Fleet Management

Automation Reduces Bottlenecks for Fleet Management Companies

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Labyrinthine workflows often hampered by manual and proprietary processes can be vastly improved by applying automation.

Fleet management companies (FMCs) often need to streamline the process of delivering services to their enterprise customers, as they manage the lifecycle of a vehicle during ordering, delivery, time under contract, and resale.

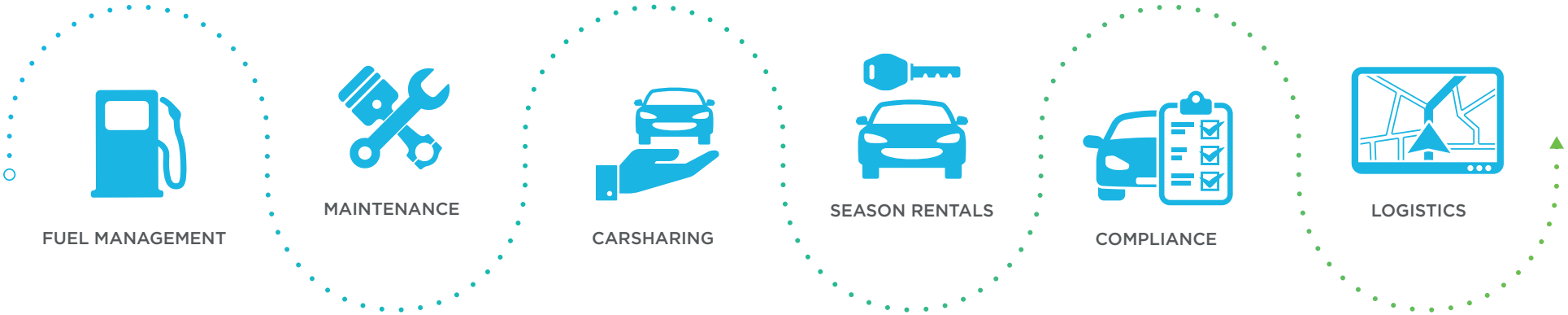
In addition to vehicle lifecycle management, FMCs provide an array of services to support a company's fleet, such as fuel management, maintenance, carsharing, season rentals, compliance, and logistics.

As FMC service offerings become more sophisticated, managing increased complexity can slow progress. Vehicle management can get caught shuttling data between their own IT systems and a growing number of vendor systems.

As one example, supply shortages from manufacturers due to microchip shortages and pandemic-era production cuts created longer lead times that stressed order-to-delivery steps.

Fleet automation cuts through the growing number of bottlenecks and provides more efficient delivery of services at a time when vehicle productivity and uptime has reached mission-critical status.

FMCs PROVIDE AN ARRAY OF SERVICES TO SUPPORT A COMPANY'S FLEET



A Brief Introduction to FMCs

Fleet management companies now offer an array of services, as they evolved from somewhat humble beginnings. At their inception in the late 1930s and early 1940s, FMCs mostly focused on a single service offering – commercial leasing.

Wheels, Inc. is generally considered the first. The idea came from owners of a Chevrolet dealership in Chicago, who were trying to solve a client's worker retention challenge. In 1939, Zollie Frank and Armund Schoen began offering closed-end leases for $45 per month to companies who wanted the certainty of a predictable monthly payment for vehicles for their sales team.

Another early example was PHH (named for founders Peterson, Heather & Howell), which started in Baltimore. The company later partnered with European FMC Arval and was sold in 2014 to became part of Element Fleet Management.

These early companies helped companies manage vehicle shortages after World War II, and by the 1960s other FMCs entered the market. Two of those, Donlen (1963) and LeasePlan (1965), merged with Wheels, Inc. in recent years.

Today, there are more than 40 FMCs operating in the U.S., including enterprise players and regional specialists. FMCs buy vehicles from manufacturers in large quantities and lease them to their fleet clients.

1939 Wheels, Inc.

1946 PHH / European FMC Arval

1963 Donlen

1969 LeasePlan

A Brief Introduction to FMCs

Leasing remains their primary service. They typically offer customers two kinds of leasing products – open-ended and close-ended. Open-ended, or TRAC (Terminal Rental Adjustment Clause), leases have become more popular in recent years because they allow customers more flexibility. Closed-ended leases more closely resemble retail leases with their set monthly payments.

OPEN-ENDED (TRAC)

An open-end lease is a type of rental agreement that obliges the lessee (the person making periodic lease payments) to make a balloon payment at the end of the lease agreement amounting to the difference between the residual and fair market value of the asset.

CLOSE-ENDED

A closed-end lease is a rental agreement that puts no obligation on the lessee (the person making periodic lease payments) to purchase the leased asset at the end of the agreement.

