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LOOK AT THINGS DIFFERENTLY



➤ **HOW TO:**

**CHOOSE THE
RIGHT VEHICLES
FOR YOUR FLEET**

BANK OF SCOTLAND
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HOW TO: CHOOSE THE RIGHT VEHICLES FOR YOUR FLEET

This is a short guide aimed at companies with small to medium sized fleets. It is intended to provide easy to understand and practical advice to managers and directors who have a stake in their company vehicle fleet.





THE BUSINESS CRITICAL FACTOR

For many organisations the company car or van is a 'business critical' factor in meeting core objectives – either as a valued component of a reward and benefits package, as a mobile workplace, or as part of the supply chain.

Unfortunately, many companies make decisions based mainly on cost – the lowest purchase price or lease rental. However, although many employers are aware of some of the cost implications of acquiring vehicles, they often fail to address one of the most important questions – are the vehicles 'fit for purpose'? If they are not, they will not be used effectively and you may be left with a few costly white elephants sitting in the car park or have to pay early termination charges.

A key mistake when looking to acquire new vehicles is to start by considering the make, model and list price of the vehicle. The best practice approach, would be to work in collaboration with the managers, drivers and key personnel to identify the actual vehicle need, its role/operational requirements, its HR objectives (for perk company cars) and take a stepped approach to identify the most suitable vehicle that is fit for purpose. The eight steps to consider are reviewed overleaf.





EIGHT STEPS TO IDENTIFY THE MOST SUITABLE VEHICLE

Step 1

Passengers, loads and additional features

Seeking answers for the following questions will provide the first steps in identifying the correct vehicle for your actual requirements:

› How many passengers will the vehicle carry on a regular basis?

Don't immediately go for the maximum number of passengers possible, consider the primary needs of the vehicle. You may have the odd occasion when five employees and luggage need to be transported to a business meeting – but is this regular? Occasional high occupancy needs can be met by utilising daily rental vehicles. If they only carry one passenger 90% of the time do you really need a 7 seat people carrier? Don't over specify vehicles on the 'just in case' basis.

› What loads will the car or van have to carry on a regular basis?

Again, don't immediately assume that you need a vehicle for the heaviest, bulkiest or longest loads. For vans you need to consider payloads, access to the load space (i.e. side doors, double rear doors, and opening sizes) and the size/shape of typical goods to be transported. Health and safety considerations surrounding the handling of heavy items should also be considered. Again the vehicle should be specified against normal business needs, as occasional larger loads could be addressed by hiring a suitable daily rental vehicle. For saloon cars and estate cars the boot space must be large enough for the safe stowage of goods or equipment without the need to place items on the back seats, especially if these items are heavy and could present a hazard in the event of an accident.

› What additional features are needed?

If these are essential use or business need cars rather than perk cars, the main criteria are safety and fitness for purpose (i.e. do they do the job that they were supposed to do?) not personal choice. In the case of perk company cars, you want to provide choice and flexibility but remember that reallocating unusual or highly personalised vehicles may be difficult if the driver leaves or personal circumstances change.

› In the case of vans, are there any specific considerations that need to be made?

Any needs for racking or other conversions should be considered from the outset. Your vehicle converter should be involved at an early stage as the choice of vehicle will affect the feasibility, safety and cost of any post-delivery work.

› Will your company start selling a new product range... and will it fit in your vans?

You have just signed up to contract hire a new fleet of 50 vans for four years only to discover that the company's future plans are built upon delivering a new product that will not fit. Consult the key personnel within the company to assess any upcoming changes in core business activity that may influence the type of vehicles required in the future.

› Does the vehicle have ergonomic features appropriate to the job?

Consider ease of access and ingress and seats, ease of use for vehicle controls, and the suitability for the safe mounting of any necessary equipment in the cockpit area (e.g. radio/communications/electronic delivery systems).



Step 2 Operating cycle

The next questions will help you to decide if the vehicle should be petrol, diesel or alternatively fuelled and also provide information to help make a decision about engine size/configuration. Don't confuse engine size with power or performance. While there has historically been a relationship between the two, many modern vehicles use turbo chargers, super chargers, (sometimes both combined) and electric motors to provide much more power than one would expect from a small engine. You should consider the number of passengers, load and length of journeys, as well as where the vehicles will primarily be driven. Use historic information or ask business managers about current journey types, frequency and also whether these patterns are due to remain constant for the foreseeable future.

› Where will the vehicle be driven?

Mainly motorways, town centres or a combination? Diesel vehicles are better suited to motorway and 'A' road journeys, but hybrid (petrol/electric) vehicles are much better suited to urban stop-start driving environments. Does the vehicle have to go off-road, and if so is this just dirt tracks or harsh rough terrain? Many 'soft road' vehicles are adequate for farm tracks and fields, but for remote harsh environments proper off-road vehicles such as Land Rover Defenders may be an essential requirement.

› What is the length of the journeys?

Petrol engine cars are often more cost effective for frequent short journeys and diesels pay for themselves when being used on long motorway routes (diesels have a purchase cost premium but tend to be more fuel efficient than a petrol model).

› How often are the various journeys carried out?

Carry out some analysis on recent trends, and estimate journey profiles if accurate information is not available. This could be done by taking a sample of vehicles and getting estimates from the drivers or their managers. Don't go for the worse case scenario as it could be an expensive solution. How much extra are the lease rentals for that 1.9 litre diesel TDI than the petrol 1.3 litre?



