fit for purpose and sets out how you intend to manage your vehicles in the future.

"Every fleet is different and operates to meet its own unique set of circumstances, so there is no one-size-fits-all approach to fleet strategy," says John Pryor, chairman of fleet operators' association ACFO.

"However, best practice would suggest that in whatever sector of industry or commerce a business operates, or whether it is in the public sector, it has in place a strategy to ensure it is successful.

"There is no difference in respect of running a fleet. Whether a large or small fleet, or in the public or private sector, vehicle operations must meet the business need."

The Wales Audit Office recommends that, to develop a genuinely effective vision for a fleet, the document must link in with an organisation's other strategic priorities.

The strategy must be considered as part of an organisation's approach to asset management and should link in with a company's environmental aims. It should also look outside an organisation, to consider benefits of working with external bodies to provide the most effective and efficient fleet.

Fleets should also aim to reduce the number and length of journeys, adds the Wales Audit Office. "This produces financial savings, reduces the impact on the environment and reduces the risk of accidents," it says.

Reducing mileage forms a significant part of Transport for London's advice in producing a sustainable fleet strategy.

The organisation, which has produced a Sustainable Fleet Management Guide, says: "A sustainable fleet management strategy is one that aims to reduce environmental impacts through a combination of cleaner vehicles and fuels, fuel-efficient operation and driving; and by reducing the amount of road traffic it generates.

"In doing so, the fleet minimises fuel and vehicle costs and improves the safety and the welfare of employees, while reducing its exposure to the problems of congestion. The strategy will also help you to meet the requirements of other policies within your organisation; for example, business efficiency, health and safety, equalities and inclusion, and corporate social responsibility."

However, despite the need to cover a wide range of issues in a fleet strategy, Stuart Cunningham, head of international corporate sales at Alphabet, believes the document should not lose its focus on one over-riding aim.

"Up until recently, a fleet strategy was perceived as largely

being about company cars and their financing," he says. "However, it should be about ensuring that employees are able to get from A to B in the most efficient way. As such, when compiling a fleet strategy document, it's important to factor in and analyse all areas of the mobility mix.

"These can include company cars, rental vehicles, pool cars, fuel management, alternative travel methods, cash allowance and grey fleet, risk management and employee benefits.

"None of these elements are more important than the other; all eight are needed to develop a full and fair mobility strategy.

"Only by gathering all the soft and hard facts on each of these areas, can companies gain a 360 degree view and put in place the right strategy to best suit the organisation's needs.

USE ROADSHOWS TO ENGAGE STAKEHOLDERS

Surveys and roadshows are two ways that stakeholders can be engaged, and Chris Chandler, principal consultant at Lex Autolease, says his company has used both these initiatives to help companies compile fleet strategies.

In particular, roadshows have been held with customers who are interested in taking on plug-in hybrid and electric vehicles or salary sacrifice schemes.

"We go to their offices with a selection of plug-in vehicles to dispel commonly-held myths; employees can have a look at the vehicles, sit in them and book test drives to help inform them that these cars might actually be suitable for them," says Chandler.

"It's about education because you won't be able to flip a switch and get everyone buying in to plug-in vehicles overnight."

He adds: "Employee engagement is important. When we, as a business, look at implementing policy changes we don't just sit down with the fleet manager, we sit down with HR, finance and key stakeholders.

"We also work with employees to find out what they think is good or bad with the current policy, what they would like to see, whether they prefer to see greater flexibility or if they would prefer less flexibility if the costs were reduced.

"We do roadshows and talk to the employees to find out if would they be interested in products such as salary sacrifice or employee car ownership schemes, and what their appetite for new technology vehicles is as getting drivers on board is so important.

"If you provide somebody with a new plug-in hybrid vehicle and they haven't bought into it, they're probably not going to charge it up as they ought to and then they're not going to drive it efficiently and in the way those vehicles are meant to be driven."

