LEVELING
THE PLAYING FIELD

RECRUIT TOP TALENT WITH A BETTER MILEAGE REIMBURSEMENT PROGRAM

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INDIVIDUALIZED REIMBURSEMENT AND HIRING

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A Fixed and Variable Rate Reimbursement (FAVR) program can help even small or start-up pharma and medical device companies attract and retain the best salespeople.

In any industry, hiring the right candidates can be, at best, a challenge, and at worst, a risk finding a stellar salesperson can be like hunting down a unicorn.

Of course, the challenges don't end after the hiring process; once you get that top talent in the door, you have to keep them there. Hiring someone who leaves within a short time isn't just an inconvenience; it takes a serious toll on a company.

A Stanton Chase report cited by PwC claimed that a company's success in pharma relies on its ability to react quickly to all changes. This includes responding the right way to someone quitting. The wrong response could have negative consequences on the future of its business. The cost of replacing a single employee can be as much as 50 to 150 percent of that position's annual salary, including costs associated with recruiting and training a replacement, benefits paid to the departing employee, time losses to the hiring and training team members, and of course, productivity. And if that star employee goes to a competitor, the loss is even greater.

This means pharma and medical device companies need to do all they can to attract and retain top sales talent – but that can be difficult for smaller or start-up organizations, who might not have the initial capital to outpay their larger competitors' base salaries or bonus offerings.

But money isn't the only way a company can provide good benefits. One of the easiest ways to offer a solid benefit – without breaking the bank – is through a good mileage reimbursement program.

COMPANY FLEETS AREN'T CUTTING IT ANYMORE

For both big pharma companies and pharma startups, having high performers on the sales team is a key step on the road to success. But this also means every company is courting the top dogs, and it's important to be able to stand out from the crowd.

Pharma and medical device companies are some of the few organizations that still offer company cars as an employee perk – and while on the surface this seems like something that might attract people to a business, it can have the opposite effect.

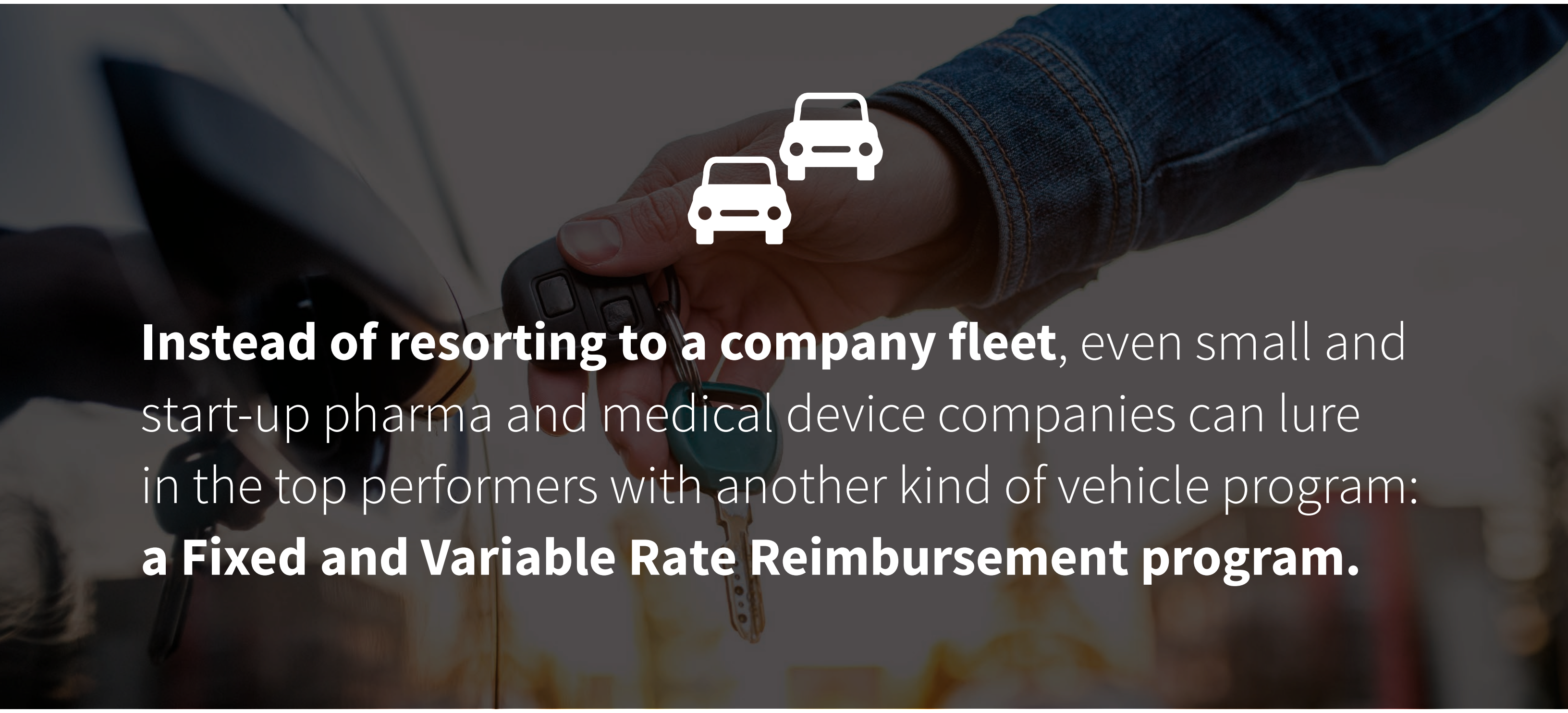
Studies show that millennials aren't as hot on having a company car as previous generations; one reason could be that millennials value individualism and like to customize everything they purchase, from burrito bowls to their next set of wheels.

