The Business Case for Providing a Company Car and the Marketing Value of Wrapped Vehicles

Alan A. Ayers, MBA, MAcc
Board of Directors and Content Advisor, Urgent Care Association of America
Associate Editor, *Journal of Urgent Care Medicine*
Vice President, Concentra Urgent Care

In the urgent care business, there is never going to be a shortage of potential customers. After all, there will be constantly someone, somewhere in your community who becomes sick or injured. As an urgent care operator, one of your job responsibilities is to invest in the mix of marketing tactics that optimizes your center's patient volume. A solid marketing plan is crucial to the long-term success of your practice and one often-overlooked form of advertising is the use of wrapped company vehicles. Vehicle wraps, as illustrated, can be a cost-effective way to increase the brand recognition and awareness of your center in the community and given the tax benefits of providing a company car, a wrapped vehicle may be cheaper than you think.

Illustration 1.0: Wrapped mini-van used to transport patients to Concentra Urgent Care, Los Angeles.

Vehicle Wrapping Process

Assuming you already have a car that's appropriate for wrapping (your chosen vendor can help you make that determination), the process of having that vehicle wrapped is significantly less complicated than you might think:

- **Designing the Wrap** – Once you have decided on a car wrapping company—which can typically be found online, by referral from local businesses with their own wrapped cars, or through your Chamber of Commerce—the first step is to meet with their graphic designers. They will collaborate with you to develop a design that fully and accurately represents your urgent care center. Just like traditional advertising, your center's name, location and basic services should be prominently displayed on the vehicle's exterior. Their goal is to maximize the return on your marketing dollars by designing a wrap which will not only increase awareness of your location, but also "educate" consumers as to why they would use you—both of which contribute to "top of mind" awareness of potential patients.

- P**rinting the Design –** Once you have given feedback to the designers and have decided on a final design, the wrap is sent for printing. This is done on special sheets of vinyl which are then laminated to protect against damage. These large, professional vinyl printers are able to produce high quality, eye-catching graphics that won't fade or bleed.

- **Installing the Wrap to the Vehicle –** Once printed, your car wrapping company will professionally apply the wrap to your vehicle. Think of the process a lot like tint being installed on a window, but much more intricate. Using heat and adhesive, the sheets of vinyl are evenly applied to your vehicle to produce a seamless graphic. The quality of top professional wraps are so good, that many times people mistake them for custom paint work. These car wrappings generally last a long time, with some even outlasting the vehicles themselves. Many wrap vendors offer a 5-year warranty.

The Costs of Having a Vehicle Wrapped

One of the most important factors in making any marketing decision is the cost. For a vehicle wrap, the cost will depend on a number of factors including the surface and shape of your vehicle, as well as the intricacy of the graphic design. On average though, it costs $250 to $350 to design the wrap, which can be slightly more for intricate designs. Design fees normally include multiple concepts and revisions. Once designed, printing and installation costs can range from $1,200 to $2,000 for partial installations to full coverage costing $2,200 to $2,700. Overall, plan on a vehicle wrap costing from $1,450 to around $3,050.

Return on Investment in a Wrapped Vehicle

After looking at the potential costs of having a vehicle wrapped, it's important to focus on how that expenditure can improve community awareness of your center and bring new patients in the door. Because of the long life of these wraps, this investment should be looked at as a long-term form of advertising. Using the length of the common five-year warranty (although most wraps often last much longer) and a total cost of $3,000, your advertising cost amounts to only about $50 per month over the life of the wrap. Consider the following benefits of a wrapped vehicle:

- **Vehicle Wraps Are an Effective Form of Outdoor Advertising**

  One advantage that car wraps have over other types of outdoor advertising (like billboards or transit ads) is that they're completely mobile and not limited to a specific location or route. Using wrapped vehicles for your day-to-day operations will cover a wider area of your market than a stationary billboard or fixed-route bus or train ad. In addition, many businesses strategically place their vehicles where exposure will be maximized and they change locations throughout the day to take advantage of traffic patterns.