He adds: "You don't want to force people into new technology if they are not comfortable or happy with it, you've got to take them on a journey so they understand the technology and how to use it."



"Many perceive this integrated approach to fleet strategy to be something of the future, but in reality such strategies are already here, they're relevant and are already evolving."

CONSULTATION KEY TO SUCCESS

A comprehensive consultation programme will contribute to a well-informed strategy, as key stakeholders can offer a broad perspective on the strategic direction of fleet management, says Wales Audit Office.

"Drivers, passengers and other users are going to use your vehicles, and their operational knowledge and experience is important in ensuring the strategy focuses on the right issues," it says.

"If users are not consulted, there may be opposition to using the vehicles that your organisation has procured.

"Similarly, if the strategy is developed without user input, your fleet may not meet the needs of users in terms of fleet size, legislative changes and training requirements."

Enlisting the help of a trusted supplier can also be useful, says Cunningham. "Not only do suppliers have the experience, tools and knowledge to help shape and guide organisations, but as they are able to take a helicopter view they can provide a unique and unbiased perspective," he says.

"Often it can be beneficial to consider and reflect on solutions that may be seen as 'outside of the box', this could include looking at alternative mobility solutions or blending policies."

Cunningham stresses the importance of speaking to the right people internally at the beginning of the process.

"When compiling a fleet strategy document, it's important to factor in and analyse all areas of the mobility mix"

Stuart Cunningham, head of international corporate sales, Alphabet



"Mobility management is no longer the sole preserve of the fleet manager, it now extends further into the business, encompassing areas such as finance, HR, travel and operations," he adds. "It's about the journey and this can involve lots of complex factors.

"In order for a strategy to work, gaining the engagement of key stakeholders is vital. This should happen at the early stages of the planning process, before any in-depth analysis takes place.

"Our advice would be to compile a basic proposal to stakeholders detailing the business case for the strategy and the proposed impact and benefits, including examples where relevant," he says.

"Once you have buy-in from key stakeholders, then start gathering further information to pull together a comprehensive analysis of your current situation – something that can be done easily with the help of a trusted supplier."

Choosing the right mobility partner is essential

There may be a range of suppliers who can meet your needs

Keeping your business on the move efficiently and effectively is critical to the success of any company.

Company cars, commercial vehicles and business travel are some of the largest expenses businesses face. However, these are the true costs of doing business and not just an overhead. It's hard to put a value on the face-to-face meeting that wins new business, or the value of retaining an existing customer due to the reliability of your supply chain. These are real world considerations, which we call 'business mobility'. So it's crucial you have the right mobility partner to support you.

Finding the right partner can be a real headache for fleet managers. Traditionally, a leasing company would be your natural choice but, with the increasing complexity of business travel requirements, there may be a range of suppliers who can help meet your needs. When choosing any partner to assist you with meeting this challenge there are five key things to consider:

1. Focus on the service they provide to you and your relationship with them – not just the best price.
2. Can the partner help you meet your mobility needs right now and in the future?
3. Demand a partner who is proactive and progressive, not just reactive.
4. Does the partner really understand your needs and the flexibility you require?
5. Does the partner have the right cultural fit to work together with you to achieve long term stability?

With the work place becoming increasingly flexible, in terms of both



"It's important to find a partner who can offer innovative solutions"

employment and location, it's important to find for a partner who can offer progressive and innovative solutions, such as electric vehicles or corporate car sharing. Your mobility provider must demonstrate the same qualities you expect of any other working relationship: capability, responsiveness and communication.

Managing multiple service delivery partners takes time and effort, so can you find a partner who will manage all of your requirements? Similarly, with many UK

companies now part of a pan-European corporation or network, finding a partner with capability in more than one country could be an important factor.

In today's world, traditional leasing needs to adapt. Leasing and fleet management are now just parts of an organisation's wider approach to business travel and mobility. Leasing can support the transition towards lower emission, electric and alternative fuel vehicles – keeping benefit-in-kind and national insurance low for both the driver and business. But increasingly companies are considering whether a leased company car is the most efficient solution for a particular business journey.