But it's not just millennials who want to customize their cars. With so many extra features available in an automobile these days, everyone likes the ability to choose their preferred make, as well as options, color, fuel efficiency, safety features and even size. Offering a hotshot sales person a reliable, fuel-efficient American four-door from your fleet might sound like a good deal, until you learn he or she has a taste for German-engineered luxury sedans and won't even consider driving a car without Bavarian heritage.

A company fleet program isn't just less attractive to potential employees; it's also not ideal for the company itself. While there are some pros, such as being able to assign a vehicle that meshes with the company's image, there are also some cons.

With a fleet, organizations are exposed to risk 24/7. This means additional liability and expenses. Accidents can happen at any time, on any day. An employee might be involved in a minor fender-bender on their way to soccer practice on a Saturday but wait until Monday morning to report it. Since the business is responsible for all accidents that occur during business hours, the company would have to pay for the repairs. Additionally, if a manufacturer issues a recall, it's entirely on the company to handle the repairs or replacements. And it can be tough to manage a fleet program for a mobile sales team that might be constantly fluctuating. A company may think it needs a salesforce of 150 to sell a certain new drug or device, but after a year, realizes 75 people can get the same results, leaving it stuck with dozens of extra cars that are depreciating by the minute and taking up space.

Smaller or start-up companies may not even have the means to implement any kind of fleet program, as that involves shelling out a massive amount of money upfront for vehicle purchases – even before the extra liability expenses that are par for the course with a fleet.



Instead of resorting to a company fleet, even small and start-up pharma and medical device companies can lure in the top performers with another kind of vehicle program: **a Fixed and Variable Rate Reimbursement program.**

WHY EMPLOYEES LIKE FAVR

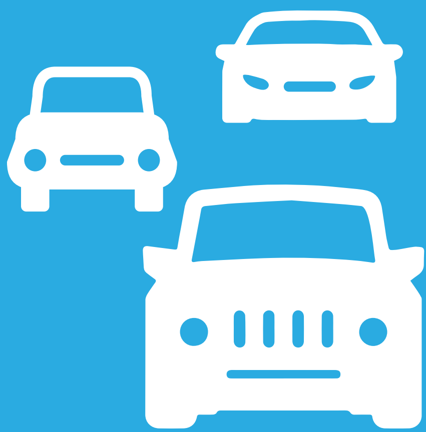
Especially for pharma companies with employees dispersed across different regions driving 5,000 or more miles per year, FAVR programs offer some of the fairest, most accurate and defensible vehicle payments. The program is widely considered a "best of breed" program that blends the fixed costs of operating a vehicle with geographically specific variable expenses (such as fuel) to produce highly accurate reimbursements.

FAVR programs are the most fair and targeted option for organizations, regardless of company size. Companies start by choosing a vehicle model (s) and setting insurance requirements that fit their organization's objectives. And FAVR isn't limited to a direct make-and-model match of the vehicle selected, giving both employers and employees additional flexibility over vehicle choice.

FAVR has a number of benefits that will appeal to prospective employees (and help you keep the ones you have). Employees receive a fair and accurate mileage reimbursement rate that covers:

insurance **taxes** **depreciation** **registration**

Which allows a company to pay an employee more net dollars than a company with a fleet program.