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Step 3 Vehicle efficiency

Now the type and specification of vehicle is clear, it is important to consider the fuel efficiency of the vehicle and its environmental performance.

› For cars

For company cars, most of the taxation is based on CO₂ emissions and, as such, selecting vehicles with high CO₂ emissions will be very expensive for the company and create a high tax burden for the employee. Aim for lowest emissions practical. This will save the employee and employer money as well as provide environmental benefits. Also consider fuel type and fuel economy. Fuel is typically 25% – 33% of the running cost of a vehicle and hence selecting fuel efficient vehicles is very important.

› For vans

For vans, fuel economy figures and CO₂ emissions are hard to obtain, so it is advisable to source manufacturer demonstrator vehicles and test them against each other in actual use to get an indication of fuel efficiency. Also consider tailpipe emissions to ensure free access to city centres. The London Low Emission Zone (LEZ) introduced in February 2008 means that commercial vehicles will have to meet tailpipe emissions standards if they wish to enter Greater London. This should only be an issue for those acquiring second hand vehicles as all new vehicles will meet the latest environmental standards.

Step 4 The drivers

You have now done everything that you need to do to identify the most suitable vehicles for business needs – or have you? The drivers must be included in the vehicle selection process, after all they are the ones who will be driving the vehicles. Ensuring they find the vehicles comfortable and suitable for their needs is important. You do not want vehicles people are not comfortable in. Experience has shown that often where drivers have a great disliking for their vehicles they will at best neglect the vehicles and at worst abuse them in the hope of an early replacement.

› Ensure drivers have an input into the vehicle selection decision?

They may have very useful feedback and views.

› Obtain manufacturer demonstrators to ensure vehicles are suitable.

This provides a good opportunity to ensure the vehicle is fit for purpose and ensure no personal issues arise such as drivers finding seats uncomfortable.

› Does the driver have enough experience to drive the vehicle?

All of your good work can be undone by allocating a vehicle to an inexperienced driver. Driver training may be appropriate.

› Vehicle flexibility.

As employees get older, their priorities and attitudes to vehicle choice change. A sporty coupé might have suited their needs a couple of years ago but not next month when they are expecting a new family member.





Step 5 Number of vehicles

You have now decided the basic specification for the vehicles and maybe fuel type and engine size. Now you need to establish how many are needed.

› What are the business plans over the next three years or more?

Speak to business managers and other stakeholders. Don't assume that the current business model will be in place going forward.

› Will the business be expanding – or downsizing?

A rapid expansion or new acquisition may see increased demands from new employees. Will the vehicles selected be able to meet this demand or are there likely to be supply issues?

› Will the company cover a larger geographic area or are sales territories going to change?

This could create a need for higher or lower mileages and hence affect the diesel/petrol/alternative fuel decision.

Step 6 Costs

Only after going through the earlier steps should you consider the cost implications. Our companion guide 'How to Reduce Your Fleet Costs' covers the main issues around fleet costs in more detail. The main point that fleet operators need to take on board is the need to consider vehicle costs in whole life cost terms (i.e. including all cost components that arise from the vehicle use – including fuel and tax), not just the purchase price or lease rental. Do not be tempted to buy or lease a bigger-engined vehicle or special model because they are on run-out or a special manufacturer offer.

These seemingly attractive choices may lead to higher depreciation and whole life costs. Making the wrong decision at the outset can lead to higher whole life costs, which for a 50 car or van fleet may be as much as £250,000 additional

spend over four years. Fleet funding is a major issue but just as important is your attitude to risk. If the option for fixing fleet costs for 3 or 4 years is attractive then seriously consider leasing vehicles rather than outright purchase. You may also wish to consider the value added services that leasing companies can provide to reduce the administrative burden.

Step 7 Timing

Having decided what vehicles you need and how many, you must then decide when they are needed.

› Do you really need all of the vehicles at once?

You should make arrangements to have the vehicles supplied when they are needed. Vehicles parked up cost money in either rental costs or depreciation and often cause storage problems. There is rarely a cost benefit of acquiring a batch of vehicles all at the same time.

› Can you take delivery and get them on the road?

Your leasing provider and dealerships should make this a seamless process – but only if you know what you need and agree the process. The end users also need to be planning for taking delivery.

Step 8 Seek feedback

Don't assume that the job has been done. You now need to establish if the business needs have been met in terms of quantity and quality. If not you need to revise your plans and take remedial action.

Your leasing provider has access to a huge amount of industry information and well developed links with manufacturers and other industry experts. It should readily provide advice and the opportunity to test drive alternative vehicles.

Remember: making the wrong choice can cost a lot of money further down the line.

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For more information on any issues covered in this **HOW TO:** guide, please contact your Account Manager.

About Lex Momentum

Lex Momentum is a strategic consulting team that works with board directors and senior managers to identify how fleet can better impact key business objectives. Our consultancy covers cost reduction, policy, tax, the environment, duty of care and fleet delivery strategy. In addition to core fleet issues, we consult on related areas such as fuel and cash schemes.

Since the team was created in early 2004 we have advised over 250 companies – both clients and non-clients of Lex.

Our consultants have depth and breadth of knowledge in a range of technical areas and have prior experience in major advisory firms or industry. We combine leading edge thinking with the operational experiences that come from being part of Lex, the UK's largest fleet provider.

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