With time, money and resources at a premium, organisations need to work with a partner who understands the challenges and can support change. As a result, traditional fleet strategies are increasingly giving way to approaches that emphasise and provide real business mobility. Is your current supplier ready for it? If not, perhaps it's time to start considering a change.



CO₂ emissions

Fleet experts outline the planning priorities

Transport for London and Wales Audit Office are among industry experts who have come up with guides on fleet strategy. *Andrew Ryan* reports

A fleet should gain a thorough understanding of its current operations and costs, existing business policies and processes before establishing its priorities, says Transport for London (TfL).

This information should include vehicle numbers, types, costs, CO₂ emissions and mileage, as well as what the cars or vans are used for.

"This stage ensures you have the data to develop an informed fleet strategy," says Transport for London (TfL). Once this data is collated, a fleet can then look at establishing its priorities.

Over the next three pages we look at some of the areas a strategy should cover:



VEHICLES

The most important factor when considering a new vehicle, whether it is a car or a van, is fitness for purpose: it has got to be able

"If I was a fleet manager, I would look at a five-year strategy on vehicle emissions and technologies"

Chris Chandler,
Lex Autolease

to perform its task in a safe and efficient manner.

As well as areas such as size and carrying capacity, fuel type should be considered as some are more suited to specific uses than others.

TfL has produced a table detailing the strengths and weaknesses of different fuels, using diesel as a benchmark (see *table, overleaf*). This is also useful when considering sustainability aspects of your strategy (see *page overleaf*).

New technologies and changing tax rules will also have a bearing on which vehicles are acquired.

"If I was a fleet manager, I would be looking at a five-year strategy with regard to vehicle emissions and technologies," says Chris Chandler, principal consultant at Lex Autolease.

"CO₂ taxation is going to go up 2% for the next three years and then increasing 3% a year after that.

"There are some changes within that in that the 3% supplement for diesel is being removed, but the bottom line is that, although we feel it is unhelpful, if tax is going





HOW DIFFERENT FUELS COMPARE TO DIESEL

Fuel	Vehicle price	Fuel cost	CO ₂	NO _x	PM	Vehicle range	Vehicle capacity
Petrol	✓	X	XX	✓✓	✓✓	X	0
Electric	XXX	✓✓✓	✓✓✓	✓✓✓	✓✓✓	XXX	XX
Hybrid	X	✓	✓✓	✓✓✓	✓✓✓	✓	X
Plug-in hybrid	XX	✓✓	✓✓	✓✓✓	✓✓✓	✓✓	XX
Hybrid assist	X	✓	✓	✓	✓	✓	X
LPG	X	✓✓	0	✓✓✓	✓✓✓	X	XX
CNG	XX	✓✓	✓	✓✓✓	✓✓✓	XX	XX
Biomethane	XX	✓✓	✓✓✓	✓✓✓	✓✓✓	XX	XX
Biodiesel (B30)	0	0	✓✓	X	✓	0	0
Bioethanol (E85)	X	X	✓✓	✓✓	✓✓✓	X	0

Key: 0 – same as diesel, X – worse than diesel, ✓ – better than diesel

Source: Transport for London



up on ultra-low emission vehicles (ULEVs), the logic is that the Government is looking at future reductions in CO₂.

"My view as a fleet manager would be that the Government is obviously taxing on the basis that there will be a lot of ULEVs on the roads in the future to get to the 95g/km legislative limit that manufacturers have to achieve in 2020.

"Five years is a short time in fleet and for many it's only just over one to one-and-a-half replacement cycles.

"My key strategy would be to get a significant chunk of my fleet over to ULEVs because otherwise my corporate national insurance contributions are going to increase, my fuel bill is going to increase and my employee tax liability is going to increase."



REPLACEMENT CYCLES

Vehicles should be replaced in line with a formal replacement policy, says the Wales Audit Office, and this should take into account vehicle condition, mileage, age, wholelife costs and environmental targets.