FAVR is a good way for employees to buy **as much or as little car** that fits their lifestyle or their budget.

This also reduces the employees' tax burden. In contrast to flat allowances, FAVR is a tax-advantaged program, ensuring employees are reimbursed for business mileage tax-free, making FAVR especially attractive to employees. Employees are also granted a variable cents-per-mile (CPM) reimbursement scaled to the price of gas locally, which accounts for the cost of fuel, maintenance, oil, tires and other incidental expenses.

Employees like these programs because they can drive their car and get paid to do it, or buy a new car and get it free, or for much less money than a standard car payment plus insurance (depending how much a company chooses to reimburse and what kind of car the employee chooses). The employee even has the opportunity to keep any money in a given month that he or she doesn't put toward fuel, a car payment or insurance; the FAVR reimbursement is theirs whether they use it all or not.

With the flexibility to use any vehicle aligned with company policy, employees have the freedom to make their own choice of vehicle with a predictable amount of capital. FAVR is a good way for employees to buy as much or as little car that fits their lifestyle or their budget – meaning it can work equally well for the millennial who wants something small and sporty, the mom of six who wants an SUV, or the regional sales/ business director who prefers a luxury sedan.

Reimbursements are fairer than under an allowance, too. Organizations with a large geographic footprint particularly reap the benefits of FAVR, since universal mileage reimbursements (whether through an allowance or CPM) tend to exacerbate cost of living differences, but FAVR offers more precise reimbursement in general, whether someone is driving to another time zone or just to another city.

FAVR: NOT JUST GOOD FOR EMPLOYEES

FAVR isn't just a benefit for employees; it's good for companies, too.

FAVR avoids the capital drain associated with fleet programs, freeing organizations from buying and maintaining company vehicles, and lessening the risk of over- or under-reimbursing an employee. This offers the same benefits as an allowance plan, but at a 30 to 40 percent lower expense ratio; many businesses can save $2,000 to $3,000 per mobile employee.

Additionally, companies benefit from the same reduced tax burden as their employees because of the tax-free reimbursement, giving a company the opportunity to do more with less. In an allowance program, if the company decides to allocate a specific amount to an employee, that amount is taxed, so the employee only receives a percentage. With FAVR, when a company chooses to allocate a specific amount to each employee, each employee receives that exact amount. A company can maximize how much they put toward the program and still save, using its capital in the most effective way, while the employee gets the full company-intended benefit.

FAVR offers the **same benefits** as an allowance plan, but at a **30 to 40% lower expense ratio.**

FAVR doesn't just help to maximize capital; it also helps maximize personnel. Having a company fleet program means having one or more staff members to run it, adding to overall costs in both dollars and time. For a startup or smaller company, this may mean having someone run the program in addition to their normal responsibilities, which makes for unhappy, less productive employees.

Because FAVR is an IRS-approved program and not a new idea, it's easily outsourced to those who know the ins and outs of FAVR compliance and reimbursement, allowing the pharma or medical device company to spend more time on commercialization. Both big companies and startups that are considering FAVR should consult a mileage reimbursement solution provider to develop a program that meets their requirements and strategic objectives.

Mileage reimbursement partners can provide the best local, industry and market data to help set the most effective Fixed and Variable Rate Reimbursements for an organization. Given the constantly changing nature of regional costs, **a dedicated partner can help keep variable rates accurate from month to month.**

A mileage reimbursement program isn't the only way a pharma or medical device company can reel in the top salespeople – it's just one facet of the suite of benefits an organization can offer. But fair, equitable reimbursement for a car the employee can actually choose is a good way to stand out from the crowd in a tight labor market, where the job seekers call the shots and where getting the best people to even consider your company is a victory on its own.

A FAVR mileage reimbursement program offers plenty of benefits that employees will like, and it's good for the company, too – unusual in an era where win-win situations for employer and employee are increasingly rare. And even for small and start-up companies, a FAVR program's fair and equitable rate and reimbursement policies help an organization level the playing field, giving all companies the chance to compete for the best and brightest sales talent in the industry.

About Motus

For companies with mobile workers that drive more than 5,000 business miles per year, Motus is the premier vehicle management and reimbursement platform. Through its sophisticated configuration engine that incorporates real-time data across hundreds of variables, Motus drives significant reductions in cost, ensures compliance, and reimburses employees exactly what they deserve. For more information about the company, please visit www.motus.com or connect with us on Twitter, Facebook, or LinkedIn.

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