Fleets in focus: Navigating the post-Covid-19 world

Leomont Wouda, TraXall's International Development Management Director, considers life after the coronavirus pandemic for fleet operators.

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The Covid-19 pandemic has switched the commercial focus from growth to survival, as organisations have strived to safeguard their immediate futures and protect the livelihoods of workers.

In just a few short weeks, we have seen cancellations, business closures, mandates to work from home, country lockdowns and government interventions on an unprecedented scale.

The health, financial, social, psychological and emotional impact on all our lives has been colossal. And although we all want things to return to normal as quickly as possible – with everything thrown up in the air, we cannot expect everything to fall back into place, quite as it was before.

It is impossible to predict with any certainty what the new future will look like, but as the Covid-19 fallout settles, we can be optimistic in the knowledge that whatever challenges lay ahead, society is resilient and the world of business can adapt to the new economic landscape that emerges.

In the blink of an eye, much of global trade and industry ground to a halt with the world of business cast into uncharted.

What will this landscape look like?

Although some sectors, such as ecommerce, may enjoy a growth of economic activity, elsewhere, across many other industries served and underpinned by fleet businesses, we will almost certainly see – to a lesser or greater degree – demand constrained.

The fleet sector, for its part, can learn a great deal from history as it navigates the maze of challenges that lie ahead.

A time to reassess

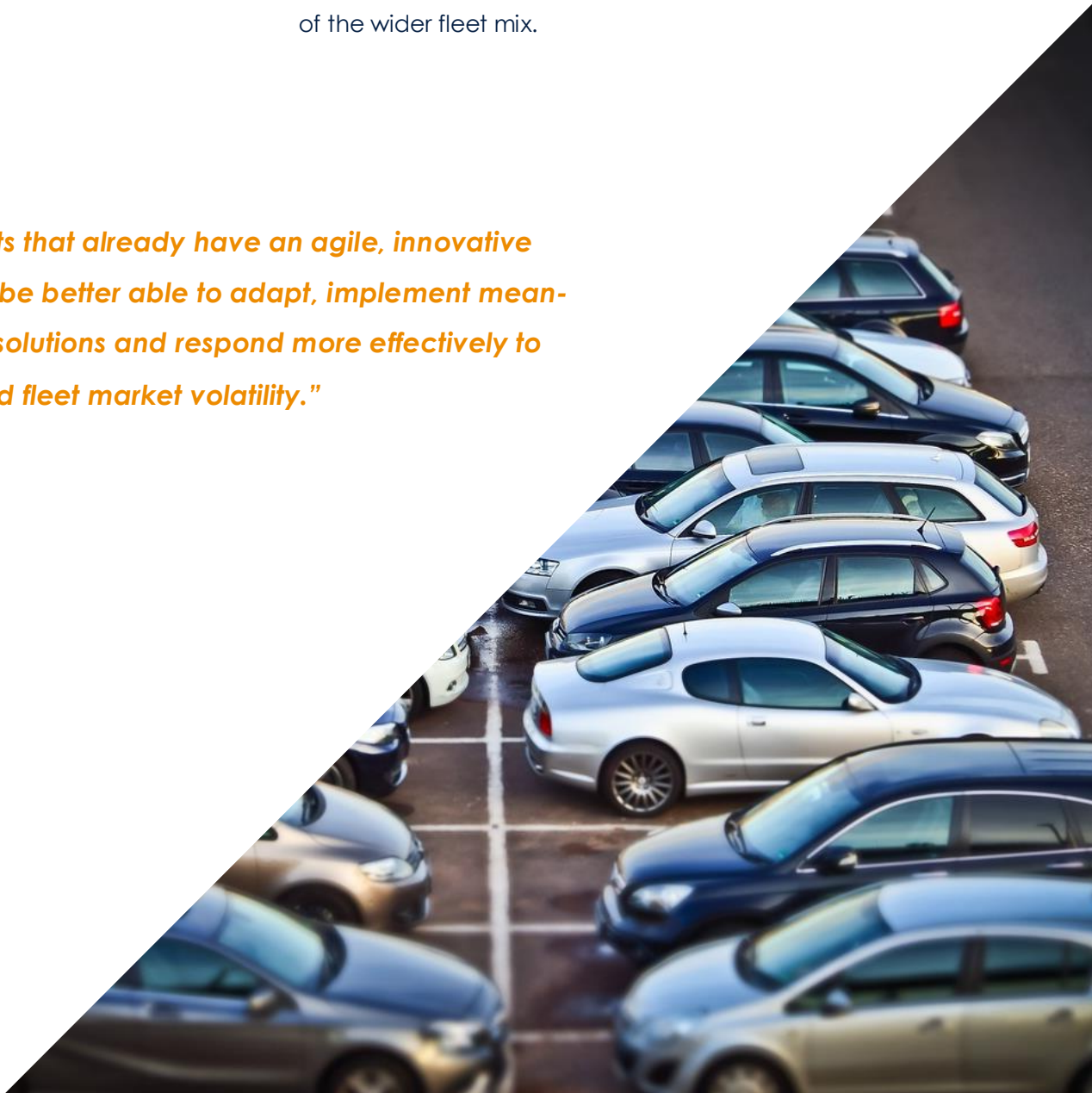
Review of processes, high flexibility in decision-making, intensive analyses help companies emerge from these difficult times stronger and more resilient.

