

Multi-bid fleet funding

What is multi-bid fleet funding, how does it work and what are the pros and cons?

As Business Contract Hire comes under pressure and (for some) loses its lustre, many companies are looking for ways to regain the best value from their contract hire relationships. One traditional acquisition method, more suited to the current economic climate, is gaining ground, and is once more in vogue. What is it and how does it work?

Multi-bid fleet funding (also referred to as multi-supply fleet acquisition) is a way of preserving your relationship with the contract market and also helps in reducing fleet costs. How it works is that a prospective customer invites bids from multiple vehicle leasing companies, in a structured tendering exercise. This can be self-managed or managed through an intermediary, such as a fleet management company or broker. Ideally, blocks of fleet replacements are tendered at the same time with the idea of increasing competition and enticing more attractive pricing. Disclosing the panel of tendering leasing companies to all involved can also encourage positive participation and pricing.

Through this method, reductions in leasing rates can be as high as £20-50 (€21-55) (\$26-64) per vehicle, per month ([Allen K, Benefits of Multi-bid Vehicle Funding, 2020](#)), which can be significant for large fleets of say 800 vehicles. A lease rate reduction of £30 (€33)(\$39)* per vehicle could yield a saving of £288,000 (€315,000) (\$371,000)* per year.

There are caveats, however, not every leasing company will agree to or accept multi-bid requests, so it may not be an appropriate option for every business. However, there are many vehicle leasing providers that do.

The advantages of multi-bid procurement

Multi-bid fleet funding offers numerous advantages, such as:

- *Products and services can be bundled together, which delivers more value for the acquiring party and increased revenue for the supplier.*
- *Each new vehicle order is cost optimised.*
- *TCO (total cost of ownership) is consistent as there is less chance of "rate creep" over the longer term.*
- *There is the expanded scope of market information i.e.; sharing best practices and the flexibility to include the best lease companies in each market.*
- *Multiple lease companies offering competitive rates reduces financial uncertainty and mitigates the risk of dependency on one leasing company.*
- *The fleet operator gets a good overall view of different market practices.*

The downside of multi-bid vehicle funding

As with everything, multi-bid funding has its disadvantages. Primarily, there are multiple contracts, invoices and supplier relationships to administer. For stretched or under-resourced businesses, this could introduce unwanted challenges. There could also be variation in service levels from different vendors. Any leverage gained from acquiring the full fleet from one vendor is now shared with all selected suppliers, which may introduce disparity.

The advantages of sole-supplier vehicle acquisition

If multi-bid funding is not available or beneficial, the advantages of sole supply acquisition are that there is only one master lease contract to administer. The number of invoices that have to be processed are significantly fewer and this method entails a single-point-of-contact relationship, which is easier to manage with fewer resources.

A sole provider may be better equipped to represent your fleet's specific interests in negotiations with vehicle manufacturers and/or dealers. They could bundle your replacement requirements and use this to leverage your buying power. However, HR and operational factors must be taken into consideration first and you must have a good relationship with your lease company supplier to successfully navigate this.

However, there are disadvantages too. It's unlikely that a single lease company can offer the best price on all brands of vehicle, all of the time, and the best processes and quality of service. This method introduces a risk of exposure to short-term pricing strategies, rate fluctuations (due to residual value reviews) and limited recourse on pricing variations. There is dependency on a single source of funding and limited view on different market practices.

How Bynx helps optimally manage vehicle acquisition

Conditions associated with each funding party may differ, which makes a standard approach to funding and acquisition management unworkable.

The ability to accurately, efficiently and cost-effectively control, manage and record third-party funding into a business, how this links to lease rate production, and how this is being consumed by fleet customers, is essential in determining the benefits of multi-bid procurement. The **Bynx** fleet, leasing and mobility management platform maintains a precise and clear audit trail and tracking of payments to funders, and income and expense related to lease contracts.

Bynx also has a dedicated module that manages the procurement process. This gives businesses complete control and visibility of the buying process. It is designed around relational database technology, which means all data within is intrinsic across all elements of the platform. So, no duplicate or incorrect records. For the purposes of procurement, this means all applicable information (reference codes, approved quote and vehicle configuration) is automatically brought into the process to be included on POs and associated documentation. Without the need for re-keying of data at certain points, the whole process is slicker, quicker and more streamlined.



Additionally, **Bynx** is completely web-enabled so everyone in the supply-chain from brokers and/or lease providers, to vehicle suppliers and end-user fleet customers can (with the right permissions) login, view and update order statuses and obtain electronic POs, whenever they need to. The system is already populated with applicable data so a simple prompt for vehicle licence details ensures the transfer of information between quotations, contracts, accounts and asset management.

Multi-bid funding may not be suitable for every fleet buyer but as a means of procuring business contract hire funding while reducing fleet costs, it has significant advantages over other approaches and should be seriously considered as an option.

To talk to us about procurement strategies and how **Bynx** helps optimise, streamline and manage the procurement process, [get in touch](#).

*Figures approximate.