

CASE STUDY:

Volvo's switch to whole life cost model sees electric vehicle popularity soar

Founded in 1927, Volvo is one of the world's leading suppliers of commercial transport and infrastructure solutions, providing products such as trucks, buses and construction equipment, as well as drive systems for marine and industrial applications.

In the UK, Volvo has more than 2,000 employees and operates around 450 company cars. For the last five years, it has worked with Arval on a sole supplier basis to provide a range of solutions, including full fleet management outsourcing, vehicle funding, personal contract hire, consultancy, and telematics.



2,000
UK employees



450
company cars



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For the many
journeys in life

BACKGROUND

Volvo's existing company car policy was long-established with choice lists based on lease rates, offering petrol and diesel models from Volvo and Renault. However, HR director Danny Nussbaum explained that pressure had been building to make fundamental changes.



Over a number of years, it became increasingly clear we would have to move away from fossil fuel company cars towards electric vehicles (EVs) and plug-in hybrid electric vehicles (PHEVs), in line with general electrification uptake.



"There has also been growing interest from our drivers in EVs and PHEVs, both from an environmental point of view and to minimise their benefit in kind taxation. In a wider context, Volvo at a corporate level has its own ambitions in terms of emission reduction targets that exceed those of the Paris Agreement.

"All of this meant that it was clear that our company car policy needed a structural rethink to take account of electrification, especially from the point of view of choice lists and fuel reimbursement, so we asked Arval to oversee what turned out to be a very detailed review."

METHOD

Arval's consultancy team looked at ways in which Volvo's fleet objectives could be met, then recommended a number of important changes. The most significant of these was to rethink the whole approach to choice lists using a whole life cost (WLC) methodology, rather than lease costs, in order to include EVs and PHEVs.

Arval's Corporate Business Manager Steve Nixon, who oversees the Volvo relationship, said: "It can be very problematic to integrate electric and fossil fuel vehicles on the same choice lists using lease costs. The issue is that leases tend to be low for petrol and diesel cars, while running costs are higher, whereas EVs and PHEVs are more expensive to lease but comparatively economical to operate.

"The answer is to adopt a WLC approach, which also has the advantage of providing a much improved overall picture of fleet running costs, including servicing, maintenance, National Insurance and business fuel."

Arval consultant, Ben Edwards, drew up the new choice lists in consultation with Volvo and also worked on negotiating advantageous manufacturer terms. To broaden the range of EVs available, the Polestar brand – a new Volvo group company – was added.

Danny said: "The creation of our new choice lists was a very labour-intensive task calling for a high level of specialist analysis. Without the level of expertise Arval provided, this is something that we would have found very difficult to do ourselves."



Employee option to 'trade-up' introduced

Further changes included the option for drivers to 'trade-up' from their grade, using a maximum of 20% of their company car allowance to enable them to secure their preferred model. Additionally, in recognition of the expected popularity of PHEV and EV vehicles, Arval recommended a new and more streamlined approach to business mileage reclaim for employees, which is now integrated into the monthly payroll report.



The whole exercise was very professionally handled. We really felt as though our objectives were properly understood and were guided through the best way to meet them.



DANNY NUSSBAUM
HR Director, Volvo UK



Some monthly company car tax bills fell from

£500
to
£20-30

RESULTS

A few months after the new company car scheme was introduced, Volvo's new car orders are now dominated by electrified choices, splitting roughly two-thirds towards PHEVs and a third towards EVs.

Danny said: "There's been a very strong reaction from drivers to the changes that we have made, including extra interest in the available model choices, as well as how each could potentially meet the needs of different drivers.

"The impact from a benefit in kind point of view has been dramatic. Some employees have managed to slash their monthly company car tax bill from £500 to £20-30 by making greener choices, which clearly makes a significant difference to their pay packets.



**ARVAL | ELECTRIFIED
VEHICLE = 1 TREE**

"The trade-up option is also proving popular, and there is a nice bonus in the shape of a new Arval programme called '1 EV = 1 Tree', where a tree is planted for each electric vehicle we order.



Overall, it's been a very successful exercise that has orientated our fleet in the direction it needed to be heading. We now feel in good shape to face the next few years in this area of our business. My own car is due for renewal next year, and it will undoubtedly be an EV.



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