For some, the aftermath of Covid-19 may be viewed as a time to keep their heads down and wait for the economic storm clouds to clear. But complacency has long proven to be enemy of business success.

By reviewing processes, preparing for greater decision-making flexibility, analysing where wastage can be eliminated, where cost-cutting systems can be introduced and where workflows can streamlined, companies can emerge from these testing times stronger and more resilient.

Important reviews of fleet management strategies and practices can mean assessing everything from fuel and technology adoption to procurement and the structure of the wider fleet mix.

"Those fleets that already have an agile, innovative culture will be better able to adapt, implement meaningful new solutions and respond more effectively to change and fleet market volatility."



Cash is king

The principle that cash is king has been played out during previous severe economic slowdowns and recessions, with the retention of working capital to bolster cash flow and insure against business failure regarded as paramount.

Fleet funding strategies may consequently favour operating leasing, with outright purchase fleets being steered in the direction of fixed monthly expenditure models.

The recent fall in used and new car sales volumes will continue to impact prices and residual values. In general, leasing agreements can help mitigate the effect of falling second-hand car prices with leasing companies covering shortfalls.

The fall in the sales volume of used and new cars will continue to impact prices and residual values.

"It should be remembered however that if second-hand car values continue to slide, as leasing providers review their residual value forecasts they may look to raise prices. This possibility should be factored into fleet budgets."

Purchasing Strategy

Fleet decision-makers should also consider their procurement options with risk mitigation very much in mind. The leasing industry will be as vulnerable as any other to the global economic challenges faced. While some providers may prove resilient, others may struggle and pricing strategies across the market may vary significantly.

Companies opting for sole supply arrangements may face a higher level of risk and see their cost burden increase as a result.

Although the sole supply model can help minimise resource and administrative pressures, companies can benefit from the same minimal resource demands with a multi-bid leasing approach – where the best price is sought on every vehicle from multiple suppliers – if this process is managed by an outsourced partner.

The multi-bid leasing approach always guarantees the best price and minimizes risks.

In times of economic uncertainty it can be essential to have a greater ability to be responsive to changing business conditions.

For some operators, short term rental and mid-term leasing deals may offer an attractive option, offering helpful flexibility during a period of economic uncertainty.

Extending flexibility to fleet budgets can also help enable greater responsiveness to changing business conditions – freeing up spend, for example, for new and emerging cost-saving technologies, whether analytics, reporting and mobility management software, financial forecasting or telematics platforms.

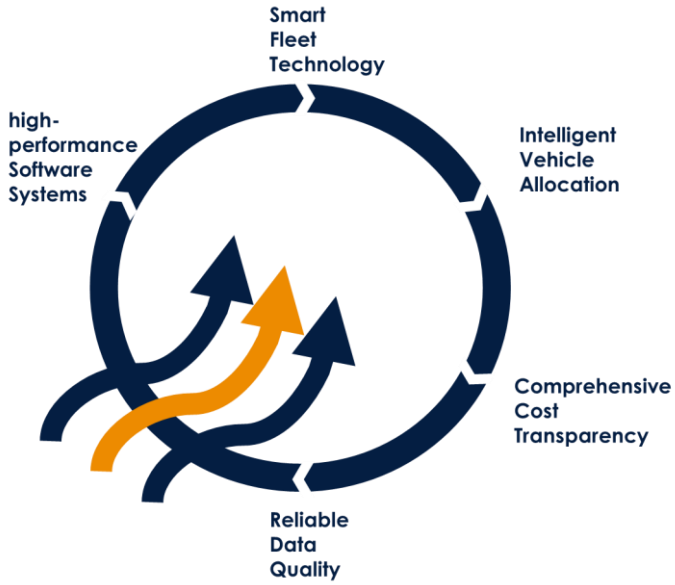
Optimising fleet utilisation

Intelligent vehicle allocation and fiscal aspects will be more effective in the long term than downsizing.

