

# ROLLINS

## CREATES OPEN-END LEASING SAVINGS

A switch from closed-end to open-end leasing and co-sourcing fleet management services will save Rollins, Inc. anywhere from \$8-\$10 million over the next six years. *By Cheryl Knight*

**A**tlanta-based consumer and commercial service company Rollins, Inc. operates a global fleet of 8,300 vehicles, 7,800 of which are managed in the United States. With such a large fleet, the company relies on proactive and streamlined processes and policies to run a cost-effective and customer service-oriented fleet department.

Operating with more than 10,000 employees, Rollins generated more than \$1.1 billion in revenue in 2010 by providing pest control services and protection against termite damage, rodents, and insects to more than 2 million customers in the United States, Canada, Central America, the Caribbean, the Middle East, Asia, Africa, and the Mediterranean from more than 500 locations.

Rollins' wholly owned subsidiaries include Orkin LLC, HomeTeam Pest De-

fense, Orkin Canada, Western Pest Services, The Industrial Fumigant Company, Waltham Services, Crane Pest Control, and Trutech.

"Our department's mission is to meet the requirements of our customer — field operations — by ensuring that vehicle needs are met and driving costs off of their P&Ls," said Paul Youngpeter, CAFM, director of fleet for Rollins, Inc.

As a 17-year Rollins veteran, Youngpeter oversees the Rollins fleet department and fleet activities for brands in the United States and is the primary contract negotiator for fleet services and OEM pricing. He also communicates with operations and executive management.

### We're All in this Together

Youngpeter relies on his internal fleet team and key departmental partnerships. The fleet team includes Fleet Manager Ron Kimbell; Fleet Analyst Tamara Whitsett; Fleet Accountant Patricia Fanning; and six brand fleet managers and coordinators.

"I am fortunate to lead a team with a tremendous amount of tenure within Rollins," Youngpeter said. "Ron has 40 years with Rollins, the last six in fleet. Pat and Tamara both have 14 years of experience — all in fleet. With that level of experience comes the ability to interact directly with senior management on anything fleet-related."

Key internal fleet partners include:

- **Procurement**, which is instrumen-

tal in sourcing and providing materials for up-fitting company vehicles.

- **Risk management**, which is responsible for managing the telematics reporting and driver policy enforcement.

- **Brand fleet managers**. Over the past two years, upfitting for all brands has expanded and resulted in cost reductions and time savings.

- **Executive Steering Committee**, which enables fleet to garner support across all brands for new initiatives.

Externally, Youngpeter considers company vendors as key partners, and those long-term relationships have resulted in significant cost savings and assistance through several challenging times.

"We feel that minimizing time spent on fleet activities enables our operational managers to focus on their customers and grow the business," Youngpeter added.

Rollins' U.S. fleet includes predominantly Ford Ranger (75 percent) and F-150 (10 percent) trucks. The Ford Focus, Fusion, and Chevrolet Malibu compose the remainder of the fleet. Light-duty trucks are used for pest control service delivery, sedans and SUVs for field operations management, and specialized vehicles for lawn care service and tent fumigations.

While the company leases all new vehicles, it also owns about 400 vehicles. Rollins' primary lessor has been SunTrust, while its subsidiary HomeTeam Pest Defense utilizes Donlen for fleet management services.

### ATA GLANCE

Rollins, Inc. estimates an \$8- to \$10-million in savings over the next six years through such initiatives as:

- Co-sourcing fleet management services.
- Evaluating fuel purchasing habits by provider and monitoring fuel card usage.
- Upfitting initiatives for the Ford F-150.
- Utilization of GPS to manage driver behavior and safety.



The Rollins, Inc. fleet team consists of (l-r) Gene Iarocci, vice president of administration; Paul Youngpeter, CAFM, director of fleet; Patricia Fanning, fleet accountant; Ron Kimbell, fleet manager; and Tamara Whitsett, fleet analyst.

