

Best Practices in Executive Fleet Management

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Executive vehicles often demand more attention. This is because these vehicles are often tied to compensation, recruitment, and retention of senior-level executives. While this can complicate managing this type of fleet, there are best practices to handle the special requirements of these drivers.

While every executive fleet has their differences, there are plenty of similarities. In most cases, the purpose of an executive fleet is the same no matter the company or the industry in which it operates.

“Vehicles are an important piece of the executive compensation benefit,” said one fleet manager who asked to be anonymous.

Vehicles as recruitment and retention tools for executives continue as a trend throughout the industry.

At a Glance

Some best practices for managing executive fleets include:

- Make accountability uniform.
- Encourage factory direct ordering.
- Provide white glove service.

“Overall, we have seen an increase of the focus on executive fleets as a tool to manage employee satisfaction and retention,” said Chelsea Mathis, director of fleet administrative services for Donlen. “To this end, we have seen more BMW models utilized than in years past, and a general trend towards high acquisition allotments.”

Often fleets set a cap cost allowance, and set vehicle parameters.

“We have executive levels with pre-determined dollar limits,” explained the anonymous fleet manager. “Drivers may choose vehicles based on this policy with some restrictions, such as convertibles, no two doors, custom vans, etc. Vehicles must achieve a minimum mpg average.”

This approach is echoed by Brian Wielgosz, manager of fleet operations for Sanofi.

“There is not a pre-defined set of vehicle options executives can choose from, rather it’s based on a cap cost allowance,” he explained. “For example, the first level of our three tiers has a set limit, so as long as they do not exceed the set limit they can get pretty much any type of vehicle they want, and the cap costs are exclusive of any acquisitions or management fees or taxes, etc.”

Another fleet manager who asked to remain anonymous explained that in his company’s fleet program executives are given the option of either getting a company-provided vehicle or a monthly vehicle allowance.

“If they choose the company vehicle they can choose any vehicle they want, however, the company only pays the amount up to their set allowance,” said the anonymous fleet manager.

Providing the option of a vehicle allowance is one of the trends in executive fleet management.

“Increasingly, we are seeing more clients move towards an allowance program for their executives or placing a cap on the cost of executive vehicles,” said Zingha Lucien, manager, strategic consulting for Element Fleet Management. “This allows companies to reduce the cost of the executive or perk vehicles and be better able to budget for those assets in the future.”

Other fleets are using different methods to finance executive vehicles.

“Some fleets are putting policies in place where the cost of the vehicle is shared with the executive,” said Brad Jacobs, director of strategic consulting services for Merchants Fleet Management. “Cap cost limits with monthly payment contributions by the executive are a common model. Others continue to maintain liberal vehicle selection and cost guidelines. It is culturally dependent. In some cases, vehicles are negotiated as part of employee compensation and may fall outside of the vehicle policy altogether.”

Because executive vehicles are not exclusively (if ever) used for business purposes, some companies are moving to a reimbursement/personal use model, according to Jacobs.

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“Many companies have adopted reimbursement programs and/or personal use contributions into their executive vehicle policies as ways to offer a competitive benefit to the executive while offsetting costs incurred by the organization,” he said.

Most fleets require an executive driver — and any qualified family members — to undergo a motor vehicle record (MVR) check.

But, as Wielgosz noted, executives often aren’t required to undergo the same sort of training as other drivers, to a point.

“With the sales organization, any new hires we send to behind-the-wheel training, but we don’t require our executives to do behind-the-wheel training. If they incur certain violations or achieve a certain level of risk, they are subject to the same type of training,” he said.

Following Best Practices

As with any fleet program, an executive fleet program needs to have established best practices, and chief among them is holding every driver accountable.

This is a key attribute to the global fleet policy developed by Michael Bieger, senior director of global procurement for ADP, which was the culmination of three years of working with global stakeholders throughout the company.

“We just came out with a safety policy that covers the 30,000-plus global associates,” he said. “The first best practice of our policy is that it holds everybody accountable to the same standard. No matter what your company policy is everybody should be held accountable; that’s just the base line. Having everybody accountable to the same standard holds the most protection for the company.”

Wielgosz of Sanofi has developed a number of best practices built around vehicle ordering.

“Although we don’t have a selector per se, we do a very good job promoting our preferred OEMs, the companies we have a good relationship with and agreements with — GM, Subaru, Mercedes-Benz, Volkswagen, Audi — we do a good job showing the value of No. 1: factory ordering a car instead of going out of stock, and No. 2: leveraging the incentives and discounts that we get from our preferred OEMs,” he said.

The majority of the company’s executive fleet of 75 vehicles (which, as of press time, is being phased out due to the sale of the division operating it) is comprised of the first cost tier. To help encourage ordering from the preferred vendors, Wielgosz and his team developed a “catalogue” of vehicles that fit the price range and maximize purchasing power by leveraging the preferred OEMs.

“When I inherited the executive fleet about four years ago, it was kind of a free for all,” he said. “The executives would essentially go car shopping and come back and say ‘Go buy this for me.’ We were able to change the behavior, and start reaching out to them three or four months in advance before their vehicle came up for renewal and engaging with them early on in the process. With the catalogue, we can show them different vehicle options that fall within our preferred vendors and show them they can get a lot more value than doing it themselves going ‘car shopping’ and getting it out of stock. I think that’s really been helpful providing them a better service as well as giving them more for their money.”

One emerging best practice is individualized vehicle customization.

