

Vehicle Selection Lists

Overview

One of the greatest influences over whether a company car scheme truly supports corporate objectives is the choice of manufacturers and vehicles on the selection list. The selection list affects:

- Whole Life Costs – in particular depreciation, SMR, fuel and finance
- Staff perception of the 'value' of the scheme
- Company image
- Whether vehicles meet specific requirements such as load carrying (vans, pick-ups or estate cars) or recruiting key personnel (e.g. availability of sports cars and convertibles)
- The company's environmental policy

Ideally, a selection list will take account of all these, however, there is often a trade-off between vehicle choice and cost. Companies may mitigate this by using "families" of brands, where the parent brand offers preferential discounts for sub-brands if they are included on a sole or dual supply basis.

Scenarios & Solutions

This section presents the main advantages and disadvantages of each of the three most common selection list arrangements: Open Selection; Restricted Section and Single Supplier.

	Open Selection	Restricted Choice	Single Supplier
Driver appeal	★★★★	★★★	★★
Manufacturer discount	★★	★★★	★★★★
Ease of administration	★★	★★★	★★★★
Special needs*	★★★★	★★★	★★

*E.g. flexibility to meet needs of disabled drivers or special working requirements.

1. Open Selection list ('User Chooser Policy')

The company typically allocates drivers a monthly rental amount based on status or grade. Drivers can choose any vehicle within their monthly rental limits. To control costs, the rental amount should be linked to the whole life cost of a benchmark vehicle. If other means are used to determine entitlement, this should be evaluated against the whole life cost method.

Advantages	Disadvantages
<i>Employer</i>	
<ul style="list-style-type: none"> • Greater employee choice results in easier recruitment and retention • Potentially better residual values and lower repair costs as drivers take care of vehicles • Staff benefit from latest safety and security technology in new models 	<ul style="list-style-type: none"> • Company does not qualify for manufacturer discounts available from a more restricted policy, so costs may be higher • Open selection can be complex to manage due to multiple supplier relationships • Company image may be affected if drivers choose unsuitable vehicles
<i>Driver</i>	
<ul style="list-style-type: none"> • Higher motivation from greater choice • Status not so obvious • Choice of vehicle can be based around personal and financial needs 	<ul style="list-style-type: none"> • Lower corporate discounts may mean the standard of the benchmark car is not as high • Making the decision about the vehicle to have can be difficult and time consuming

2. Restricted Selection List

This type of policy typically limits choice to two or three manufacturers. To control cost, driver entitlement should be based on whole life vehicle costs. If any other means is used to determine entitlement, this should be evaluated against the whole-life cost method.

Advantages	Disadvantages
<i>Employer</i>	
<ul style="list-style-type: none"> • A more consistent company image • Potential for additional supplier discounts and free extras depending on purchase volume • Potential to negotiate extended warranties; free pool cars; extended breakdown cover depending on volume • Easier to administer, manage and budget. 	<ul style="list-style-type: none"> • Less attractive to employees than open selection – this may affect recruitment and retention • Drivers with a restricted choice may not care for vehicles as well • More administration than a single supplier election list
<i>Driver</i>	
<ul style="list-style-type: none"> • Employee satisfaction, although limited to a restricted number of suppliers • If employers pass on good purchasing terms, a better car may be available on the list • Limited choice makes selection process easy 	<ul style="list-style-type: none"> • Less attractive to employees than open selection – possible impact on attraction and retention • Less able to accommodate personal and financial changes than the open policy

3. Single Supplier Selection List (Single Badge Policy)

The company chooses a single manufacturer to supply the majority of its fleet (usually with the exception of cars for senior managers and directors). To control cost, driver entitlement should be based on whole life vehicle costs. If entitlement is determined by any other means, this should be evaluated.

Advantages	Disadvantages
<i>Employer</i>	
<ul style="list-style-type: none"> • Manufacturer discounts are usually high for single badge deals: the company can retain the saving or share it with drivers giving them a better choice of benchmark vehicle • The company could negotiate other terms, e.g. extended warranties; free pool cars; extended breakdown cover, etc. • Easier to administer, manage and budget • Consistent company image 	<ul style="list-style-type: none"> • Limited choice may be unpopular with drivers, impacting recruitment and retention • Drivers may dislike their vehicles and not look after them – increasing repairs costs and reducing residual values • Exposure to significant RV or rental fluctuations with a single manufacturer • Full choice of body styles may not be available, such as LCVs, MPVs, etc.
<i>Driver</i>	
<ul style="list-style-type: none"> • Status clearly defined, unless the policy allows trading up or down • Possible inclusion of free-of-charge extras • High level of discounts may allow a better benchmark vehicle 	<ul style="list-style-type: none"> • Status clearly defined, unless the policy allows trading up or down • Driver has a limited choice of vehicle and certain models may not be available • Single badge deal does not allow for anomalies in driver height or disabled drivers

Benchmarks & Tools

The table highlights key areas for customers to consider when they are developing a selection list. Arval can support the entire process.

<i>Key Considerations</i>	<i>How Arval can Help</i>
<i>What are the requirements of key stakeholders e.g. drivers, HR, Finance, Operations? Do they have unusual requirements, e.g. alternative fuels; load carrying capabilities and safety features?</i>	<i>Arval can discuss requirements with stakeholders and manage expectations and advise which vehicles meet required specifications, including fuel consumption and cost data</i>
<i>What is the company's environmental policy and how does this impact on the selection list?</i>	<i>Arval can take account of an environmental policy when recommending suppliers</i>
<i>What purchasing terms will the manufacturers offer, based on sole supply, dual supply or open choice?</i>	<i>Arval can manage negotiations on the customer's behalf or broker introductions.</i>
<i>After evaluating purchasing terms, is there financial advantage in restricting suppliers?</i>	<i>Arval can identify the potential savings through the use of Badge Deal Analysis (BDA) software.</i>
<i>How do the manufacturers' vehicles compare on a whole life cost basis?</i>	<i>Arval can identify whole life costs through the use of BDA software, customers must make the final decision about suppliers.</i>
<i>Which optional extras:</i> <i>a. Are necessary to support business objectives</i> <i>b. Need to be included because they enhance the overall selection list</i> <i>c. Need to be avoided because of cost</i> <i>d. Need to be mandated due to Health and Safety</i>	<i>Arval can identify which options retain most value and those that detract from a vehicle's value.</i>
<i>Can insurance risk be mitigated by restricting the list to vehicles of a maximum ABI insurance group?</i>	<i>Arval can provide ABI insurance ratings information</i>
<i>Is there an opportunity to provide drivers with a more informed selection list by including EuroNCAP safety ratings?</i>	<i>Arval can provide EuroNCAP rating information and include it on a selection list. Profiles can be set up to show only those vehicles up to a predetermined NCAP rating</i>
<i>How can the customer measure the on-going competitiveness of the selection list?</i>	<i>Arval can advise on, and manage, a benchmarking process to ensure competitiveness</i>