Traditionally, typical replacement cycles were three years/60,000 miles, but the recession caused many companies to lengthen the time a vehicle stays on a fleet.

Last year, the average company car replacement cycle among Fleet200 organisations – the UK's 200 largest fleets by sector – was 3.9 years, marginally up from 3.8 years in 2013, while van cycles were unchanged at an average 4.6 years.

"Organisations should assess the optimum replacement time for each type of vehicle," says the Wales Audit Office. "Generally, as vehicles become older their maintenance costs increase and reliability can decrease."

Chandler feels that new technologies will lead to fleets adopting a flexible approach to replacement cycles.

"We have primarily gone to a four-year replacement cycle and that is largely based on a diesel fleet market," he says.

"There may be a requirement to review those replacement cycles based on the different technologies that are being utilised.

"You may find, for instance, that you want to keep low-mileage electric vehicles for longer to amortise the higher initial cost of the vehicle over a longer period of time.

"If you are driving mainly in an urban environment, then you may have a small petrol or an electric vehicle and, again, you may want to adjust replacement cycles accordingly."

The Wales Audit Office warns that failing to plan ahead

3.9

average company car replacement cycle (years) in 2014 for Fleet200 companies

95

Legislative emissions limit (g/km) manufacturers must achieve in 2020

could result in replacement vehicles not being included in budgets and therefore not being replaced when they reach the end of their life.



PARTNERSHIPS

The fleet manager, finance department, procurement specialist, HR and users should work together to ensure the right fleet is procured.

Their work should be supported by corporate guidance through documents such as the finance strategy and sustainability strategy. Options to be considered may include lease agreements, hire purchase and outright purchase.

The Wales Audit Office advises fleets to consider outsourcing arrangements as part of the strategy, particularly where internal provision is insufficient to deliver an agreed level of service or if the cost of internal provision is uncompetitive compared with external provision.

Two areas which could be considered are vehicle maintenance and fleet administration.

A number of bluelight fleets work in partnership with each other to provide services, such as in the Chiltern Transport Consortium.

This provides a cross-border shared service which attends to the fleet requirements of Bedfordshire Police, Civil Nuclear Constabulary and Hertfordshire Constabulary, as well as Thames Valley Police.

The consortium manages more than 2,300 vehicles and operates from a main office in Bicester, with workshops in Bicester, Aylesbury, Sulhamstead, Kempston and Welwyn Garden City.



SUSTAINABILITY

Fleets should consider environmental factors when compiling a strategy, says the Wales Audit



"Generally, as vehicles become older their maintenance costs increase and reliability can decrease"

Chris Chandler, principal consultant, Lex Autolease

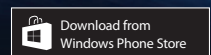


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Technological advances have broadened the range of alternatively-fuelled vehicles available to fleets



Office, particularly as this may reflect the company's overall carbon reduction aims.

"Sustainable development is about ensuring a better quality of life for everyone now and for generations to come," it says.

"Transport faces a tough challenge as it depends essentially on oil as a single energy source.

"Vehicles emit significant quantities of CO₂ and other pollutants harmful to the environment and human health such as nitrous oxides, non-methane hydrocarbons and particulate matter.

"Fuel economy is therefore a key environmental consideration. It is also a key financial consideration because not only do efficient vehicles use less fuel, but efficiency is also directly linked to car tax rates."

Technological advances have resulted in several alternative fuels to petrol and diesel, although none of these can be used in as broad a range of vehicles as diesel/petrol (see table, page 42).

The Wales Audit Office suggests environmental policies that could be implemented include:

- Use of electric vehicles on shorter journeys.
- Driving fewer journeys to reduce mileages and hence CO₂ emissions.
- Introducing car-sharing schemes, cycling, walking or using public transport.
- Introducing car mileage payments that pay higher rates for lower-emission vehicles.
- Introducing incentives for the driver to select more fuel-efficient models when it is time to change.
- Training drivers in more fuel-efficient driving techniques, such as reducing speed and smooth acceleration and braking.

