Unbundled Europe: Chris Conroy and ARI’s A La Carte Solution

The FMCS-First in an Ongoing Series
Focusing on the Fleet Management Companies

By Joseph LaRosa, Vice President, NAFA

IN MID-NOVEMBER, 2015, FLEET management company ARI received the prestigious International Fleet Industry Award from the publication Fleet Europe. The intent of this honor is to acknowledge innovative tools, products and services that help fleet managers improve fleet operations at an international level. ARI’s winning work involved the company’s unique unbundled vehicle solutions for the European market.

"With 120,000 fleet vehicles in Europe, the potential to attract a percentage of the market with our innovative approach rose to the level of serious consideration," said ARI President Chris Conroy. This eventually evolved and solidified into an approach that emphasized total cost of ownership (TCO) modeling instead of a strictly bundled lease product. “We knew that ARI would be able to target specific segments, such as tool-of-trade vehicles, in addition to the larger market. Since most fleets are doing business with banks, we focused on providing an offering that didn’t stem from leasing. We targeted the light commercial vehicle segment (among others) knowing we could offer the unbundled components of the service model.” By going in this direction, ARI is able to offer full transparency and provide true data-driven insight into total cost of ownership—something that is not always available from the leasing companies.

There was, however, a problem—or at least a presumed problem. Unbundled service platforms had been unsuccessfully tried before. The fully-bundled European model had calcified as the de facto standard and companies that challenged it had little success. And yet, Conroy said selling the idea to ARI’s leadership wasn’t hard at all, but it did not start with an immediate eye toward the European market.
"All of (ARI's) investments are long term investments," said Conroy. "This began in 2010 when, during a strategy session, we determined the best way to grow was through acquisition, and we developed a five-year plan we have gradually enacted ever since. When we make an acquisition, we're looking at the investments generically. These are good investments now, but do we foresee them growing in value as far as 25 years down the line?"

In 2010, the company acquired the assets of work truck upfitter Auto Truck Group, marking the first step into vertical integration, wherein large portions of an industry's supply chain are brought into a single corporation. "It wasn't long after that we focused on the potential for expansion. We purchased Fleet Support Group—now known as ARI UK—in the United Kingdom in 2011," Conroy said. "It was a very strong company with an approach and philosophy much like ours, which made it a very good fit for us. Additionally, we were able to leverage them as a pass-thru maintenance provider, which gave us access to the market. We could service clients we would not have had access to otherwise."

Further acquisitions of Fleetlevels, HPI Fleet & Mobility, and Netcar 24 GmbH in 2013 continued to build the infrastructure—this time directly in the European
market—ensuring success for what had previously been an untenable goal.

"It's sort of like chess, but ARI wanted to be sure that the sum of the parts already had value and strength. When all these were put into position, it allowed us to minimize the risks and uncertainties that might have been there before," Conroy said. "We knew it would work. Still, we had a family of assets that could stand alone if that was the case."

The new service is complimentary to the company's partners in Europe, the Middle East, and Africa in that ARI was previously a consultant which made recommendations regarding the market. There was still a considerable gap where their needs were not being met. "Moving into Europe with a bricks-and-mortar solution was good for all involved," Conroy added.

"For fleets that are more accustomed to a fully-bundled European standard, the maintenance and operations discussion is actually easy," Conroy said. One of the initial customers for the unbundled program was Coca-Cola in Germany, which was a natural fit. "Coke always operated with an unbundled program, so they understood what we were offering already. There was no need to convince them," Conroy said.

It is the financial discussion that's harder, Conroy indicated, because what is really being discussed is risk, and the cost of such with a bundled solution. "It requires a degree of looking at the situation laterally—by doing that you can see where risk affects costs. The number of people you have to educate is hard. You are challenging long-held conventions, but people are gradually easing into the model. Those who have seen the benefits of the unbundled protocol are convinced that this is the way the industry is heading."

And the industry is taking note, as evidenced by the Fleet Europe award. "It was certainly a pleasant surprise," Conroy said. "ARI has proven itself with a significant investment in a market that was not accustomed to investment, and that is an advantage too. We have 'skin in the game' and that backs up our commitments. The feedback has been extraordinary, and the award serves as validation for our long-term strategy."

ARI currently provides leasing and fleet management services in 19 countries throughout Europe. There are no plans to expand into Asia, India, New Zealand, or Australia. The company is keeping the focus on Europe with expansion centered on managing spend and data on a pan-European scale.

While early returns are excellent, the adoption rate within the industry will be determined over time. "This transparent model has fully matured in North America and it is proven to deliver the lowest cost of ownership. That said, it is a philosophical change away from fixed price and risk avoidance. There is an education that comes with this kind of change. Our experience to-date is that people within the industry are interested in discussing concepts involving revolutionary fleet management. It is very gratifying to find ARI at the center of that conversation."

Special thanks to Caroline Brobeil Nassan, ARI, for material in this article.