

Guide

Changes to **business** travel

TOMORROW
BEGINS TODAY

 Lombard

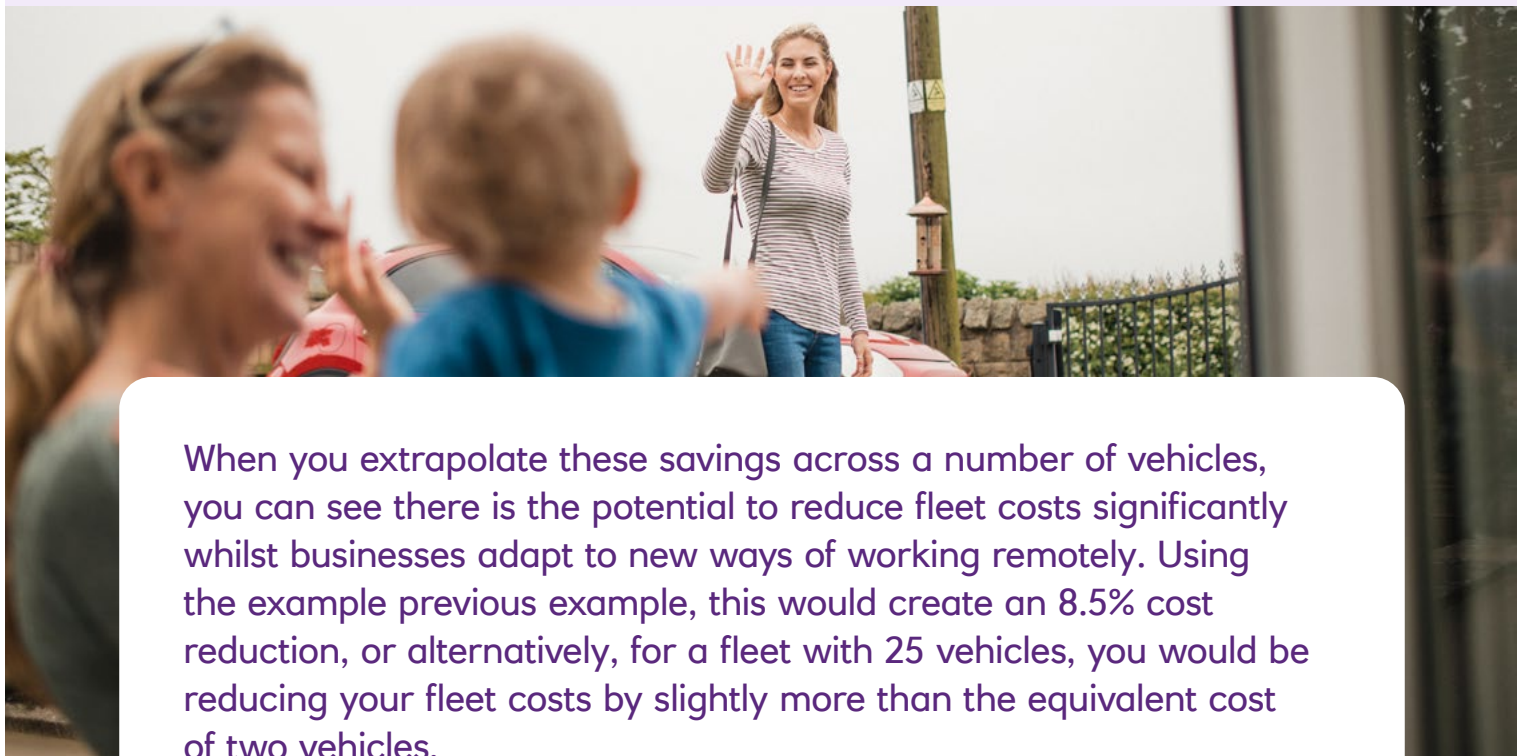


Changes to business travel

One of the impacts of the COVID-19 pandemic is that many businesses have had to adapt to large numbers of their staff working from home. The uptake in use of collaborative tools and video conferencing to keep employees and customers connected has made organisations realise that there may not be such a need for face-to-face meetings, and that achieving high productivity levels from home working is possible. So, if home working and the use of technology becomes more prevalent in the future, what impact will this have on your fleet?

Let's look at a scenario. An employee currently has a vehicle on a 48 month, 80,000 mile contract. Typically, they cover around 500 private miles a month and work from home one day a week, travelling to meet customers on the other four days. Factoring in public holidays and annual leave, they're on the road 46 weeks of the year.

Now let's consider what happens if that employee reduces their business travel by an additional one day a week, carrying out the meetings via alternative communication methods. That would reduce their business mileage by 25% from 14,000 to 10,500 miles a year. So what does that look like in terms of Total Cost of Ownership (TCO) to the business?



When you extrapolate these savings across a number of vehicles, you can see there is the potential to reduce fleet costs significantly whilst businesses adapt to new ways of working remotely. Using the example previous example, this would create an 8.5% cost reduction, or alternatively, for a fleet with 25 vehicles, you would be reducing your fleet costs by slightly more than the equivalent cost of two vehicles.

	48 x 80000	48 x 66000
Effective rental	£406.72	£382.62
Business fuel cost	£7,840	£5,880
TCO	£26,679	£24,401
Cost Reduction £2,278		

TCO Assumptions: Example vehicle is a Volkswagen Golf 8 5DR 1.5 TSI 1500PS 6SP Life, CO2 emissions 125 g/km, Fuel consumption 51.4 mpg, P11D list price £24,270.00. Advisory Fuel Rates for Business Mileage. Corporation Tax Relief Applied. VAT recovery 100%. Start Date April 2020. The Total Cost of Ownership figures also includes VAT recovery, Corporation Tax Relief and National Insurance Contributions, as well as the Effective Rental and Business Fuel Costs shown above.

Final thoughts

The changes in working practices for many companies, brought about by the pandemic, has already had a significant impact on business mileage, which could become a more permanent way of working. It's important for fleet managers to recognise the potential long-term changes to the way we work brought on by COVID-19 and the rapid adoption of technology by organisations to enable better connected remote working, and subsequently the impact this will have in reducing overall fleet costs.

If you would like to discuss the changing landscape of fleet management and how to prepare for this then please get in touch with your Account Manager or our Business Intelligence and Consultancy Team. Tel: 0117 908 6490 or email us at enquiries@lombardvehiclesolutions.com



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