Other alternatives to travel to be considered are home working and telephone and video-conferencing.

Fleets can take a more strategic approach to CO₂ reduction across vehicle type (including the use of hybrid and electric vehicles) and vehicle usage (for example, for urban usage, fleet managers can consider electric vehicles).

For long journeys, diesels still tend to be the most efficient, says the Wales Audit Office, but the emergence of plug-in hybrids may be a realistic alternative.

TfL adds: "Investing in new technologies can be a significant and complex decision. In assessing the technology, three key issues need to be considered: environmental priorities, operational requirements and lifecycle costs."

The organisation says that irrespective of which fuel or technology is chosen, the basic principles for a sustainable fleet procurement policy are:

- Specify the smallest, most fuel-efficient vehicle appropriate for the required task, as larger vehicles will tend to cost more and use more fuel.
- Aim to get the vehicles with the best fuel economy and lowest CO₂ emissions in any given class.



"Management meetings taking place behind closed doors can lead to leaks and wrong information being imparted"

John Pryor, ACFO

REVIEW YOUR FLEET STRATEGY REGULARLY

The fleet industry is constantly changing, whether the change is through the development of technology, the introduction of legislation or the launch of new products.

It is therefore important that strategies are reviewed regularly to keep them up to date.

ACFO recommends they are reviewed at least every vehicle operating cycle and "almost certainly more frequently than that in the light of organisational changes in respect of, for example, job creation or contraction and merger or acquisition, and legislative or tax changes", says John Pryor, chairman of the fleet operators' association.

"All such changes can have a major impact on organisations and fleet is no exception.

"Pursuing the status quo in the light of such changes can prove to be a recipe for disaster for the organisation, particularly in terms of cost and compliance."

Transport for London recommends that fleets should also look at their data collection processes as part of any review. It asks: "Are they providing the information you need? Are administrative costs acceptable?"

The organisation also advises fleets to:

- Review business needs and drivers – for example, to take account of any changes in customer requirements, or new legislation or regulation.
- Ensure regular reviews of performance of new vehicles, or new technologies that have been trialled, to ensure they are meeting expectations and are appropriate for that fleet's business needs.

Pryor says that, as when formulating a fleet strategy in the first place, consultation is vital.

"Ideally, any changes in fleet strategy should involve employees," he adds. "Management meetings taking place behind closed doors can lead to leaks and wrong information being imparted and, if changes in strategy are imposed, it can result in ill-feeling from drivers.

"However, explaining to drivers why a new strategy is being developed and the benefits to them and the business of taking such action can be expected to engender a feeling of goodwill.

"For example, imposing telematics on drivers may give rise to a cause for concern, but explaining that the technology delivers safety benefits and will help the company reduce its large accident bill and save fuel, thus ultimately cutting costs and potentially saving jobs, can be a winner in getting drivers onside."



Strategies should be regularly reviewed to keep them up to date



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KPIs are vital to fleet strategy, but be selective

Fleets must identify the right key performance indicators, says [Andrew Ryan](#)

Key Performance Indicators (KPIs) are a vital tool in ensuring that a fleet strategy is effective.

They should be used to provide information that is both useful and appropriate in areas such as vehicle downtime and CO₂ emissions, but fleets should be selective about how many are introduced.

The Wales Audit Office says that if too many are used, it will be too time-consuming to collect all relevant data and the analysis of performance will be clouded by too much information.

"KPIs should be established and measured early in the process," says Stuart Cunningham, head of international corporate sales at Alphabet.

"Strategy is no longer merely about company cars and their financing, it's about the total cost of mobility – something that needs to be identified at the beginning and improved through the introduction of the new strategy.

