Client case study
Fleet risk and cost management

Introduction
This case study describes how we work with an organisation on an ongoing basis to identify, risk assess and manage their risk and cost exposures within their fleet, logistics and supply-chain operations. The client first asked us to undertake a complete organisational business risk review and make recommendations for improvements in control. This lead to an ongoing project to create and implement a business focused health & safety management system, which included some elements related to their fleet operation. However, that did not resolve all the client's risk and cost exposure, so we were then asked to undertake a comprehensive review of their fleet and related operations, and used our Fleet Risk Profiler™ management system to support the risk profiling, risk assessment and action plan processes.

Organisational Profile
The company is privately owned and has three main 'divisions' covering large household items, retail builders' merchants and high end showrooms. The wholesale business covers the whole of England & Wales from a main depot in the South and a feeder depot in the North. The other two divisions operate from five combined locations in the South.

Management challenges
The client was faced with the following issues to resolve:
- Risk of losing licence to operate commercial vehicles
- Lack of 'fleet management' competency
- Inefficient vehicle allocation / routing
- Poor control of drivers, especially agency drivers
- High vehicle accident damage costs
- Increasing failed and delayed deliveries

Project Process
Our consultants worked with company management, employees and external service providers, and supported by our Fleet Risk Profiler™ management system:
- Interviewed key people
- Reviewed policies, procedures and record systems
- Identified the operational risk profile of the fleet and related operations using 16 factors
- Risk assessed strategic, management and operational processes using 8 risk areas and over 250 risk elements

Main findings and conclusions
Their fleet and related operations comprise approximately 45 heavy goods vehicles; 65 vans and 50 cars. The heavy goods vehicles are used for the heavy-side business, large deliveries between depots, high volume contract customers and wide area deliveries – some with sleeper cabs. The vans are used to deliver product throughout England & Wales and for local deliveries. The cars are provided to Directors, managers and sales representatives, with a small 'grey-fleet' for those who have chosen to opt-out of the company scheme. Servicing was carried out by an external small provider and vehicle procurement was managed by the Operations Director, who had some experience in this field, but could not spend the time required to manage all fleet risk management activities consistently.

- Fleet operations were fragmented and local management practices were based on the knowledge & experience of the 'transport manager' at each location. There was no consistent approach and no management standards for guidance.
- High probability of losing licence to operate commercial vehicles due to poor control/records and therefore increased potential for regulatory infringements
- The level of accidents and load damage costs was high, but the records system did not capture all direct, let alone the in-direct costs of all 'incidents'
- The allocation of vehicles was inefficient, both in terms of low load efficiency and the allocation of vehicles based on load types/sizes/journey profile etc.
- Inefficient vehicle routing, poor loading efficiency and increasing per item delivery costs
- The necessary management competency was not available in-house and there was doubt about developing existing employees.
- Vehicle purchasing was well handled, but at a micro level, where the economies of scale and reduced prices were not available.
- Vehicle servicing was dependent on a single provider with only local coverage and no emergency response service.
- No formal fleet risk management system to establish fleet management strategy
- No effective and consistent management standards, policies and procedures
- No dedicated senior management resource
- High vehicle maintenance and repair costs as a result of poor driving and agency driver usage
- High turnover of employed drivers
- High load damage costs due to poor loading and handling
- Increasing failed and delayed deliveries affecting customer service/business reputation

Action Planning & Main Actions

We then used the data from the interviews and the analysis provided by the Fleet Risk Profiler™ system to create a prioritised risk and cost reduction plan, which agreed the following actions:

- Outsource fleet operational management, which although initially increased 'management costs', it did in total over time provide the following benefits:
  - Enabled the client to receive consistent and competent fleet management & operational advice.
  - Generated savings in transport/vehicle costs.
  - Reduced employee turnover through better training and management of drivers.
  - Reduced dependency on agency drivers and appointed new agency, with a service level agreement.
  - Reduced accidents and vehicle damage/repair costs.
  - Reduced load damage costs and improved customer service
- Introduce greater control of vehicle movements through the introduction of a linked route planning and telemetry system, as the existing levels of controls did not allow operational management to manage their risks/costs and improve vehicle utilisation.
- Appoint an external vehicle supply company to implement an appropriate and consistent vehicle specification and purchasing arrangement to reduce costs and improve the utilisation of vehicles.
- Appoint a larger company to undertake consistent and compliant vehicle checking, servicing and repairs to improve the service level and response times, enable more accurate budgeting of costs and establish a legally compliant vehicle records system.

Results

Initially the management fee for the external fleet operational company increased the overall costs of the client's fleet and related operations. However, within 24 months risks and costs were being brought under control and had reduced the overall costs to the original level, without the 'management fee'. Ongoing improvements in risk and cost management are still being made and costs are expected to reduce to below the original level within 3 years. A further review about outsourcing is underway.