

# PERFECT PURCHASING

The Fleet Industry Advisory Group  
guide



# Introduction

Fleet is typically a company's second biggest expense after its employees so it pays to ensure that the process for purchasing vehicles, fleet services and related products runs along best practice lines.

Too often the purchasing process conducted via a tendering exercise can be totally inappropriate, ineffective and almost a charade.

However, when undertaken carefully and involving all key stakeholders in the tendering process it then becomes the cornerstone of the subsequent contract that will define the long-term efficiency and effectiveness of the fleet operation.

Indeed, partnering efficiently with a range of fleet suppliers is the secret to keeping operating costs in check, while continuing to drive through efficiencies that will make the business as a whole function more effectively.

Therefore, making sure that the customer-supplier relationship that develops following a tender process works well throughout the duration of the contract is not just about getting right the words and numbers in the agreement.

It is also about developing a strong working relationship and genuine rapport with each and every supplier necessary to achieve strategic corporate objectives.

This booklet is not the definitive guide to "perfect purchasing". However, it draws on the collective experience and knowledge of fleet managers, many of whom are Fleet Industry Advisory Group founding members, and establishes clear tactics, with suggested "do's and don'ts" that need to be applied when producing a fleet tender document where the objective is both clear and unambiguous with the aim of getting the best out of potential suppliers.



***There are frequently nonsensical questions in a tender document which have absolutely nothing to do with what is trying to be achieved. Companies must decide their aim, be clear about their objectives and set out what is hoped to be achieved by the tender process***

***– Geoffrey Bray, chairman, Fleet Industry Advisory Group***

# Preparation is key



**Those with fleet responsibility should define the specification requirement and be fully involved throughout the purchasing process**  
– Ian Hill, managing director, Activa Contracts

**F**ail to prepare, prepare to fail – maybe a frequently repeated business mantra, but it is never truer than when going through a tender process. The key to a successful fleet purchasing process is to define what is required, commercially and functionally, from potential suppliers while ensuring that very best value for money is obtained.

However, do not confuse value for money with price. When making procurement decisions too many people focus on price when greater consideration should be given to intangibles such as value added service delivery, account management and product innovation if a successful long-term business relationship is to be formed.

A tender process undertaken properly will guard against incumbent supplier complacency and provide all stakeholders of the company going out to the market with firm reassurance that the process is taking their particular interests into account.

Typically tender documents when issued to potential suppliers fall into four categories:

- Those that are concise, to the point and generally first class;
- Those that are vague having probably been written by people with little or no fleet knowledge;
- Those that are written by external consultants engaged for the

specific exercise, which are so often unnecessarily complicated;

- And those that are simplistic generic documents that are used for general purchasing that are totally inadequate for the job in hand.

Therefore, it is vital that fleet decision-makers clearly identify their requirements and establish the criteria.

However, in ensuring compliance and value is achieved, it is critical to involve other key internal stakeholders in the procurement process. Depending on the size of the organisation this could include input from departments such as: procurement, finance, HR, legal, health and safety and environment.

Such an approach ensures the procurement process is both well-run and has a clearly defined and auditable tendering objective.

But too often, particularly, if the fleet decision-maker is inexperienced or fleet is not their full-time job role, the purchasing decision-making is unduly influenced by colleagues from other departments.

This can result in a lack of clarity in terms of what is required from suppliers because those making the purchasing decisions do not necessarily understand the complexities of fleet. ►



**Procurement adds huge value when working as a team. It is not a procurement process that we want; it is an auditable process when things with the supplier go wrong.**  
 – Graham Bellman, director of fleet services, Travis Perkins

Specification clarity within the tender document is therefore essential, but too often, say suppliers, challenges have to be made. Ultimately this can mean that the specification has to be rewritten so that those on the supply side can deliver what it is that companies actually want - once that has been determined!

In short, if bidders come back with numerous questions it clearly highlights poor tender drafting and a failure to understand the needs of potential suppliers.

However, where fleet expertise and knowledge is thin on the ground, businesses should beware of simply setting out the status quo in service specification terms and asking tenderers to price against it.

To use the “it’s always been done that way” approach can be very costly in today’s fast moving world.