“In our executive program, we work with each individual driver to find the exact vehicle they are looking for,” said Kelley Bodner, director of driver services for LeasePlan USA.

While not a best practice per se, many fleets offer a “white glove” service approach to handling vehicles for executives.

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“White glove service levels are the expectation,” said Joe Moran, manager, account management for ARI. “Because of the increasing service level expectations, we have added a concierge service where a dedicated individual is responsible for acquiring vehicles with precise specifications, and ensuring that the driver has a pleasant experience when they receive the vehicle.”

The white glove approach can take a number of forms. “We have a full-time salaried associate that builds, quotes, and corresponds with them during the purchasing and disposal process,” said one fleet manager who asked for anonymity.

Another anonymous fleet manager described a more hands on approach.

“We have an executive pool of vehicles, so if they have a vehicle that has to go in for a repair or there’s something wrong with it, we provide a like-kind vehicle, like we would for sales, a rental car, but it can be tough to get like-kind vehicles for some of the more esoteric cars that our executives are driving, so we will bring into this executive pool some older executive vehicles,” said the anonymous fleet manager. “We do provide that hands-on touch — they will come over to the office, they will drop off their car, we will give them a loaner car, we’ll have somebody drop the car off and get it back, so it’s door-to-door service.”

Other fleets outsource this hands-on approach. “We rely on our vendor partnerships to support driver’s needs,” said another anonymous fleet manager. “We leverage our partnership with local dealers. Our executives are appreciative of the program and express it is important as an added benefit.”

Overcoming Challenges

Since executive fleets often demand a higher level of attention than the non-executive fleet, there are a number of challenges stemming from these higher demands; chief among them — the burden of administrating them.

“The level of administration, detail-orientated focus, and overall time allocation required with managing the executive segment is often discussed,” said Jacobs of Merchants Fleet Management. “Additionally, many executive fleet needs fall outside of typical fleet processes, which adds a level of complexity. Some OEMs have put fleet-minded processes in place to focus on the executive fleet market, although broad base adoption has yet to be determined.”

There are some specific reasons why administration is time consuming, according to Laura Jozwiak, senior vice president of sales and client relations for Wheels.

“With executive fleets, most of the new vehicles come from out of stock purchases and require more attention in order to find the best equipped vehicle for their price level,” she said. “In addition, there are times when the executives are expats and may need assistance with the rules of the road and how to figure out where to get maintenance done — it is a new world to them.”

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Jozwiak said this is where a white glove approach can help overcome this challenge.

“We’ve found that the most efficient way to overcome this challenge is by utilizing a concierge service or Executive Desk program with their fleet management provider,” said Jozwiak. “This gives the executive white-glove-type experience in one call while allowing the fleet office to focus their time managing the larger portion of their fleet and tackling more strategic actions.”

Another fleet manager noted that communication can be a big challenge to overcome.

“We have a replacement policy that’s more generous than sales,” said this anonymous fleet manger. “The company has a policy that it hasn’t changed — it’s almost all personal use — so we don’t provide a fuel card. Without that fuel card, it’s much harder to get mileage parameters, and they’re pretty low mileage thresholds to get the cars replaced, so I’m dependent on the executives to call me and tell me that they’ve hit the mileage threshold, but too often I get the call ‘Why hasn’t this been replaced yet?’ From a replacement standpoint and a maintenance standpoint, it makes it a bit more difficult.”

Maintenance and service can be difficult for other reasons.

“When dealing with typical fleet dealers, they understand what is expected from a fleet management company (invoicing process, licensing, communication, etc.). With many high-end dealers, however, their only experience is on the retail side,” said Moran of ARI. “There typically isn’t a fleet contact, so it is the FMC’s responsibility to educate the dealer on the process flows and expectations.”

Looking Ahead

While executive vehicles are still an important part of today's landscape, the traditional "executive fleet" may be a thing of the past.

"I think the term 'executive fleet' has been very loosely used in the past. We may have 300 executives — but that doesn't mean you have an executive fleet because they get an Audi A4," said one fleet manager who asked to remain anonymous. "I think that is tightening up. People are more closely defining what falls into and out of an executive fleet."

Lucien of Element Fleet Management sees the need for the traditional executive fleet slowly trending down in the U.S.

"Since the recession of 2008, there has been a trend among fleets towards frugality — that has affected executive fleets most severely. In the U.S., it is very likely executive fleets will either be greatly reduced or non-existent," said Lucien.

What could replace the executive fleet program is reimbursement, Lucien added.

"A shift to reimbursement offers executives the option of selecting a vehicle that represents his or her status while greatly diminishing the cost associated with executive fleets," said Lucien.

While reimbursement and car allowances are one way to preserve the perk of the executive vehicle while not investing the resources in running an executive fleet, some companies are foregoing the executive vehicle in total or are in the process of radically reassessing its value.

"As long as downward pressure on fleet cost remains a focus, companies will shift away from the true 'perk' vehicle to focusing vehicle offerings to executives with legitimate business need," said Jacobs of Merchants Fleet Management. "In these instances, traditional perk vehicles will be offset by compensation negotiations, or lease/executive vehicle programs that share vehicle costs with the executive."

The debate about executive fleets is likely to continue, according to Jozwiak of Wheels.

"My perspective is that the 'do we or don't we' conversation will continue as it should," she said. "It is important for organizations to understand the benefit of providing the executive fleet, while also balancing perception issues."

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