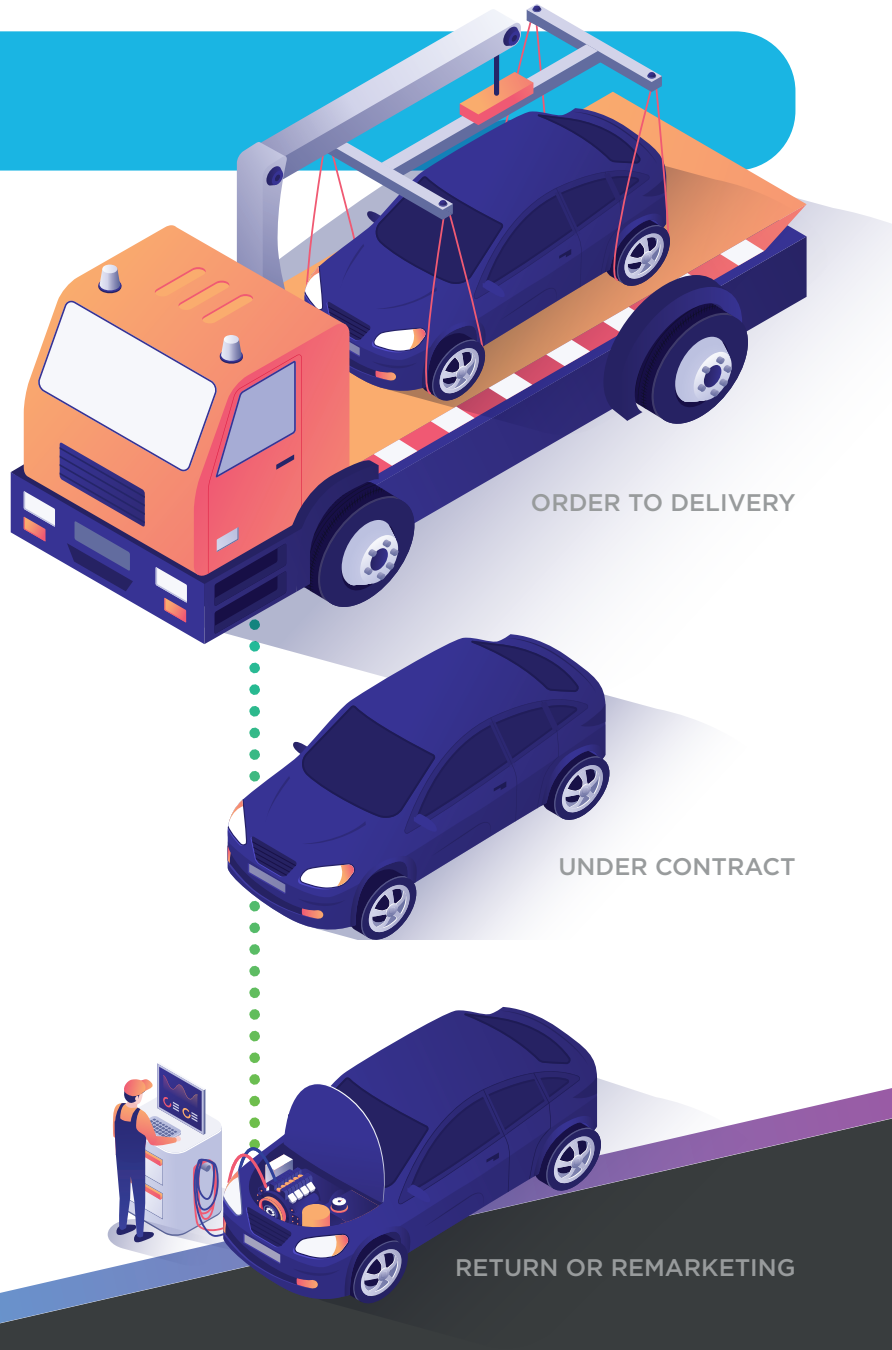
Managing a Vehicle's Lifecycle

A vehicle typically follows three phases during its utilization as a fleet asset – order to delivery, under contract, and return or remarketing. The timing of this lifecycle can last anywhere from several months to four or more years.

FMCs are touching vehicles at each of these stages with upfitting, storage, and delivery processes that can cause delays. These companies are typically managing steps with legacy software that reinforces data silos and workflow bottlenecks.

To meet increasing demands, FMCs often create proprietary software that doesn't integrate well with third-party systems that stretch its ability to deal with shorter leasing terms, electrical vehicles and charging infrastructure, an array of sensors, and other monitoring systems.

This results in inefficient workflows around delivery and returning of vehicles, including supplier bottlenecks, remarketing channel decisions, vehicle logistics, and maintenance scheduling.