A better tactic in such situations would be to fully explain the existing fleet arrangements and the desired outcomes of the exercise and to request detailed proposals from tenderers for delivering an effective solution or range of solutions. This will test the listening skills of tenderers and their ability to bring targeted added value to the business in terms of service and/or cost.

All too often tender documents contain a little bit about the fleet and the fleet policy and a lot about a company’s purchasing strategy, which appears to be the same whether those making the decisions are sourcing for fleet or any other corporate requirement such as office stationery.

However, it is vital that a company’s procurement department provides technical support and ensure that the purchasing process from start to finish is managed against corporate compliance procedures.

In short the most successful tender processes are those where the fleet professional has outlined the requirements and then works in tandem with the procurement department to identify suppliers that can deliver the objective and at the same time keeps internal stakeholder departments onside.



**If bidders come back with numerous questions it clearly highlights poor tender drafting and a failure to understand the needs of potential suppliers**

# Structuring the tender process



**Fleet managers should be eliminating the time wasters as a result of the initial request for information and then have face-to-face discussions with short listed suppliers**  
– Geoffrey Bray, chairman, Fleet Industry Advisory Group

A good tender document will focus on what's important to the fleet decision-maker, the fleet operation and the organisation as a whole. Although a certain amount of "corporate governance" box-ticking is inevitable, the more complex the tender, the more time-consuming and expensive it makes the process for the tendering company and potential suppliers.

To ensure that ultimately the "right" purchasing decision is made and the "right" supplier appointed it is important that:

- The organisation issuing the tender has a high-level of market place knowledge so the "right" suppliers are asked to tender;
- Potential suppliers tendering for fleet business have knowledge of the organisation; an understanding of the fleet set-up and the objectives of the exercise;
- There is a cultural fit between the parties. This soft aspect is so often overlooked, but it is so important that the right "feel" exists from day one of what will often be a long term relationship.

That is why a prequalification stage embracing a 'request for information' from potential suppliers is essential.

Those making the purchasing decisions should familiarise themselves with the latest fleet thinking and marketplace

developments by reading the fleet press, talking to their peers and generally researching the marketplace.

Surveying the market and taking on board the views of other fleet professionals will result in a targeted tender exercise being carried out involving potential suppliers that are most likely able to deliver the product or service required.

Suppliers should be asked to provide specific information, and evidence of capability and price in answer to a series of fleet-related questions. They should also be asked to demonstrate that they can offer:

- Quality and reliability
- Speed and flexibility
- Value for money
- Strong service and clear communication
- Financial security
- Stability and continuity

The incumbent provider(s) should also not be ignored. It is essential that organisations involve them in the process and discuss with them the reasons for the tender exercise; any procedures that could be improved on; and new services required. ►



***It is clear that many questions and terms and conditions are those that are reutilised in every buying exercise, many of which are inappropriate to fleet – Ian Hill, managing director, Activa Contracts***

Responses from potential suppliers to the “request for information” should then be weighted and scored to enable a shortlist of potential suppliers to be compiled who will then respond to the formal tender document.

Such research will result in a targeted tender exercise being carried out involving potential suppliers that are likely to be able to deliver having screened out those that have failed to impress.

The tender shortlist should ideally consist of maybe just a handful of possible suppliers - perhaps a maximum of four or five - that in all likelihood can deliver what they promise.

It then comes down to a discussion about value for money, but critically also, company culture, personal relationships and how certain fleet operating scenarios will be managed.

Asking a potential supplier to respond to precise operational scenarios enables them to fully detail the actions they would take and gives the fleet decision-maker the opportunity to compare and contrast in the real world.

As a result, the tender document reflects what is happening on the fleet and should tackle specifics. The objective and the areas of concern should be clear with a precise list of questions to which suppliers can respond defining what is both essential and desirable.

It is also a good idea to visit short listed suppliers. This process can be used to determine the conclusions reached in the short list analysis. It will also give an opportunity for the fleet/procurement team to test key areas in particular talk to

personnel who will be delivering the service.

Equally, fleet decision-makers should undertake site visits to existing customers of potential suppliers they are considering using. Gathering information on levels of satisfaction and service delivery is critical so a step into the unknown is not made with disastrous consequences.