  If you have a facility that's difficult to see from the street, parking your wrapped vehicle near passing traffic provides instant "signage" in situations where a city may not allow a permanent monument or building sign. The vehicle can also be used in community events including parades and festivals. Imagine the thousands of people exposed to your brand by say, parking your wrapped vehicle outside the crowded high school football stadium on a September Friday night. Contrasted to the effort and permission required to distribute fliers in a public venue, the opportunity provided by this flexibility gives you control over your facility's public exposure.

- **Vehicle Wraps Have a Low Cost-Per-Impression Rate**

  The value of traditional advertising media is measured by "gross impressions"—how many people see the advertising during its run period. Because they're a fixed investment that's exposed to moving traffic, vehicle wraps have one of the lowest cost-per-impression rates of any outdoor advertising.

  It's estimated that one vehicle wrap can garner as many as 70,000 views in a single day in high-traffic areas. That is up to two million impressions per month, all for around $50. This amounts to just a couple of cents per thousand views. Compare this to billboards which can cost $1,000 to $5,000 per month and often are seen by fewer people. To see a billboard, a driver must glance away from traffic to the side of the road, whereas the wrapped vehicle will be in front of him. Even if just a small percentage of the people exposed to your marketing campaign turned into patients, you would recoup your investment in no time at all.

Illustration 2: HealthcareExpress Urgent Care's Wrapped Vehicle, Texarkana, Texas.

- **Providing a Company Car Can Be Cheaper Than Employee Mileage Reimbursements**
  Another way in which a wrapped vehicle could increase its value to your center is by reducing employee mileage reimbursements. Table 3 provides an overview of the various options allowed for company travel including employee personal use of his/her own vehicle, a paid company car, and a company car allowance. If you are not currently providing company vehicles to your drivers and must reimburse employees for on-the-job driving, the incremental cost of providing a wrapped vehicle may not be that much higher and there may be tax benefits.

  By examining reimbursements paid out each month to high-mileage employees—such as your operations manager or community relations/grassroots marketing representative—many urgent care centers find that they can actually save money in some circumstances by providing a wrapped company vehicle. Not only are those employers reducing their monthly expenses, but they are also significantly increasing their market exposure at the same time. While the cost of providing a vehicle is going to vary for each center, many times examining your monthly reimbursement expenses compared to the cost of acquiring and providing a wrapped vehicle will surprise you.

Table 3: Comparison of Vehicle Options for Company Business

	Option 1: Employee Drives His/Her Own Personal Vehicle	**Option 2: Company Provides Employee With a Company Car**	**Option 3: Company Provides a Car Allowance**
Vehicle Costs	Car is purchased, financed or leased by the employee.	Car is purchased, financed or leased by the company.	Car is financed or leased by the employee but the company car allowance contributes towards the payment.
Tax Implications	If accountable plan (A), then employer reimburses employee for submitted expenses. In non-accountable plan, employer includes reimbursable expenses as income in Box 1 of W2 and employee fills out Form 2106 to deduct on taxes. If employer doesn't reimburse at all, then employee may deduct expenses greater than 2% of income.	This is an accountable plan known as a "fringe benefit." Employer may include 100% of car value or 100% of the personal use as income on W2 in Boxes 1 and 14. Employer may choose whether to withhold income taxes on the value of the benefit. Employee must then fill out Form 2106 for deductions.	Flat rate is provided to employee and amount is added as W2 income to wages. Employer may choose whether to withhold income taxes on the allowance. Employee may use Form 2106 to deduct work related expenses.