Tough economic conditions will inevitably call for tough decisions, and for some this may mean fleet downsizing due to staff redundancies or other cost-cutting measures.

In the short term, downsizing may be delayed with formal and informal lease extension agreements seeing replacement cycles extended and the average age of fleet vehicles increasing.

But fiscal challenges will also make the effective use of vehicles all the more vital, with any improvements in utilisation helping to reduce mileage and maintenance costs, while boosting productivity.



Fleet technology and software systems, such as telematics, can play an important role here in helping evaluate mileage usage trends and identifying where and when utilisation can be improved, and routes and journeys optimised.

Reporting data might highlight, for example, whether the right vehicles are being used for the right jobs, or whether high and low usage vehicles could be switched to help protect residual values and keep a lid on maintenance spend.

Improved data quality through telematics leads to a valid data basis.

Reviewing fuel strategies

Fuel is one of the biggest fleet expenses, and cutting fuel spend is a topic area that can warrant in-depth consideration at the best of times. Lest to say however, it should very much remain front of mind.

Beyond reviewing the numerous fuel cost-cutting opportunities, fleet operators should keep a particularly close eye on manufacturer timetables for electric vehicles (EVs).

Special attention should be paid to the cost of fuel, as it is one of the largest fleet expenses.

The EV market will certainly continue its upward trajectory.

Although we may see some EV developments delayed as the automotive market recovers and charging infrastructure rollouts re-establish their momentum, the EV market as a whole is sure to continue its upward trajectory as we collectively strive for a cleaner future.

"As new, more advanced, more capable models come to market, EVs will ultimately take-over as the most viable option for fleets. In light of this, decision-makers should commit to regularly reviewing their fuel strategies."

To mobility and beyond

Much has been made of how the unprecedented move to new working practices may lead to companies embracing remote and flexible working, as standard. At the same time, questions have been raised over the future of shared mobility, amidst suggestions that social distancing measures may have a lasting effect.

Although there will be inevitable changes to how we live our lives, any initial reticence to embrace the concept of shared mobility or any disruption to the evolution of Mobility as a Service (MaaS) is likely to be short lived.

From a fleet operator's perspective, the move towards mobility management may play an important role in helping reduce fleet sizes and save on fuel costs. Mobility management opens up opportunities to utilise alternative modes of transport, which may be more cost-effective or sustainable, depending upon the nature of fleet activity.

As technologies develop to make it ever easier for companies to effectively incorporate mobility management into their fleet operations, the opportunities to adopt these should not be missed.

Mobility management opens up opportunities to utilise alternative modes of transport.

"In the post-coronavirus world, it may prove difficult for a fleet department to implement and optimise all necessary cost-control measures, while mitigating risk and driving efficiency improvements across all key areas of procurement, operation and administration."

The Global Challenge

An effective, joined-up approach to tackling future fleet challenges may be equally difficult to oversee when responsibilities are split between a number of departments, such as finance, procurement, human resources and operations. Furthermore, the task becomes all the more demanding when strategies must be globally coordinated.

Outsourcing can overcome the challenges of interfaces and transparency in many aspects.

A knowledgeable and experienced outsourced fleet management partner can take ownership of managing all, or selected key areas of a fleet, guaranteeing service continuity and helping ensure that a best practice approach and best in class service is adopted and delivered.

Ultimately, it will be the most effective, creative and innovative fleets that will ride out the storm, overcoming the inevitable business hurdles and inspiring others to do the same.

Contact

Within the TraXall Group, we have experienced consultants who specialize in the complex dynamics of today's and tomorrow's fleet and mobility market. They will be happy to support you in optimising your fleet and in making the best possible decisions.

Do not hesitate to contact us for further information or support.

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