WHITE PAPER

Sourcing fleet management providers — Best practice considerations

wheels

Executive summary

Finding the right supplier for complex service contracts can be a tricky process. The traditional sourcing methods for commodities do not always produce the best results, especially if you are seeking long-term improvements in productivity or administration. This paper outlines some best practices to ensure that your sourcing process for a fleet management provider is comprehensive and aligned with the specific needs of your company.

Understanding your needs

Understanding how your corporate vehicles fill a strategic role in your company's success is an essential starting point. Unlike the quantitative process of gathering the total spend on vehicle-related purchases, the goal here is to identify how critical the fleet is to your business. Gather this information from stakeholders throughout the organization to provide a baseline for decision-making in the rest of your process.

This knowledge can then be used as a guideline to identify qualifications for potential suppliers. You should do this before you contact suppliers about your impending bid. These qualifications allow you to include those suppliers that have the greatest potential to meet the strategic needs of your company's fleet. They can also provide documentation for why certain suppliers were not included in the bid. It is important during this part of the process to include only requirements that are definitive and to simply get verification that they are included. You want to avoid burdening yourself with detailed explanations about how they are done.

Criteria consideration

Another best practice for sourcing fleet management providers is to identify, prioritize and weight all criteria prior to reviewing any alternatives, proposals or responses. Often this step is left incomplete or done too late in the process. This ultimately results in conclusions that are not supported by the majority of the selection members. If it is completed first (most importantly prior to reviewing pricing), it provides objective criteria based on the company's needs.

To do this correctly, first figure out who should be involved in the process. Identifying and involving the key stakeholders will ensure that the role and impact of the fleet are adequately considered in the sourcing process. Here are some questions that will help identify these individuals:

- Who uses the fleet vehicles and what are the vehicles used for? Many typical vehicle uses are sales, service, executive or route/delivery.
- Where is the financial responsibility for fleet? In other words, whose budget and/or P&L is impacted by the cost of the vehicles and related services?
- Does the fleet contribute to revenue? If the answer is yes, be sure to consider the cost of lost revenue when a vehicle is not functional.

How will the benefits be measured?

Some of the most difficult benefits to measure are the non-financial elements of your criteria. These areas might include the ability to attract, hire and keep the best employees, the functionality of a vehicle, the impact of the fleet on business goals, the fleet's support of operating objectives, driver productivity and driver satisfaction. It is very important to determine what value your organization places on these areas. These values and priorities will provide guidance in the evaluation process and keep your decision-making aligned with your corporate fleet goals.

Financial benefits are equally important, but the complexity of fleet management does not lend itself to simply comparing price. You must determine how much you value a dollar saved vs. a dollar generated (revenue) and similarly how you will compare a dollar in price to a dollar in performance-based savings. For example, Supplier A is $1.00 below the price of Supplier B for their maintenance service, but Supplier B claims their national network of vendors will save you $1.00 on every oil change. The resulting bids will be highlighted by many grandiose figures of projected savings. Making these decisions can provide clarity in evaluating the true savings figures and their impact on your objectives.

In addition to deciding how you will value the financial benefits, you must also consider whether the savings promised are achievable and sustainable and if the supplier stands behind its commitments. Given the cyclical nature of leases and typical vehicle lifecycles of 36 to 48 months, immediate savings in price can be lost in the following years, and performance-based savings can often take years to realize or possibly never materialize.

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Conclusion

Sourcing a fleet management provider involves a complex evaluation of numerous factors, ranging from financing terms and basic capabilities to proactive consultation and service level agreements. Therefore, determining the detailed needs of your fleet, how you are going to select a provider and the specific criteria you will use to make that decision before beginning the bid process will save you resources and provide an objective. Such an evaluation ensures that your supplier will be the best fit for the specific needs of your company's fleet.

To learn more about fleet management best practices, please contact a member of your Wheels Account Team or e-mail us at info@wheels.com.