Tax Benefits	Company may deduct expenses reimbursed to employee. Depending on situation listed in tax implications, employee may deduct certain expenses (B) generally greater than 2% of the employee's income, per IRS Publications 17 and 529.	Company can deduct all business use costs and expenses (i.e. toll fees, oil changes, repairs). No tax benefit to the employee.	Company may deduct car allowance; no real tax benefit to employee.
Mileage and Expense Reimbursement	IRS Guideline: R-2012-95, Nov. 21, 2012; 56.5 cents per mile for 2013. Employee taking deductions may choose standard mileage rate or actual expenses detailed below.	Not applicable; although employee may have to track personal use depending on how employer chooses to report as income (i.e. car value or personal use amount).	Company may choose what the car allowance covers so it may or may not include mileage reimbursement. Usually it is used to defray costs of an employee using his own vehicle.
Depreciation	Depends – if accountable plan then typically no deduction allowed. If reimbursement doesn't cover all costs or if a non-accountable plan or not reimbursed by employer then a small amount of depreciation may be taken by employee but good records must be kept.	Yes – tax deductible for the company.	A small amount may be taken by employee but good records must be kept.
Insurance	Employee pays for his own insurance but if accident happens during a work event the employer is responsible for all damages.	Company provides policy and is exposed in terms of liability 24 hours a day. Difficulty in company proving company use vs. employee use. Company could also be liable for other drivers (i.e. family members) using the vehicle during personal use time.	Employee pays for his own insurance but if accident happens during a work event the employer may be responsible for all damages.
Fuel	Employee pays – included in the per mile reimbursement. If non-accountable or unreimbursed situation then may be deducted on taxes.	Company typically pays for work related fuel or has a fuel plan for employee.	Company may choose what a car allowance covers so it may or may not include cost of fuel used for business. Usually it is used to defray costs of an employee using their vehicle.
Repairs	Covered by employee – already calculated in to the mile reimbursement rate. If non-accountable or unreimbursed situation then may be deducted on taxes.	Company pays for all repairs and most maintenance items.	Typically covered by the employee
Tolls	Typically reimbursed by employer – not included in the federal mileage reimbursement rate. Otherwise would be tax deductible to employee as a business expense.	Depending on policy may or may not be reimbursed by employer as a separate item.	Typically reimbursed by employer – not included in the federal mileage reimbursement rate. Otherwise would be tax deductible to employee as a business expense.
Marketing Benefits	None	Vehicle may be wrapped with advertising/branding as a marketing tactic.	Employer could incentivize or pay higher car allowance if employee were to wrap vehicle to use as a marketing tool.

Employee Benefit	Employee can choose vehicle and owns it; may make money on mileage reimbursement.	Employee may or may not be allowed to choose vehicle. Car can be used for personal use. Most expenses related to vehicle are covered by employer.	Employee can choose vehicle and owns it. Cost of vehicle and some operating expenses are partially paid by employer through the allowance. Each car allowance plan is different depending on employer so benefit will vary.
Detractors	Federal reimbursement rate may not cover actual cost of expenses.	Issue with personal use.	May be issue with personal use or type of vehicle used for business purpose (i.e. if job requires driving multiple people in car but employee has 2-seat sports car then not in interest of employer).

(A) Per IRS Publication 463, the three criteria for an “accountable plan” in which the employer does not have to report business expense reimbursement on the Employee’s W2 are:

1. Business connection — the employee must have paid or incurred deductible expenses while performing services as an employee of the employer.
2. The employee must adequately account to the employer for these expenses within a reasonable period of time (typically within 60 days).
3. The employee must return any excess reimbursement or allowance within a reasonable period of time (typically within 120 days).

(B) Per IRS Publication 17, an employee who does not choose the standard mileage rate may deduct expenses that include depreciation, .licenses, gas, oil, tolls, lease payments, insurance, garage rent, parking fees, registration fees, repairs and tires.

Conclusion

Attracting patients to an urgent care center is very similar to raising awareness of any other service business. The most important thing for any enterprise to succeed, including your urgent care center, is to make sure that your brand is in the forefront of your potential customer’s minds when the need arises for your services. After all, any business without a solid customer base will ultimately fail, and wrapped vehicles provide a unique and affordable way to drastically increase the public awareness of your center.

Note: This article is intended to be used as a reference illustrating the advantages and disadvantages of providing a company vehicle and is not to be construed as tax advice. UCAOA recommends engaging the services of a qualified accountant or tax attorney before acting.