

Whitepaper



Cost effective fleet management

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Introduction

Cost effective fleet management may seem like a simple enough concept, but without the right approach it can be complex to implement. Fragmented data and lack of consistent, reliable stats can make it even harder to achieve the level of control needed to run a truly cost-efficient fleet.

Understanding your goals and aligning them to a well-thought-out action plan will help you focus on gathering the exact information you need to measure your progress. With the right tools, metrics and data, you can increase the productivity of your fleet against your company's bottom line – and what's more you can prove it.

ONE - Know your fleet's primary costs.

Controlling your costs starts with knowing their source. The primary cost for most fleets is depreciation, closely followed by fuel, maintenance, accidents, insurance and incidental expenses such as tolls and parking. Explore your fleet; learn what your main cost categories are. Invest more time and energy in focusing on the significant areas of expenditure first – it's highly likely that it's here that you will uncover the greatest cost saving opportunities.

Define some key indicators you would like to measure and track. You could categorise them like this:

Operating costs- unavoidable expenses that are incurred by keeping vehicles on the road and moving; fuel, maintenance, accidents and tyres and so forth.

Parked up costs- expenditure that occurs even when the vehicle is parked or unused. These can be grouped into two categories: those that you can manage, such as depreciation, interest, insurance premiums, motor vehicle records, security and management services; and those that you have little control over, such MOT and Road Tax.

Incidental charges- randomly incurred, often unfixed costs, including car washes, parking charges, tolls and miscellaneous out-of-pocket expenses.



TWO – Define the cost drivers for each key measure.

What are the factors that influence depreciation, fuel and maintenance costs? Can you control them? Find out what influences the other costs that you want to measure and minimise.

Depreciation - robust strategies that maximize the resale value have a positive effect on reducing depreciation. Consider your replacement policy; vehicle type/size, and level of equipment provided; and regional economic and market factors that may impact resale conditions.

Keep track of vehicles with heavy use, reallocate them where feasible, and be aware of seasonal changes in resale values to get the best possible return.

Fuel costs – they can be controlled through careful selection of vehicles, management of purchased fuel, and using tools to prevent fraudulent fuel purchases.

The use of driver training and technologies such as telematics can also lead to significant savings as they will help to reduce idling and excessive driving speeds, and to eliminate unauthorised vehicle use.

Maintenance costs - consider routine inspections of vehicles in the fleet to ensure that body, glass or mechanical problems are resolved quickly before they lead to significant costs for repairs or loss of productivity through downtime. Be aware of the warranty coverage and examine all repair expenses for possible recovery guarantee.

Next, compare your measurements against two (or more) benchmarks:

- 1) Your overall budget - know at all times how your actual costs are comparing to your projections.
- 2) Divisional performance – drill down to how costs compare from year to year, from business unit to business unit and even down to individual drivers. Establish if cost items are stable or fluctuating, and take the right steps at the right time to influence the numbers.



THREE - Report on key information.

Up to date, accurate information presented in an intuitive format will allow you to truly understand your costs, spot trends and ultimately exceed the expectations of your company.

It is important to find a reliable, efficient way of collating information from each department involved in either vehicle, driver or asset finance activities. Armed with your base data, the next step is to quickly and easily be able to blend and report on the results.

Spotting exceptions and identifying trends will help you to drill into excessive cost areas, and using technology as a framework will ensure nothing is hidden or overlooked.

Reports that provide KPIs will give stakeholders in the business a sound grasp on company performance, especially when looking at costs. Exception reporting can also help to detect theft, fraud or other illegal activities that may be occurring within the business.

Financial reports for the fleet should be produced regularly in order to help spot issues early and they should be available to all managers with responsibility for vehicles and/or drivers. Safe driving and cost effective, compliant vehicle management are part of the company culture and engagement from the whole organisation is crucial if you are to make positive, tangible changes.

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FOUR - Know the data sources available to you.

A great many areas of the business are connected to the fleet, and knowing where to find the optimum level of information is key to effective cost control.

Fleet related invoices are a crucial source of data; giving you vehicle mileage, information about dealer terms/discounts, and of course those all-important advisory repair guidelines. HR routines such as timesheet reporting can give crucial insights into driver working hours and effective use of time. And fuel purchasing data is of course vitally important for uncovering avoidable costs.

Consider the best way of collating and storing the data streams - a robust fleet management system is unquestionably the most efficient means of capturing the right data and enabling you to quickly spot (and resolve) areas of excessive spend.

Don't forget to factor in the less visible but ongoing costs such as insurance – consult with others within the business to uncover every conceivable expense associated with the fleet. And consider 'shopping around'...having a routine in place to periodically review and challenge your service providers can result in savings.

Finally, determine what will be the most effective method for you to capture mileage and odometer information, and implement controls to ensure that you get accurate readings. Vehicle mileage is not only a key factor in all your operating costs, but also has a direct impact on vehicle depreciation, which is arguably the most costly factor within your fleet.

For more information contact: FleetCheck