Managing a Vehicle's Lifecycle

Returning vehicles that need maintenance – whether for a routine checkup and fluid refresh or collision repair – usually follow this five-step process:

1

DETECT FAULT CODES

2

DIAGNOSE NEEDED REPAIR

3

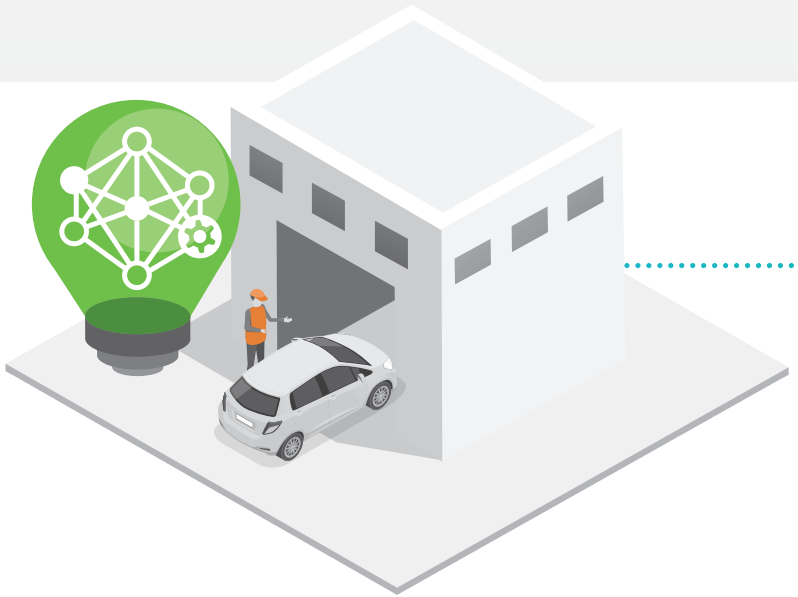
AUTHORIZE WORK ORDER

4

SCHEDULE SHOP APPOINTMENT

5

COORDINATE DROP OFF AND PICKUP



Many FMCs attempt to integrate these steps with a service network of local shops, but they don't always achieve greater efficiency. **A fleet automation system can connect these dots, including using automated dispatch for scheduling.**

Manual Workflows Create Bottlenecks

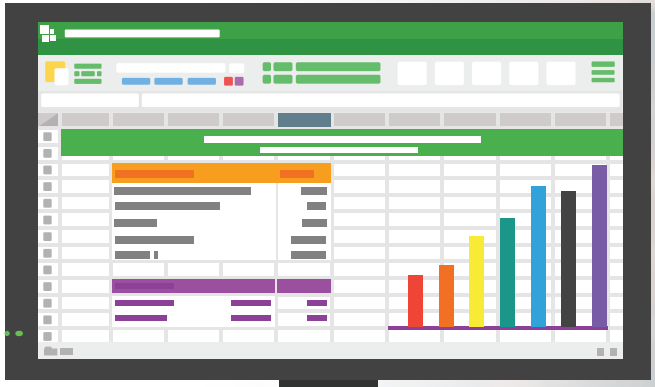
Let's take a closer look at how automation can improve the linear process of FMCs, as they move vehicles among the steps of acquisition, operations, and remarketing during the leasing period.

The process is filled with many decisions with questions such as:

- Which vehicle to acquire?
- Which lease portfolio to deploy the vehicle to?
- Which transport supplier to use?
- Should the vehicle be redeployed at end of contract?
- What is the scope of repair and maintenance?
- Which channel and vendor should we use to sell the vehicle?
- Where should the vehicle be sent for sale?

The process requires plenty of coordination around logistics across many stakeholders that play a role in moving the vehicle to the next step. The multitude of decisions by humans using phone calls and email often result in delays or decisions that don't get made.

Manual Workflows Create Bottlenecks



FMC associates often use elaborate spreadsheets to assign vehicles to rental contracts. These spreadsheets can be updated once a week. VINs are assigned manually once a week. Analysts often take 2 to 4 hours per week to complete these tasks, which also include manually mapping the longest idle vehicle, distance between storage and delivery, and duration of rental to assign VIN.

These manual administrative processes can cause business impacts such as higher turnaround time, higher costs, lower employee productivity and retention, lower revenue, lower operational utilization, and impacts to the customer experience.

Improving FMC Rental Programs

Many FMCs offer rental programs to their customers to provide vehicles for long or short-term use.

Some FMC customers, most notably delivery-based companies, need vehicles during seasonal peak periods in their business. They also need the flexibility to return the excess vehicles when business returns to more normalized levels.

FMCs use short-term rental pools for these customers. They also manage longer-term rental pools for other customers.