“Our vehicles are used to provide pest control and termite services and sales to residential and commercial customers,” Youngpeter added. “The majority of vehicles are light-duty trucks used by specialists performing a wide-array of services, such as residential and commercial pest control, commodities fumigations, bed bug services, and wildlife control.”

In addition to commercial, residential, termite, and fumigation service specialists, other company drivers include termite control sales inspectors, sales managers, and operations locations managers. The fleet team also operates a small group of executive and home office vehicles.

### Building Brand Identity

Youngpeter and his team ensure that Rollins’ fleet integrates into and reflects the company’s total brand identity. Company trucks act as rolling billboards and are one of the most recognized forms of advertising for Rollins’ individual brands.

“Fleet and the brand go hand-in-hand. Providing dependable, attractive vehicles and working to minimize downtime supports the brands in their efforts to be the best at what they do,” Youngpeter stated. To ensure fleet operations continuously fulfills the corpo-

rate mission, the fleet team reports to the senior vice president of administration, Gene Iarocci, who then reports to the CEO and sits on the Rollins Executive Steering Committee. Fleet helps support these goals by evaluating and providing the best vehicles to deliver service while being fiscally responsible.

Because fleet costs for Rollins represent the third-largest expense category overall, decisions on vehicle types, leasing costs, and service contracts have a significant impact on the company’s bottom line. Senior management participation and guidance is absolutely essential to the success of fleet initiatives.

“We are very fortunate to have great support from our executives and are allowed to have a place at the table when it comes to key fleet decisions,” Youngpeter stated.

Senior management will play a key leadership role as Rollins’ fleet transitions from a closed-end, unbundled structure to the remarketing of open-end vehicles, as well as a partnership with Wheels Inc., over the next three to four years by helping communicate and support the cultural change.

Youngpeter estimated the conversion to open-end leasing and co-sourcing fleet management services will save

anywhere from \$8-\$10 million over the next six years. The immediate gains have come from reducing fleet staff by one position and eliminating more than 26,000 accounts payable documents and payments annually. The accounts payable savings alone is \$180,000 per year.

“One of the largest time savers will come from having Wheels Inc. handle all vehicle registration renewals, a responsibility previously performed by local management. We estimate that to be 1.5 hours per vehicle annually,” he added.

### Digging into the Fleet Financials

Rollins drivers traverse more than 180-million miles per year. As such, cost per mile remains a primary indicator for the fleet team to track and assess. The greatest factor examined, though, is fleet expense as a percent of total revenue, which Youngpeter said represents the department’s ultimate measure of success.

“Since fleet is such a key expense category, we work closely with operations to best manage vehicle utilization while meeting their business needs,” he said. “When evaluating major changes in fleet vehicles, suppliers, or policies, we consult with executive management and solicit input from operations.”

The Rollins fleet teams relies on these

key metrics and department best practices and key policies and procedures to ensure that fleet financials remain in line and operations run smoothly. Best practices and critical policies include:

■ **Fleet administration.** The company's fleet team is adept at carrying out activities needed to manage a large fleet and replace 2,000-plus vehicles per year, especially when challenged with delivery timing of closed-end leases.

Key policies include safe driving and vehicle appearance and safety. GPS alarms and alerts help enforce seatbelt use, speed control, and unauthorized use of company vehicles. Violation of these policies results in disciplinary action up to and including termination. Regular vehicle inspections are required by local management to ensure all vehicles are properly equipped, safe to operate, and meet company standards of appearance.

■ **Vehicle and services procurement.** As *Automotive Fleet's* 35<sup>th</sup>-ranked largest commercial fleet, the fleet team has learned to leverage its buying power to keep vehicle cap costs down and generate significant savings on maintenance and other services. Vehicle inventory is monitored to minimize excess vehicles. Adding vehicles requires level approvals up through senior management.

