Case Study: Best Practices in Developing a Global Fleet Acquisition Strategy

Ralf S. Wessel
Manager Global Security, Global Fleet & Corporate Facilities
AGCO Corporation
Quo Vadis – Where are you going?
Analyze

• Existing Policies and Contracts
• Prioritize when meeting stake holders within regions
  – Volume of vehicles will dictate the intensity
  – Executive fleet – its definitely special
• Trying to understand the differences and needs by country
• Review cash allowances and alternatives
• Define common data check points to ensure adequate comparison
• Realistic estimate of the saving potential
• Review country specific mandates
Common Obstacles

• Driver
  – Different meaning of company car per region
  – Existing employment contracts defining specific vehicle or mileage reimbursement
  – Driver satisfaction
  – Emotional subject
  – Recent years SUV become more favorable
  – Tax advantage for the driver for green vehicles

• Existing regional lease structure
  – Current contracts with various regional providers and remaining duration
  – Remain with existing or transfer
  – Re-negotiate existing contract based on analysis

• Manage project without authority
Building Business Case

- Get the real picture – analyze today
- Define the problem
- Open minded - not everything is equally in every country
- Find common nominators and factors
- Define the benefits of Global Fleet Strategy and get buy in
- Create policy and processes
- Find the right partners externally and internally
• Leverage fleet size across multiple countries
• Negotiate regional and global volume discounts
• Standardized vehicle selector – easier process
• Reducing amount of suppliers per region
• Simplifying company car scheme
• Reducing fleet cost and optimize administrative workload
Implementation Plan

• Review findings in detail and create implementation plan
• Critical stakeholders are Senior Management, Procurement, HR, Finance and local business lead
• Clear Communication is most important to success
  – Why
  – What
  – Who
  – When
  – How
Building Step – The Policy

• Driver approval - processes
• Accident review process / liability insurance
• Create company car scheme standards
  – Company car – but when?
  – Job allocated
  – Perk vehicles
  – Specialized vehicles
• Insurance
• Create tools to ensure compliance
Company Car Scheme Creation

• Driver comfort and safety
• Standards are important to project desired image
• Alternative fuel / new technology - mandates
• Limit brands to reduce acquisition cost
• Be creative!!!!!
• Minimum requirement vehicles
  – No sport cars
  – No convertible
  – No used vehicles
OEM Selection

- Increase total purchasing volume – reducing OEM
- Benefits of utilizing multi brand OEM
- Residual value per OEM and region
- Global / regional discount contracts
- Lower CO2 Emission = better tax incentives
- Green / Electrical mandate variation by country
- Alternative fuels
- Conduct benchmarking
Global Versus Regional OEM

Global OEM Requirements
• Total fleet size requirement – approx. 4000 vehicles
• 500 units annual
• Footprint across multiple countries

Regional OEM Requirements
• Total fleet size requirement – approx. 100 vehicles
• 20 new units annual
OEM Negotiation Advise

• Not everything is black or white – find in between
• Multi brand will enables better acceptance across multiple countries
• 14 OEM vehicle manufacturers dominate world’s auto industry with a total of 60 auto brands
14 car companies control a combined 62 brands

NUMBER OF CARS PRODUCED PER COUNTRY IN 2015

Cars Produced 2015
- Above 100,000,000
- 50,000,001-100,000,000
- 10,000,001-50,000,000
- 2,000,001-10,000,000
- 500,000-2,000,000
- 250,000-500,000
- Data not available
Leasing

• Lower monthly cost versus buying
• Existing reporting structure into your accounting
• All services and fees can be included in one monthly payment
• No unpleasant surprises at end of lease term - unless excessive use
• Utilizing the vehicle during most trouble-free years
• Limits fleet administration overhead
• Driver support 24/7 365 days
Global Leasing Partner

- Minimum of 300 vehicles across multiple countries
- Global – not true global
  - Some pricing is set globally and some regionally
  - Dealing with multiple entities and local restrictions
  - Know when to go where
- Not a lot of true global players
- Build leasing structure with Leasing partner but monitor results
- Insist on global lease quotations format
Benefit - Global Reporting

- True Global Reporting after privacy hurdle is taken
  - Data Privacy / ICA International Compliance Association
- Understanding of risks and opportunities across organization
- Streamlining processes, reducing costs and improving efficiencies
- Gives benchmarking targets
- Enables visibility and compliance across all regions
- Standardized data format
- Detail and detail
Final Word

• Create business plan and implementation plan
• Be patient - it will take time
• Have the right stake holders and partners on board
• In cooperation with procurement create a continuous benchmarking process to ensure competitiveness and improvement of the result
• Always challenge status quo and find room to improve