An effective rental program removes friction around verifying drivers and providing vehicle access. Let's look at the seven steps of a manual process that could take 30 minutes or more:

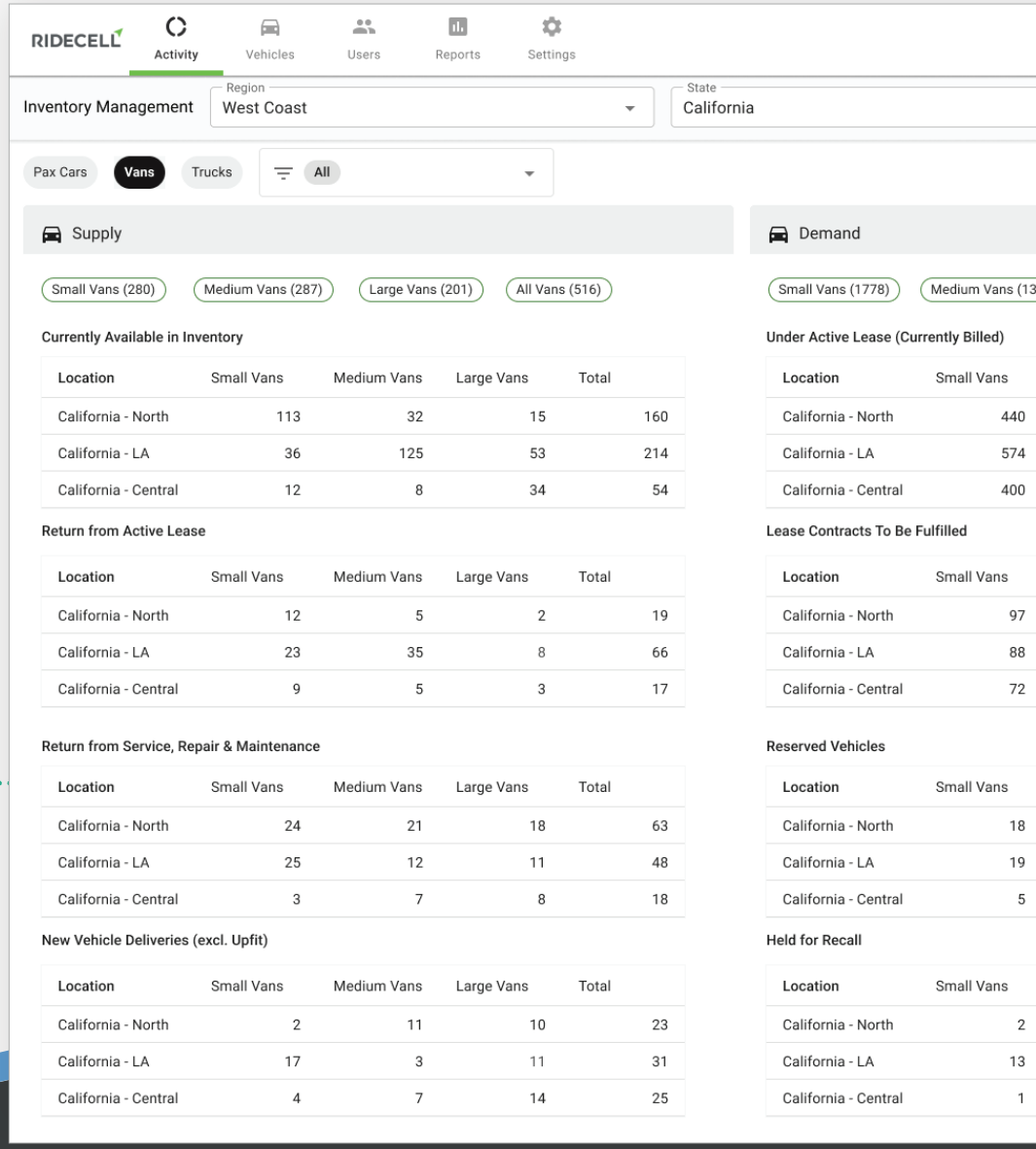
1. Check proof of employment.
2. Check driver's license.
3. Run background check.
4. Assign a vehicle to the driver.
5. Print rental agreement.
6. Accompany vehicle inspection.
7. Get signature on rental agreement.

Improving FMC Rental Programs

Even a mobile-app-based truck rental could involve as many as eight steps to open, verify, prepare, e-sign, check out, unlock, use, and return.

Automating the rental process with an app-based solution also allows rental providers to increase revenue after hours, when the rental counter is not available. Digital rental enables early-morning or late-night pickups and drop-offs without the need for staff to be present.

Automation provides vehicle health checks before a driver arrives to pick up a vehicle, so drivers don't take out a vehicle with its check-engine light on. Drivers can be reassigned a different van, and the subject vehicle can be immediately dispatched for maintenance.



Final Thoughts

As we have learned, FMCs have complex processes and workflows for managing a vehicle's journey through its leasing lifecycle. While automation, at least in the short run, may not solve each friction point, it can identify and optimize many bottlenecks.

Data integrations that create automation represent the best path forward.

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