Therefore, detailed planning and making the necessary time to visit potential suppliers will enable tendering to become a ‘fast track’ process that should take no longer than six months from first sitting down to awarding the contract. However, it is essential that realistic timescales are allocated to each stage of the process so that the need for overrun and extension periods is eliminated.



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# Awarding the contract



**Without defining the range of services required price is irrelevant**

*– Peter Weston, transport manager, Home Retail Group*

Having received full and final offers from each short listed supplier - some may have been eliminated already due to a failure to meet requirements - a “score card approach” to selecting the ultimate supplier should be taken.

Key criteria including capability, risk, financial stability, corporate social responsibility issues as well as a would-be suppliers’ ability to deliver what is requested of them alongside value for money and price should be weighted and measured. If this is done properly then the organisation with the highest score will win the contract.

All internal stakeholders engaged in the procurement process should ideally “score” potential suppliers to ensure fairness that the company ultimately chosen is most definitely the best to meet the requirements of the business.

During the final decision-making process it is OK to seek clarification on specific points from potential suppliers, but that should not alter the competitive nature of the tender process or the preset selection criteria.

In life you generally get what you pay for and that includes when tendering for fleet services.

If a supplier can significantly undercut its competitors there is usually a very good reason for it, which is why it is vital to analyse value for money and not simply analyse the headline price. This analysis should comprehensively take into account the quality of service delivery and the ability to innovate.

Saving money by selecting the “right” supplier is important, but to be the most effective any savings must be sustainable. It is far better to select a supplier that can reduce costs year on year rather than one that is cheapest at the point of tender but that’s where cost savings end.

Critically during the tendering process it is also vital to understand how a new service or fleet tool will be implemented. Having awarded a contract to a new supplier the implementation phase should be as seamless as possible and for this reason it is important here that realistic timescales are allocated to the process.

Trust and transparency are the two key words when selecting supplier partners. Fleet decision-makers must then build on the partnership relationship and will find that with qualities apparent from both sides, first class service levels and value for money will result.

# Performance monitoring



**Understand what you are tendering for; and manage the contract**  
 - Freddie Watts, fleet and transport contracts manager, Office Depot

Having completed the tender process and awarded the contract it is important to have in place a mechanism to ensure that what has been negotiated for is supplied to the required standard.

Therefore, it is important to have service level agreements (SLAs) in place that both parties are happy with, supported by key performance indicators (KPIs), and processes to measure quality, driver satisfaction, competence, price and other issues.

While SLAs and KPIs need to be “reasonable” on both sides they also need to have teeth and sanctions for failures to perform to agreed standards.

Enabling a partnership relationship to flourish will allow goodwill to develop on the part of suppliers that will ensure fleet decision-makers are able to drive forward with efficiencies to further improve the effectiveness of the fleet operation. It is therefore important to ensure that the fleet contract reflects this positive approach and that, where penalty clauses are in place, they are very much seen as actions of last resort.

Going forward regular meetings should be undertaken separating day-to-day operational activities from structured fleet reviews. The former ensures that the contract works on a day-to-day basis while the latter should ensure that the goals and targets as set out in the contract are being met.

A good management relationship will ensure that not only the terms of the contract are met, but that suppliers are consistently challenged with developing innovative new ideas



**Enabling a partnership relationship to flourish will allow goodwill to develop on the part of suppliers**

to meet changing business, fleet and legislative requirements. Additionally, regular contact with suppliers allows any problems to be dealt with before they escalate and provides the opportunity for a more effective working relationship.

Having conducted a major tender exercise the question naturally occurs: when should a fleet decision-maker next go out to tender? Of course, public sector organisations may be obliged to go out to formal tender within specific timeframes where as other organisations may consider re-tendering only if it appears that a tender process would add value in all areas to the existing fleet operation.

A tender is a “snapshot in time” or a benchmarking exercise that can be undertaken without going through the full formal process. Therefore, measuring and monitoring incumbent suppliers against competitors should be a continual exercise.

It could, for example, be written into a supplier’s contract that a pricing exercise will be run every two years to reassure procurement colleagues that any deal remains competitive.

