



Case Study

Zenith client since:
2002



How ASDA and its colleagues benefitted from a switch from cash allowance to company car

Customer overview

Asda can trace its routes back to a group of Yorkshire farmers in the 1920s who formed Hindell's Dairies, which then became part of Associated Dairies and Farm Stored Ltd. In 1965 Associated Dairies merged with Asquiths, a chain of Yorkshire based supermarkets, to create Asda Stores Ltd – the name being a marriage of the two parties: Asquith and Dairies. Asda was bought by Wal-Mart in 1999.

Nowadays, the chain has over 530 stores throughout the UK. In 2011 Asda acquired nearly 150 Netto stores across the country and 6 DIY Focus stores.

Fleet background

Since 2010, the size of the Asda company car fleet has grown rapidly by 89%. Asda now has a fleet of 1,155 vehicles funded by contract hire, with the funding and vehicle management provided by Zenith.

The expansion of the fleet is mostly attributed to a shift of Asda colleagues from taking a cash allowance to entering the company car scheme. Asda has 2,300 eligible cash allowance takers and between January 2010 and January 2016 over 40% of the orders placed were from drivers entering into the company car scheme, rather than opting to take a cash allowance.

Cash to car

Over the past few years many companies have seen a shift from cash allowance takers to those who chose to enter into a company car scheme. One of the many drivers for the change has been changes to tax legislation, making it significantly more cost effective for many to enter a car scheme, rather than take a cash allowance and source a car elsewhere. In 2002 benefit-in-Kind (BiK) tax legislation changed to a CO₂ emissions based rating, where the lower the emissions, the less BiK tax is payable. Since 2001 average CO₂ emissions for new company cars have dropped by over 20%. Manufacturers are being targeted by EU legislation to reduce emissions and are also incentivised by the lower tax applicable to lower emission cars to produce more high powered, fuel efficient cars, including those that appeal to the company car market.

Making the decision to switch to company cars The benefits of company cars versus cash allowance takers

Benefits to the company...

1. Cost savings – The employer is often able to provide a company car for less than the employee would be able to obtain a car on the retail market. The cost of providing the car is therefore less than the cash allowance they would have to pay the employee if they opted out.

In January 2011, detailed analysis was conducted by Zenith for Asda, highlighting the savings that could be achieved if more colleagues entered the company car scheme. Zenith developed a calculator to illustrate the difference in cost between an Asda colleague taking a cash allowance and taking a company vehicle. The calculation applied National Insurance (NI) to the cash element and Non Recoverable VAT and NI to the monthly rental of the chosen company car. This gave the true cost to Asda of both benefits to then calculate the difference between the two, per vehicles per month.

Analysis has demonstrated that Asda has been able to save nearly £6,000 per company vehicle compared to the cost of providing a cash allowance. These savings equalled c. £950k per year based on over 651 vehicles which were live at the time of the analysis.

In order to further increase the attractiveness uptake of the car scheme Asda then made the following changes:

- In August 2011 Asda announced the addition of BMW, Mini and Mercedes to the company car scheme in order to facilitate the conversion of colleagues from cash to car, particularly at the higher vehicle grades where the savings are most prominent.
- The addition of the new manufacturers prompted a further influx of colleagues opting into the company car scheme; with 55 cash takers switching to a company car option in 2 months following the extended choice list.

- Then in December 2011 Asda decided to increase the allowance at each grade to further encourage uptake. Although this decision increased the cost exposure to the company, this was outweighed by the potential savings that would be achieved from colleagues switching from cash to car.

Following these changes, the Asda fleet has further grown from 790 vehicles to 1,500 in less than 12 months (an increase of 48%). Savings per vehicle have decreased to £2,200 per vehicle going forward, however Asda is able to provide an improved benefit and increase take up, whilst still making savings. Through increased take up it is anticipated that Asda will continue to make substantial annual savings.

2. Duty of care compliance – Encouraging colleagues to enter a company car scheme rather than opt out and take a cash allowance can improve safety and help a company meet their duty of care liabilities. An employer is under an obligation to ensure the safety of its colleagues whilst driving on business. This applies where they are driving in a company car or their own car. Penalties for not complying with the applicable legislation (which includes the Health and safety at Work Act 1974) can result in large financial penalties and even a custodial sentence for directors under the Corporate Manslaughter and Corporate Homicide Act 2007.

Company cars are much easier to manage from a duty of care perspective. The employer can ensure that the employee is provided with a car which is fit for its purpose, is properly serviced and maintained and has modern safety features. A cash taker may have an older, less safe and less reliable car. It might not be appropriately maintained or serviced and although cash allowance management options are provided, the 'grey fleet' can be very difficult to make compliant with duty of care legislation.

Benefits to the colleagues...

1. Hassle-free – Everything is taken care of for the employee including their insurance and road tax. They get MOT and service reminders and a dedicated account manager. Tyre and windscreen repairs and replacements are taken care of, with mobile services available for convenience.

2. Brand new, reliable safe car – The employee receives the benefit of a brand new, reliable and safe car, with breakdown cover included.

3. Cost savings – Newer cars are also more fuel efficient, meaning the employee can save money on fuel if they pay for it themselves or are reimbursed on a fixed price per mile basis. Colleagues do not have to worry about servicing, MOT or repair costs. They are also protected from increases to insurance premiums (can be up to 30% annual increase) as the employee is covered by the company's insurance policy they do not have to worry about the premium going up if they have an accident. They do not have to worry about unbudgeted for costs.

4. A wider and improved choice – The changes Asda has made to the choice lists mean that an entry level driver can now order a BMW 320d Luxury, a Store Manager can order a Mercedes E Class, a Department Head can order an Audi Q7 and a Director can order a BMW 7 Series; and in each case Asda still save money compared to paying these drivers a cash allowance.

5. Access to credit problems removed – Banks' lending restrictions have prevented people from getting access to 'cheap' credit to fund personal vehicle leasing. This may prevent some colleagues obtaining credit for their car and this is avoided if they enter the company car scheme.

Highlighting the benefits of cars to colleagues

Zenith developed an online calculator to help demonstrate the costs of the driver's chosen company car, and highlight potential expenditure incurred in private car ownership that is commonly overlooked. Asda was able to use the Zenith calculator, combined with a communications strategy that included in house road shows and newsletters to promote the company car scheme to colleagues.



When Zenith demonstrated the cost and duty of care compliance benefits of actively encouraging colleagues into the car scheme, it was clear that both the business and our colleagues would benefit. It was important to highlight the advantages to colleagues. Many of them had not considered additional costs, particularly from driving an older car such as fuel costs and higher maintenance costs. They do not have to worry about unbudgeted costs arising or from market or other increases in insurance. We have been able to improve the value of the benefit to our colleagues, by increasing the allowance for each grade to provide them with higher specification cars. This has been all because of the savings we have made from a reduction in cash takers. It has also been a great way for us to improve employee safety whilst on the road and assist with duty of care compliance.

Mike Hazelgrave
Reward Manager at Asda



Zenith is always looking for ways to improve the service we can offer to customers and their colleagues to reduce costs. The work we have done with Asda to illustrate the benefits of entering the car scheme has meant that they are able to offer an improved value benefit, which colleagues are opting back into at a substantial rate. It has been a win-win for Asda and their colleagues. We look forward to continuing to work together, to give Asda the support they require to ensure both the colleagues and the company continue to reap the benefits of the scheme.

Ian Hughes
Commercial Director at Zenith



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