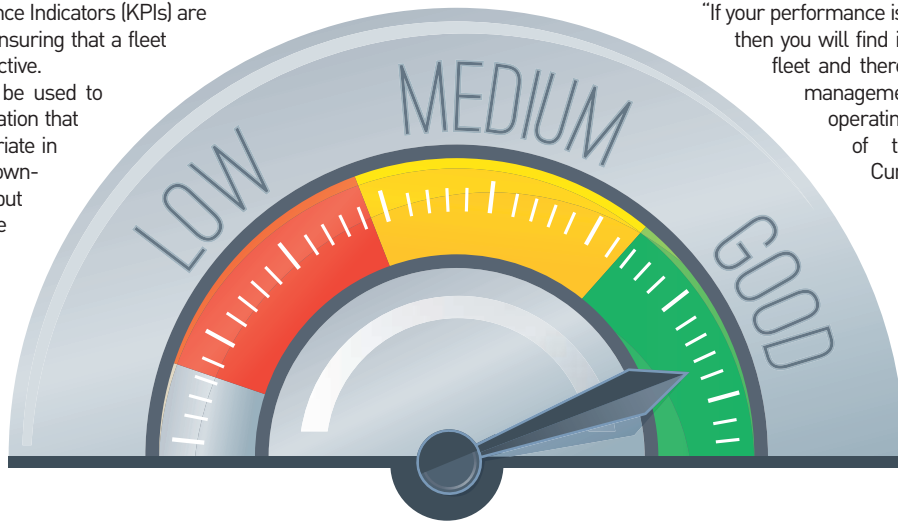
"It's also important to measure results in each of the eight key areas (company cars, rental vehicles, pool cars, fuel management, alternative travel methods, cash allowance, risk management and employee benefits) from the very beginning.

"Only then can businesses see the full picture of what's happening and how the business is performing against its strategy."

Chris Chandler, principal consultant at Lex Autolease, adds: "If a fleet has external service providers, it should make sure they come up with innovations and recommendations to reduce costs and increase efficiency."

The Wales Audit Office says performance indicators should be reviewed regularly to ensure the information provided is relevant and assists with fleet management decisions. It should not be provided purely on the basis that it has always been provided, it adds.

The organisation recommends that a fleet manager should lead the monitoring of KPIs and they should be given clear responsibilities to report this information to everyone involved in the decision-making process at strategic and operational level.



"If your performance is not measured effectively then you will find it difficult to manage your fleet and there will be a risk that fleet management becomes an activity operating in isolation from the rest of the organisation," says Cunningham

"It is important to establish short, medium and long-term goals."

"Priorities will differ depending on each company and its mobility needs and should be based on the results of the analysis.

"A fully-optimised strategy can take between six and 12

months to implement, so you won't be able to reach all KPIs overnight, but you may be able to identify some quick wins that will have an immediate impact on the business."

SUGGESTED PERFORMANCE INDICATORS

Fleet use

Vehicle availability: number of days the fleet is available for use.

Vehicle downtime: number of days lost due to maintenance and repairs.

Vehicle utilisation: how much the fleet is used compared with its availability – this helps to identify whether the fleet size is correct or if there are problems with availability of vehicles and staff.

Compliance

Number of accidents: to highlight staff training requirements and links to insurance costs.

Number of vehicle defects: to highlight maintenance issues.

Number of MOT failures or first-time passes: to measure the performance of the maintenance provider.

Operational

Fuel usage: fuel economy figures can identify inappropriate fuel use, help with future vehicle type selection and identify training requirements.

CO₂ emissions: used to monitor compliance with overall environmental policy and reduction targets.

Costs

Maintenance costs per vehicle: used to investigate whether certain vehicles are costing more, perhaps because of drivers causing excessive wear and tear or maintenance charges not being subject to review and checking.

Tyre cost per vehicle: used to identify excessive tyre damage.

Insurance cost per vehicle: helps to identify whether the insurance purchased provides value for money.

Operating costs per vehicle: this could highlight where significant running costs could be reduced.

Source: Wales Audit Office

"You may be able to identify some quick wins that will have an immediate impact"

Stuart Cunningham, Alphabet