

Reducing dealer stock purchases to less than 1% saves client over \$1 million

THE CHALLENGE

One of our new clients, a large consumer electronics company, was in the process of transitioning to Wheels from its previous supplier.

The client's fleet consisted primarily of service and delivery vehicles that reside at its retail stores. As part of the initial assessment and client onboarding process, we worked with the client to capture its existing vehicle inventory. Wheels identified that almost 30% of the client's new vehicle acquisitions were coming from dealer stock purchases, and saw the potential for reducing costs and improving administrative efficiency.

While working with the client, we uncovered three root causes for the high dealer stock purchase volume. First, the company was going through a growth period, opening new stores that required new vehicles. The fleet office was not notified until close to the store opening, with limited lead time. The second cause was that the selector for the service arm of the fleet included a popular retail vehicle which was not historically used as a fleet vehicle, since it did not come from a fleet-minded manufacturer. Finally, the client had established poor replacement planning with its previous supplier that involved making vehicle acquisitions on a reactive, rather than proactive, basis.

Fleet Size:	5,000 Vehicles
Vehicle Type:	Sedans, Light and Medium-Duty Trucks
Industry:	Retail

THE SOLUTION

Wheels Account Team worked closely with this customer and developed a multi-faceted plan to address each of the root causes for its high out-of-stock acquisition rate.

We worked with the client to set up a system for proactively notifying the fleet group when a new store opening was planned. We uncovered that the company knew at least 12 months in advance where it was planning on opening new locations, but the information was not shared with fleet because there were occasional changes between projections and actual store openings. Wheels provided the fleet group with analysis that showed the additional costs incurred by them not knowing in advance of stores opening more than offset the risk.

\$1 Million 
IN FLEET SAVINGS

Wheels established pools for both service and delivery vehicles:

- **Service/Delivery:** We worked with the manufacturer to pre-order the vehicles. The vehicles were properly equipped for the company so they wouldn't incur additional retail equipment costs and would receive better overall acquisition costs. Vehicles could be pre-ordered and released to several port locations where they could be easily and quickly moved to the store when needed.
- **Install/Repair:** We established a bailment pool for the cargo vans and pre-ordered vehicles that were to be "grounded" at the upfitter. Those vehicles were quickly upfitted and deployed where needed.

Through the initial assessment and ongoing vehicle analysis, we also identified 130 vehicles that were sitting at store locations unused. We worked with the client to redeploy those vehicles within the fleet. The client was able to put the existing assets to work and avoid purchasing unnecessary new vehicles. Over the lifecycle this process alone saved the company almost \$1 million dollars.

THE RESULTS

The company started realizing savings results right away. Three years later the company is enjoying a 1% dealer stock purchase rate.

OUT OF STOCK ACTIVITY

Model Year	Out of Stock Orders	Total Orders	Out of Stock%
Year 1*	29	152	19%
Year 2*	226	839	27%
Year 3*	401	1,527	26%
Year 4*	213	1,046	20%
Year 5	35	704	5%
Year 6	12	1,181	1%

* Prior to joining Wheels

We now help the client maintain and manage the existing inventory on an ongoing basis. Vehicles are redeployed as stores close or plans change as part of their standard process. Through analyzing their data, working with the corporate fleet office and the locations, we are able to develop and establish proactive replacement schedules that optimize the vehicle use while minimizing the associated costs. We also work to maintain a process that makes ordering easier for all involved.

ABOUT WHEELS, INC.

Wheels, Inc. (wheels.com), which pioneered the concept of auto leasing in 1939, provides a full range of specialized services to help organizations manage their vehicle fleets. Wheels manages more than 300,000 vehicles. At near \$2 billion, its holding company Frank Consolidated Enterprises currently ranks as one of the largest private companies in North America. For additional information, please contact info@wheels.com.

All data analyzed and provided by Wheels, Inc.