

CASE STUDY:

AAH's drive towards carbon neutral benefits from Arval Ignition

From pharmacy supplies to complete generics, AAH Pharmaceuticals delivers medicine to millions of people across thousands of UK communities. The company has a longstanding relationship with Arval, which supplies all of its 2,400 vehicle fleet. This consists of vans, the majority of which are temperature-controlled and replaced on a 4-5 year cycle, and cars, with a mix of job-need and market-need provision that are operated for 3-4 years. The fleet is managed by a team in Tamworth, Staffordshire, and the company's head office is in Coventry.



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BACKGROUND

Ray Sandle, National Fleet and Planning Manager at AAH, explained:



We're always looking at new ways of making improvements to the fleet and early in 2020 decided to look at our car provision from the ground up.

"There were a series of issues we wanted to examine. While some of our cars are allocated to nurses and are very much job-need, we also have a large number of prestige-badged, market-need cars and we were not sure that all

of these were ultimately delivering value either for us or for drivers.

"Also, there is a background issue looming in that we have a corporate ambition to be carbon neutral by 2030. While government policy surrounding EVs will play a huge part in achieving that target as far as the fleet is concerned, we want to be making progress much earlier.



METHOD

A two-prong strategy was adopted and implemented.



Firstly, a whole life cost model was adopted across the car fleet that should allow AAH to generate savings and make environmental gains over time by promoting fuel and CO₂ efficient models, including a range of hybrid options at each grade.



Secondly, a salary sacrifice scheme was introduced with a 75g/km ceiling that effectively excludes petrol and diesel models in favour of battery electric vehicles and hybrids.

Ray explained: "We had a series of conversations with Arval about the issues. They then brought in their consultancy team, who were able to really get to grips with what we wanted to achieve and then present a range of possible options.

"The move to a whole life cost approach automatically removed more inefficient and emission-heavy models from choice lists, so we are expecting to make worthwhile gains in both of those areas as the existing fleet is replaced over the next few years.

"The salary sacrifice scheme is the real innovation however. Currently, low taxation on zero emissions vehicles makes programmes of this type very attractive to drivers from a personal taxation point of view. Effectively, what we are doing is offering existing company car drivers a way of making savings while, at the same time, creating environmental and cost wins for AAH. It's also a very attractive option for those employees who have taken the cash option instead of a company car."

A key element of the Arval Ignition salary sacrifice scheme is Arval Total Care, a package that provides users with not just vehicle and funding, but an insured company vehicle with maintenance, breakdown recovery, accident management, glass protection and more included. These services are delivered in one package, backed by the expertise and buying power of Arval, and paid for through a single, monthly invoice.

Ray added:



Arval Total Care was important to the adoption of the salary sacrifice scheme. Because it is so comprehensive, it provides a very high level of reassurance for both us as an employer, offering cars through this channel, and for the employees, who will be using and paying for them.





RESULTS

The salary sacrifice scheme was initially opened to existing company car drivers and cash takers at AAH. Ray commented: "It's very early days, but we've already seen a dozen electrified cars ordered in the first week out of the initial pilot of 200 employees and significant interest right across the company. The plan is to now extend the salary sacrifice offer to all 15,000 employees."

"I've had some corporate experience of salary sacrifice in the past with another employer and the whole exercise is dependent on getting the corporate communication right, so that people understand why it is being introduced and the potential for positive change. Arval supported us with a suite of best practice strategies to help build the foundation of our internal message, in which we developed a targeted email communication to employees. They have also committed their help to the ongoing communication of the wider phase two audience."



Arval have helped us throughout the entire process, which is very much the kind of expert yet practical partnership approach that we see throughout all of our dealings with them.

Ray Sandle, National Fleet and Planning Manager, AAH



**Arval Ignition
to be offered
to all
15,000
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