Case Study: IBM
Innovative Fleet Management Strategies to Improve Process Efficiencies to Create a Best-in-Class Global Fleet

IBM, Global Procurement

Ferenc Hegedűs
Global Category Lead - Car Lease, Rental and Ground Transportation
IBM Fleet Program Structure

- Predominantly benefit fleet
- Paid by HR & employee

<table>
<thead>
<tr>
<th>No company owned vehicles</th>
<th>Fleet management structure</th>
<th>Key Stakeholders:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>- Centralized</td>
<td>- Procurement Category lead</td>
</tr>
<tr>
<td></td>
<td>- Local</td>
<td>- Fleet Managers</td>
</tr>
<tr>
<td></td>
<td>- Outsourced to 3rd party</td>
<td>- HR Policy owner</td>
</tr>
</tbody>
</table>

Key Stakeholders:
- Procurement Category lead
- Fleet Managers
- HR Policy owner
Strategic Focus Areas

- Electrification
- Standardize processes: payment, insurance, fuel management
- Predictive Data Analytics & Cognitive
- Admin support activities outsourcing
- Identify saving opportunities
- Rationalize supplier base

In line with IBM strategy:
- Agile principles
- Green initiatives
- Cognitive & AI focus
Background

- **IBM Fleet size**: ~20,000 vehicles
- Approx. 85% benefits fleet. Program is predominantly user chooser
- **Fleet mix**: 5 major leasing companies + over 20 local leasing providers are being used with a wide range of 14 OEM groups
- 20+ years experience in operational and financial leasing
- **Country** level car policies in place by following the global policy guidelines
The Challenge

- No centralised data repository
- Multiple data sources with different format
- Fleet data available for analysis only as a snapshot, no trendlines

Manual workload & Challenge in:

- Maximizing the leveraged negotiation power
- Ensure car policy compliance
- Environmental footprint management
The Solution – Pricing IQ

Automatically consolidated, cleaned and normalized fleet data
Market Data for benchmark comparison
Statistical models & leading technology visualization to turn data into industry specific insights

Insight #1.

- Fleet overview: Snapshot & Trends
- Spend tracking
- Dynamic filters
- CO2 emission and fuel type monitoring

Insight #2.

- Benchmark against Market
- Compare by country/make/model
- Highlight negotiation opportunity

Insight #3.

- Highlight rebate opportunities as per contractual agreement with the suppliers.
- Indicator to fleet managers for OEM priorities for next orders to maximize the rebate

Insight #4.

- Expected mileage prediction
- Act on time on mileage re-setting
- Don’t pay more if underrun
- Avoid fees if overrun
Pricing IQ
The Benefits

- Develop insights of the major indicators of the organizations actual fleet
- External market intelligence as source of price benchmark information
- Automated calculations to enable Fleet Management to react to the expected mileage predictions to avoid fees.
- Continued rate competitiveness, enhanced negotiation capabilities, proactive actions on Fleet Management

Efficiency
Risk elimination
Cost reduction
Strategic decisions supported with data

✓ Efficiency
✓ Risk elimination
✓ Cost reduction
✓ Strategic decisions supported with data
Supply Selection Criteria

- Tenders run periodically

<table>
<thead>
<tr>
<th>Supplier selection technique:</th>
<th>Key selection criteria:</th>
<th>Preferred suppliers rated based on:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competitive Bidding</td>
<td>- Price</td>
<td>- SLA KPI metrics</td>
</tr>
<tr>
<td></td>
<td>- Quality</td>
<td>- NPS</td>
</tr>
<tr>
<td></td>
<td>- Management system</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Reporting</td>
<td></td>
</tr>
</tbody>
</table>
Car Policy & TCO

- Supplier base rationalisation (in EMEA from 14 suppliers down to 4 by the end of 2020)
- Implementation of operational lease instead of financial lease with multiple additional suppliers where it was not the model (e.g. Croatia, Mexico)
- New saving initiatives through value engineering
- Insurance program refreshment, i.e. stop/loss coverage introduction in Belgium
IBM spend in the largest fleet size European countries is benchmarked against various external sources of data (Fleet cost index and i.e. LeasePlan’s FCT tool) This enables IBM to establish whether its costs are moving in line with or above/below the external market and helps better on time intervention.

Note: Chart information is only representative and is not actual data
Car Policy & TCO

cost neutral program by leveraging material discounts/ rebates / settlement results from OEMs and Leasing providers and driver contributions into the overall program.

114,530
0
161,450

Note: Chart information is only representative and is not actual data.
Savings potential

predictive analysis on identifying focus areas

maximise rebate potential
Offering alternatives:
- Hybrid
- PHEV
- BEV

CO2 limits set which determines which makes/models can be chosen from each manufacturer, which IBM plans to gradually lower to meet the globally set limits.

The real TCO is lower by selecting lower CO2 level vehicles.

Exploring mobility budget implementation where the local legislation/facility enables (e.g. NL)
Green & Mobility

- Sharp rise in the number of electric vehicles in our fleet
- Positive impact to IBM's Green Fleet Portfolio from 270 to 706 (1.4% to 3.7% in IBM's total fleet)
Global average accident rate is around 75% usage of the own damage insurance. Annual review with the suppliers to target to utilise the insurance products at a maximum.

Driver’s Behavior is treated on country level/individual level measurement and decision making.

Benefit fleet with no telematics installed

Occasional driver training programs
Expected Mileage

- predictive analysis: not to pay more, not to lose money
- continuously monitor a suggest ideal contractual mileage on a country level through machine learning

Note: Chart information is only representative and is not actual data
<table>
<thead>
<tr>
<th></th>
<th>Countries</th>
<th>Cars</th>
<th>LCV</th>
</tr>
</thead>
<tbody>
<tr>
<td>EUROPE</td>
<td>28</td>
<td>14107</td>
<td>0</td>
</tr>
<tr>
<td>NORTH AMERICA</td>
<td>2</td>
<td>1141</td>
<td>1141</td>
</tr>
<tr>
<td>LATAM</td>
<td>9</td>
<td>2502</td>
<td>0</td>
</tr>
<tr>
<td>APAC</td>
<td>8</td>
<td>1592</td>
<td>0</td>
</tr>
<tr>
<td>AFRICA MIDDLE</td>
<td>5</td>
<td>933</td>
<td>0</td>
</tr>
<tr>
<td>EAST</td>
<td>52</td>
<td>20275</td>
<td>1141</td>
</tr>
</tbody>
</table>

**Total WW: 20 275***

*As per Sept 2018*
## Supplier Base

**Total WW: 20 275***

*As per Sept 2018

<table>
<thead>
<tr>
<th>Category</th>
<th>Number of preferred suppliers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Car manufacturers</td>
<td>14 Manufacturer groups</td>
</tr>
<tr>
<td>Car leasing suppliers</td>
<td>4 main global ~ 90% of the fleet</td>
</tr>
<tr>
<td></td>
<td>33 local</td>
</tr>
<tr>
<td>Fleet management</td>
<td>0 (having through operational lease or inhouse)</td>
</tr>
<tr>
<td>Fuel card</td>
<td>0 (having through operational lease)</td>
</tr>
<tr>
<td>Others</td>
<td>0</td>
</tr>
</tbody>
</table>

*As per Sept 2018
THANK YOU