■ **Fuel card management.** The company has maintained a partnership with Wright Express as the fuel card supplier of choice for more than 17 years. Through that relationship, the team has developed key monitoring practices that keep fraud and unauthorized purchases to a minimum while providing complete coverage for operations.

Fuel card issuance and use is tightly controlled, and exception reporting identifies potential issues for both misuse and productivity. Fleet has recently upgraded to the WEX Millennium online platform that will allow the team to further refine controls and capabilities.

"Open and proactive communication between the fleet team and company executives helps us implement new initiatives and work through policy exceptions as they arise, with good results," according to Youngpeter.



**Paul Youngpeter, CAFM, director of fleet for Rollins, Inc. is a 17-year veteran of the company, and oversees the fleet department and fleet activities for the company's U.S. brands.**

### Making the Tough Decisions

For the past several decades, fleet has successfully taken a completely unbundled approach to vehicle management. For as long as almost anyone at Rollins can remember, the company has utilized the Ranger as its primary vehicle, operated through closed-end leases, and managed all vendor/supplier relationships.

"As the economics of fleet have shifted since 2008 as a result of vehicle production and rising fuel costs, we began evaluating several areas: a Ford Ranger replacement, open-end versus close-end leasing, and bundling versus unbundling fleet management," Youngpeter stated.

Beginning January 2011, Rollins converted to open-end leasing for its light-duty trucks and expanded this change to all vehicles in the third quarter. While closed-end leasing had served the company well in the past, improved vehicle dependability, positive open-end experiences in several subsidiaries, remarketing trends, and the prospect of a more expensive primary vehicle in the future created the justification to move to open-end. At the same time, the company moved from a target replacement of three years or 75,000 miles to four years or 95,000 miles for light-duty trucks.

Once that critical decision was made, Youngpeter began looking deeper into the fleet's support and data needs. Operating without a comprehensive fleet information management system left the team without critical data needed to make many fleet decisions, and it quickly realized help would be needed to remarket the 2,000-plus vehicles per year.

Partnering with procurement and fi-

nance, the fleet department undertook a very extensive request for proposal process beginning in February 2011. The initial objective was to determine if bundling services would make both operational and financial sense for Rollins.

"It became apparent that a bundled approach would be best for us at this time," Youngpeter said.

Seven key categories were then used to compare the competitors: pricing, financial stability, cultural fit, technology, account management capability, franchise support, and Canadian operations.

"Long-term relationships are important to us, and moving away from our great partners of 10 years at Piemonte Fleet and SunTrust Equipment Financing was a decision not taken lightly," Youngpeter continued. "In July, the process was finalized to make Wheels Inc. our strategic partner for fleet services (other than fuel) and that we would maintain our direct relationship with Wright Express."

The fleet employees responded very positively to the change in direction, according to Youngpeter, even though one position was reduced. The team agreed that moving to a more efficient information system would improve service to internal customers and significantly improve the ability to manage fleet assets going forward.

"For our operations teams, this is a major cultural change, and for the most part, the reaction has been one of cautious excitement," Youngpeter explained. "Even though the implementation is just getting started, most are eager to see the changes take place in registration renewals, maintenance management, and information availability."

### Replacing the Ranger

The discontinuation of the Ford Ranger and other light-duty pickups will significantly impact Rollins' business. The light-weight pickup has always been the vehicle of choice not only for Rollins, but almost all companies in the pest control industry.

Due to the nature of Rollins' business, the built-in separation between the driver and the pest control supplies/products offered by a pickup provides the neces-

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sary safety conditions and meets industry regulatory requirements. The smaller pickups also allow easier access both through the tailgate and over the bed rail, which is especially advantageous in the pest control industry.

Rollins has enjoyed a long-standing relationship with Ford and has been one of the largest purchasers of Rangers over the past three decades. "The Ranger has really become a part of our brand and came to be known as our 'little white truck.' We even have neckties with the Orkin Ranger on them," Youngpeter said.

