

Cost Savings Success

Renting vs. Mileage Reimbursement

An analysis of how Enterprise® helped Company A save money on its corporate travel policy.

Summary

Enterprise's free mileage reimbursement analysis helped its client, Company A, realize significant savings by putting travelers into rental cars instead of paying for mileage reimbursement.

Identifying cost savings opportunities

After identifying a need at Company A to increase cost savings in their travel department (specific to rental cars) resulting in year-over-year savings, we did an analysis of their mileage reimbursement policy.

Using rental as an alternative to costly mileage reimbursement spend

Company A was spending a large amount of money for employees to drive their own car for business use. Their annual mileage expense was three times larger than their annual rental car expense. We identified over \$22 million dollars (42 million miles) in mileage reimbursement, and set out to find a way to reduce that number through renting cars.

The breakeven solution

At a certain number of miles driven per day, it becomes the same price to rent a car as it is to pay out mileage reimbursement. As the miles driven increase over the breakeven mileage, so do the savings.

For Company A, we found that their breakeven point was 90 miles per day. Any individual that was driving over 90 miles a day would save the company money by renting a car.

Input Variables	
Total miles to be traveled	90
Total days in trip	1
Car rental daily price	\$35.00
Sales tax	18.00%
Cost of fuel per gallon	\$2.20
Mileage reimbursement rate	\$0.54
Rental car fuel economy (MPG)	32

Calculated Benefits	
Own Car Cost	
Total Reimbursement expense	\$48.60
Rental Car Cost	
Rental	\$35.00
Sales tax	\$6.30
Refueling	\$6.19
Total	\$47.49

Savings amount	\$1.11
Savings percentage	2.29%

Input Variables	
Total miles to be traveled	150
Total days in trip	1
Car rental daily price	\$35.00
Sales tax	18.00%
Cost of fuel per gallon	\$2.20
Mileage reimbursement rate	\$0.54
Rental car fuel economy (MPG)	32

Calculated Benefits	
Own Car Cost	
Total Reimbursement expense	\$81.00
Rental Car Cost	
Rental	\$35.00
Sales tax	\$6.30
Refueling	\$10.31
Total	\$51.61

Savings amount	\$29.39
Savings percentage	36.28%

Once the breakeven was identified, Company A sent out a policy directing employees to rent cars if their trip was over 90 miles in one day. Employees were asked to follow the below chart:

Trip Length	Mileage	Recommendation
1 day trip	Over 90 miles	reserve rental car
2 day trip	Over 180 miles	reserve rental car
3 day trip	Over 270 miles	reserve rental car
4 day trip	Over 360 miles	reserve rental car

Actual cost savings and benefits

Over the course of 5 years, Company A has moved 25% of their mileage reimbursement over to rental, averaging a 32% reduction in their overall mileage reimbursement expense. This equates to over \$4 million in savings. Company A still has 75% of their mileage reimbursement available to transition to rental cars. This ensures year over year savings opportunities.

Their new policy also provides employees with additional perks, such as:

- Another viable option for their business travel needs
- New model vehicles
- No wear and tear on personal vehicles
- Insurance included in rental program
- Reward credits through Emerald Club®

Going forward

Savings numbers are reported back to Company A on a monthly basis. We monitor each traveler to see how much they spent on their rental car, and compare it to what they would have been paid in mileage reimbursement for the same trip. We then summarize to show a true savings percent and dollar amount. If Company A is not meeting their anticipated savings percent, they can identify which employees are not following policy and address.

Monthly Review	
Rental Mileage	1,283,839
Rental Charges	\$387,968.00
Average price of gas	\$2.21
IRS rate	\$0.54
Gas charges	\$88,665.13
Optional reimbursement expense	\$693,273.06
Total month rental charges	\$476,633.13
Savings by renting	\$216,639.93
Savings percentage	31.25%