While some believe that the optimum tender period is three years to avoid ‘an element of complacency’ creeping in at suppliers and an innovation/development knowledge gap opening for fleet decision-makers; others believe it is better to undertake market intelligence and discuss findings with the incumbent supplier.

It could therefore be argued that fleets must continuously challenge their suppliers and benchmark activity. They should not award a contract for three or four years; let it run its course; and then go through a lengthy tender process just to satisfy a policy doctrine.



***Purchasing departments have an important part to play in ensuring process compliance, but cannot be expected on their own to have the experience and expertise necessary to achieve satisfactory outcomes to complex fleet service requirements***  
*- Ian Hill, managing director, Activa Contracts*

# Purchasing process do's and don'ts



***So many questions in tenders are irrelevant. Companies want to give the impression that they know what they are doing. But in reality they sometimes have little idea***  
- Geoffrey Bray, chairman, Fleet Industry Advisory Group

- Do review the supplier marketplace from time to time
- Do guard against incumbent supplier complacency
- Do reassure all in-house stakeholders that their specific interests are being taken into account
- Do involve the procurement department (and other departments) but the fleet team should specify requirements
- Do focus on asking clear and concise questions designed to generate specific fleet-relevant answers from suppliers
- Do seek a partnership and not a 'them and us' approach
- Do seek supplier references and follow them up
- Do visit potential suppliers with a list of questions that address your own operational requirements
- Do talk to other fleet professionals
- Don't outsource the process to purchasing specialists that have no fleet knowledge
- Don't use a generic purchasing template as it is irrelevant to the fleet product or service required
- Don't generalise - focus on fleet specifics in compiling tender questions
- Don't request one-sided non-disclosure agreements - these must be two-way and must apply mutually
- Don't prescribe contractual documentation within the tender document
- Don't ignore the importance of building relationships with suppliers
- Don't be embarrassed to ask other fleet managers for advice and help
- Don't pretend to know all the answers
- Don't think the lowest price is the 'Holy Grail'
- Don't be surprised if a contract goes bad if you haven't carried out all the necessary checks and balances

# Conclusion



***We involve our procurement department in the fleet purchasing process; they are not a separate entity but part of the team.***

***– Ged Raymond, fleet manager, Autoglass***

Frequently, procurement departments receive a bad press because the perception is they want to know “the price of everything and the value of nothing”. But it is critical that procurement departments are involved in the purchasing process, while leaving the detailed specifics of what is being purchased necessary to satisfy business requirements to the fleet experts.

It is equally true that there will always be suppliers willing to provide a commodity or a service cheaper, but that does not mean it is “right” operationally and otherwise for the potential customer.

Too frequently, price is the dominating issue in tenders when the real focus should be on how a potential supplier can add value to a fleet through service delivery and innovation against a continually evolving transport and travel operation managed in a constantly changing tax and legislative environment.

It is also clear that tenders are not a defined area and can result in a long drawn out and convoluted process involving too many people - and sometimes the wrong people leading the way and making the critical decisions.

In reality, fleet managers should write the purchasing specification/operational requirement; procurement should then focus on ensuring value and compliance with the specification/requirement; and finally fleet managers should implement and be responsible once the decision is made.

Importantly the purchasing process should not be defined by questions and answers and spreadsheets, although they have a role to play.

Business is about people and that means getting under the skin of potential suppliers during the tending process and building relationships. This is best achieved by visits to and discussions with the people who will actually deliver the service/product on a day-to-day basis.

While the product or service must be right for the fleet and the business, people ultimately buy from people because there is trust between them. If a relationship cannot be built on trust in the first instance then this could result in a recipe for operational disaster.

# ***About the Fleet Industry Advisory Group***

The Fleet Industry Advisory Group (FIAG) is a not-for-profit organisation created to develop and share best practice in the fleet industry.

Through the considerable knowledge of its founding members, FIAG provides fleet advice, consultancy, mentoring and support. FIAG will also assist with benchmarking and analysis of industry developments through the publication of white papers and the organisation of workshops.

FIAG is also dedicated to supporting Hope for Tomorrow, a national charity which raises funds to support the introduction of mobile chemotherapy units nationwide.

Further information on Hope for Tomorrow is available at [www.hopefortomorrow.org.uk](http://www.hopefortomorrow.org.uk)