As of press time, Rollins has not made a decision as to the vehicle that will ultimately replace the Ranger in its lineup. However, Youngpeter is currently evaluating the options and waiting to see the next steps taken by the OEMs.

"To help bridge the gap between any new model offerings and minimizing our costs, we have partnered with Ford to provide a large pool of Rangers to meet most of our 2012 needs," he added. "We are also extending use of our lower mileage trucks to four years instead of the normally-scheduled three-year cycle on the current closed-end leases."

There has been much concern and a large amount of input from Rollins drivers about the change, and the fleet team continually communicates with the operations group and drivers through newsletter releases, internal Website updates, fleet-specific communication distributions, field management meetings, and an internal satellite broadcast system, which enabled training for newer initiatives, provided a Ranger update, and accepted live questions on camera from 300-plus branch locations.

### 'Rightsizing' Costs

Another recent fleet initiative included improving fuel mileage performance by converting all small pickups and a large percentage of management vehicles to four-cylinder models, reducing the number of F-150-size vehicles, rightsizing the overall number of fleet vehicles, and utilizing telematics to improve driving habits.

"With cycling vehicles every three years and the daily range required to



(Left) Fleet Director Paul Youngpeter and his fleet team report to Gene Iarocci, vice president of administration, who reports to the CEO and sits on Rollins Executive Steering Committee.

service driver routes (over 100 miles per day), it has been difficult to justify the use of alternative fuels based on ROI, so we have opted to be cautious followers when it comes to alternative-fuel vehicles," Youngpeter said.

In 2011, the company also undertook an initiative to help operations reduce the amount of fuel purchased at the highest-priced providers. Almost 40 percent of Rollins' fuel was purchased at three suppliers, all of which fell in the company's top five most expensive vendors.

By end of the third quarter, purchases at those three vendors had dropped 25 percent, resulting in increased purchases from the company's 10 least expensive vendors.

This fuel purchasing effort has lowered the company's average price per gallon by \$0.02.

Another key fleet initiative began in 2009, when the fleet team implemented an upfitting process for Orkin brand Rangers with L&Z Equipment in St. Paul, Minn. Prior to that, branch managers had to apply decals, coordinate installation of telematic units, and ensure all required documents and supplies were in the truck once it was picked up at the dealership.

Now, the truck arrives ready to hit the streets with everything in place and operational. In 2011, this effort was expanded to include Rangers for other company brands. Knapheide was then employed to complete the same process with all F-150s outside the Kansas City area.

"The upfitting initiative has significantly reduced our management team's time spent on vehicle prep (five hours/vehicle) and improved the overall consistency of vehicle appearance and compli-

ance to GPS policies," Youngpeter said.

On the technology front, since the late-1990s, the service fleet has used a combination of both passive and active GPS to manage driver behavior and safety. Seat belt utilization, idle time, speeding, hard starts and stops, times of operation, and unauthorized use are monitored via the system.

Since fully implementing GPS technology, Rollins has seen a 60-percent reduction in vehicle accidents and related liability claims.

### Anticipating Future Trends

The fleet team anticipates that these initiatives will continue to realize time and cost savings, and foresees greater opportunities to incorporate sustainability objectives and efforts into Rollins' overall fleet metrics.

"We see our business continuing to expand and the challenges to keep costs in line to increase," Youngpeter said. "Through our partnership with Wheels Inc., we hope to better manage the finer details of fleet and take a more active role in helping improve vehicle productivity."

Youngpeter also stressed the importance of remaining proactive in relation to the company's success over the next several years. As Rollins transitions into the new leasing structure and fleet management partnership, the fleet team will constantly look ahead for ways to improve cost performance and leverage the large amount of data available.

"The speed of change in our section of the fleet world is rapidly increasing, and the uncertainty of future vehicle pickup truck production and fuel costs requires us to stay in front of the curve," he concluded.