Fleet Vehicle Management - Cost-effective strategies to fulfil a company’s transportation needs

By Chris Carr

Business owners and managers have plenty of tasks and concerns occupying their minds without having to worry about how they are going to get from one location to the next. A fleet of vehicles should provide comfort, accessibility, safe transport, and the necessary features a company needs without causing undue stress or going over budget. Ultimately, a lot of work and thought goes into one aspect of the business, which is not necessarily its primary focus. When a company relies heavily on travelling to visit new clients or to provide services to existing customers, this aspect of the business is extremely important. This is where a dedicated fleet account manager—someone with the skill and expertise to handle all of the business’s transportation needs—comes in.

What to look for in a fleet account manager

When searching for a vehicle leasing company (more on why it is better to lease instead of buy a fleet later), finding the right partner is crucial. It is important to find a company with a knowledgeable team, competitive prices, and is willing to meet the business’s exact needs.

The first thing to look for is a leasing company that can provide local and dedicated management. This will offer direct access and instant communication to an expert who is committed to handling the business’s fleet requirements and is likely familiar with your industry from previous experiences with other customers. This eliminates having to worry about dealing with a new person every time there may be an issue with the fleet. Instead, a relationship can be built with a fleet account manager who will get to know and understand the business’s preferences and needs with respect to acquiring a range of vehicles suitable for a variety of tasks.

Once an account manager learns the specific needs of the business, then it becomes important for them to be able to tailor the leases to meet these needs. Therefore, it is important to look for a leasing company that offers flexible lease terms and can customize individual leases, ensuring they are satisfactory with the business’s demands (*e.g.* kilometre requirements). Open-end leases, in particular, do not have any mileage restrictions; instead, the end residual is guaranteed, which the fleet account manager can help determine, by estimating how many kilometres are expected to be driven. This eliminates the worry of going over any mileage limits.

Ideally, a fleet account manager should also provide unbiased expert advice. An independent leasing company will have no ties to any one dealer or manufacturer, which, means they will not push toward one particular make or model—especially if there is one to be avoided. This way, a fleet account manager can offer genuine, honest advice based on his/her knowledge and professional experience. Further, he/she will make sure access is provided to a variety of vehicles that are required to assemble the fleet.

Finally, when building a fleet, business owners should also ask if there are any association rebates and/or discounts available to them. For example, businesses that are a member of the ORCGA may qualify for a rebate/discount, which can help save on fleet costs.

Benefits of leasing

By understanding what to look for from a leasing company and what to expect from a fleet account manager, it is also important to know the difference between leasing and financing a vehicle.

Leasing is an alternative to the traditional method of financing. Instead, leasing allows one to use a vehicle over a specified period at a lower cost every month. In fact, commercial leases can be a great way to offset business costs, as they grant automatic access to an extensive network of fleet-focused dealers.

A good leasing company should be able to offer the lowest fleet pricing and manufacturer programs available, while substantially improving the business's cash flow. Commercial leases should be open-ended and tailored to suit each company's unique needs.

Leases are about expected usage. Essentially, a business pays for what the anticipated use of the vehicle will be over a set time. Lease terms can range anywhere from a few months to five years. If fleet vehicles are being exchanged every four years, a business only pays for the 48-month term. As a result, lease payments can be much lower than a monthly loan payment, which, in turn, may provide businesses access to more expensive vehicles with better features.

The main motivation for many companies that choose financing is they want to own their fleet vehicles rather than rent it; however, it is important to remember, the finance company that holds the lien actually owns each vehicle until they are paid off.

Further, with a loan, equity builds over the course of the finance term; there is no equity at the end of a lease. That said, even though a financed vehicle is considered an asset, its value depreciates. Essentially, over the course of the financing term, the amount of money spent to own a vehicle would exceed its actual value. In general, a business should buy what appreciates, and rent or lease what depreciates.

The biggest benefit of leasing—through the right company—is having access to a dedicated and experienced fleet account manager who will provide all of the assistance discussed above. He/she can also offer fully equipped, work-ready vehicles, and provide access to warranty assistance with relevant dealers. An expert can help with vehicle cycling recommendations, whereby suggesting when the optimal time is to replace a vehicle in the fleet—even if it is before the end of the term.

Cost-effective fleet management

With so many enticing options and features on the market, it is easy for a fleet to get out of hand and become too expensive. Identifying areas where money can be saved to improve a business's bottom line is important. Generally, a fleet account manager can help assemble a fleet that is as cost-effective and efficient as possible. That said, certain steps should be taken within a company to refine its fleet of vehicles to be able to cut back on costs.

The first thing is trying to reduce the number of kilometres travelled. While this is not something that can be controlled easily—after all, the client's location cannot be changed and it can be hard to govern where employees drive—it is important to consider. Trips with a fleet vehicle that are unnecessary or outside of business purposes can become costly.

There is technology available, which can help a business lower these costs. For example, GPS and telematics devices can calculate the shortest possible routes to a location, in addition to discouraging drivers from taking extra trips. According to *Fleet Financials*, even mentioning the fact that a company will be keeping track of mileage and driving habits can lead to better behaviour behind the wheel. It may not be the biggest way to save some money, but it does add up.

Another thing that adds up—which everyone complains about—is the cost of gas. In this regard, some leasing companies offer fuel programs, which provide an easy way for businesses to monitor their fleet's fuel consumption, find inefficiencies and save some money as a result. A typical fuel program, such as Shell's Fleet Navigator, allows a company to track data accurately about its drivers' habits and fleet's fuel consumption. Activity on each fuel card can be analyzed, limits can be set (if necessary), odometer reports can be accessed, and fuel usage can be managed. Each card has technology to prevent fraud, and the program provides advice on different ways a business can cut back on inefficiencies.

Another money-saving tip is to encourage fuel-efficient driving. The following tips should be shared with employees who operate vehicles within the fleet:

- Avoid speeding, as fast driving is risky and leads to greater fuel consumption;
- Keep tires at the right pressure, which is not only safer, but also increases fuel consumption;
- Minimize the use of air conditioning; and
- Remove any clutter and unnecessary heavy items from vehicles.

However, for this to work, communication is important, so businesses should devise a plan as to the best way to distribute this information amongst employees.

Knowing when to let go

While frequent vehicle replacement can be an unnecessary cost, keeping them for as long as possible can also get expensive. Hanging on to a vehicle that is past its prime economic life will lead to costly maintenance and increased fuel costs. A knowledgeable fleet account manager knows how to pinpoint the most advantageous time to replace a fleet vehicle and reduce its lifecycle cost. That said, a leasing company could help a business set an appropriate timeline for swapping vehicles in the fleet.

Although performing regular maintenance seems time consuming and costly, keeping to a consistent maintenance schedule can also save money in the long-term. Habitually checking the oil, tires, and batteries of every vehicle in the fleet can limit the risks of an incident occurring on the road. For example, oil changes ensure engines work efficiently, and changing to cold-weather windshield washer fluid in the winter will prevent freezing. Regular checks will keep drivers safer, optimize the lifespan of vehicles, and can potentially help to avoid expensive repairs.

Finally, businesses should use all of the data and analytics available to them. When employing GPS, telematics, or any other service that analyzes information and data about the fleet, act on it. There is no point in paying for a technology or service, collecting piles of data, and doing nothing with it. It is already available; therefore, it should be used to identify key inefficiencies rather than let it go to waste. The best way to save money is to change habits and behaviours within the business, and fleet management is an integral component of this.

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