

### How can corporate fleets make the most of the “New Normal”?

03 June 2020 / Theme(s): All articles, Fleet Strategy



**Lockdowns are easing and economies are starting to rebound; but the virus is still about, so health and safety stay paramount and extra care remains necessary. Welcome to the New Normal. How can corporate fleets make the most of it? Six questions to Thierry Faure, Head of Sales and Client Relations at ALD Automotive.**



**First off, what can fleet managers do to keep their drivers safe and their fleets secure?**

“Obviously, driver safety comes first. So, take sanitary precautions. Avoid personal contact between drivers and other fleet professionals. If a vehicle is due for return, think about the age and mileage of each vehicle; for those in good condition with limited mileage or under-mileage, many of our customers consider extending the contract. Typically, the vehicle will be in excellent condition, so there is no rush to replace it immediately.”

“The same goes for scheduled maintenance: nothing will happen if it’s delayed for a short period. Cars nowadays have no issues for the first four, five years of their life anyway.”

"As we come out of lockdown, fleets should be mindful that due to disinfecting protocols, servicing takes longer now. If it used to be two hours, count on three now. So: avoid when you can and allow for more time when you must."

### **How can fleets best manage cost in the New Normal?**

"Actually, it's the same message: Consider waiting a little bit. New vehicles ordered now may cost extra. That's because – despite the best efforts of the ECB and other central banks – the cost of funding has increased. It went up fast in March, plateaued in April and has slowly started coming down again in May."

"At the peak, there was a surcharge on quotes for new cars of 160 base points. Now it's about 120. In practical terms, that means an extra cost at present of up to €20 per car per month, compared to February. Over a 36-month contract, that's about €700 extra."

"The last thing anyone needs is unnecessary cost. Especially as we don't expect this situation to last."

### **Extending leases means driving longer with your current vehicles. How does that work out, pricewise?**

"Operating leases are calculated via the depreciation of the asset. If you add, say, 12 months to a 36-month contract, you're depreciating the vehicle over 48 months. That means the monthly lease fee will decrease. That's a good, tactical way to achieve some short-term savings for your fleet and ensure driver mobility during this transitional period."

### **Is ALD Automotive prepared for a flood of customer demands for contract extensions?**

"Absolutely. We've already discussed the pros and cons of extensions with our clients who are looking for cost-saving options and processed about 60,000 where it was the most viable solution for the client given the current context. This is based on comparative calculations between an extension and a replacement. For example, if a client is eligible for a delivery bonus from the manufacturer in case of a replacement, what's the trade-off with an extension, which has the benefit of a reduced monthly fee? This allows our clients to make informed decisions about what is best for their business."

### **What other advice do you have for fleet managers in the New Normal?**

"First, check your mileage allowance. People have been driving less and will continue to do so. Get a contract modification, adjusting contractual mileage to actual usage."

"Second, rethink your model selection. With distances travelled likely to be shorter, this is a good time to add some electric vehicles to the fleet."

### **Final question: How is ALD itself rethinking its post-pandemic business model?**

"Some mobility trends will become less popular, notably carsharing and public transport. This works in favour of full-service leasing. On the other hand, there will be more homeworking and less business travel. Personally, I'm very happy that I won't have to get up as often at five o'clock anymore to catch a seven o'clock flight at De Gaulle Airport (*laughs*)."

"In response to these trends, we are rolling out a flexible leasing offering. The formula gives our clients maximum flexibility: to swap vehicles, to simplify their operations, and even to choose second-hand vehicles, because that increases the upgrade options. All this will help our clients to rebound even better from the lockdown."

Should you have any question regarding your vehicle fleet coming out of the pandemic and going into the New Normal, the team at ALD Automotive is happy to discuss post-crisis strategies with you to help you find the right solution to your challenges. Stay vigilant, stay safe, take care!