Holman

Driving What's Right

The impact of optimising total cost of ownership through data driven insight and in-life management

INTRODUCTION

Controlling the total cost of ownership (TCO) of a vehicle is a goal shared among all companies that maintain a fleet. However, it can be hard if you do not have complete transparency and insight into all the factors driving your costs up.

Although there are efficiencies and savings to be found throughout the entire life cycle of a vehicle; the key is to identify these quickly and leverage best practices to ensure you are capitalising on the opportunity and getting the optimum return on your investment.

OPTIMISING TCO

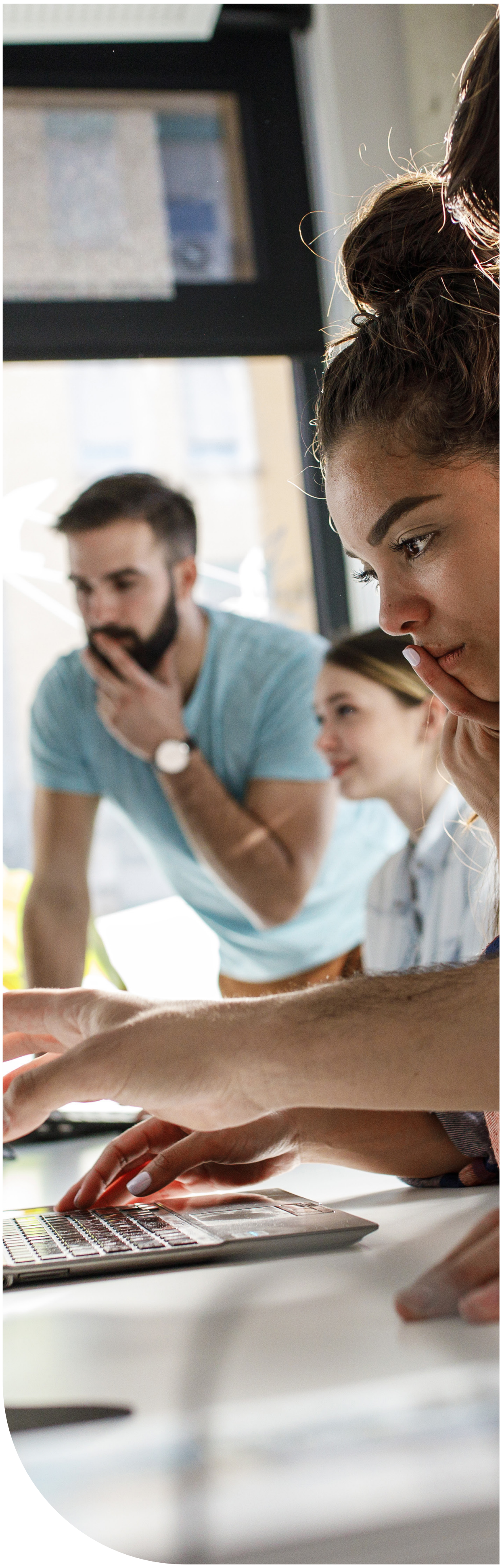
TO CREATE TOTAL VALUE OF OWNERSHIP

Every day, fleet professionals are tasked with managing a vehicle's total cost of ownership (TCO). As a significant expense to any business, it is seen as a high priority and in a prime location to drive efficiencies and reduce costs.

There are numerous touch points in a vehicle's life cycle including vehicle selection, funding options and in-life services such as maintenance, accidents, compliance, tyre and glass and driver management.

With your time already at a premium, how can you tightly manage TCO while looking at what direction your fleet needs to take in the future?

This white paper will assist you in controlling TCO in each area of a vehicle's life cycle and explain how, by utilising the data it creates, you will gain valuable insight to maximise your return on investment and help shape the decisions you make in the future.



MAXIMISING TCO FROM THE START

A STRATEGIC APPROACH TO VEHICLE SELECTION

Getting the most from your fleet begins from the moment you decide to acquire a vehicle. According to a recent study by Sewells, 27 brands appear on company car choice lists, and with the addition of van options, it is easy to see the importance of reviewing your vehicle selection carefully.

When selecting vehicles for the fleet you must outline your priorities and agree what factors should be considered.

- Are fuel economy and low emissions important?
- Is safety a key driver?
- Do you prioritise reliability and payload?
- How many driver conveniences and interior features are required?
- Is a company vehicle even necessary?

By answering these questions it allows you to choose one that fits the company's requirements. However, it is essential to find a vehicle that is comfortable and suitable for the driver while still being fit for purpose, correct for the company image and the bottom line. In some cases, it may be advantageous to involve the driver during the selection process to support your overall TCO goals and give you better visibility into what attracts your staff to the company. Also, with the ever-changing landscape of taxation, the importance of Benefit in Kind (BIK) to employees as well as the added expense of tolls and other charges should be considered.

Getting the most from your vehicles **starts with a thorough selection process**

You must select the correct vehicle type, with the right specifications and upfitting so you can meet the needs of your customers efficiently.

Understanding the real requirement for the vehicle will conclude whether it is needed at all. Could a broader travel policy include restrictions to enable you to run your fleet with fewer vehicles, but guarantee the ones you have are right for the job and maximising their return on investment?

When making a selection, it is important you take all of these factors into consideration, as choosing the wrong vehicle can result in unnecessary cost implications further down the line.

With such a varied choice of vehicles available, it is crucial you conduct appropriate research, utilise third-party expertise, and involve a wider audience to safeguard the business and ensure vehicle selection will serve the company for the long-term.

By looking beyond the purchase price and defining TCO more broadly, according to your business needs and a vehicle's full life cycle, you can strategically leverage the value of that investment from the very beginning.

EVALUATING FINANCE OPTIONS

AND PROPERLY LEVERAGING YOUR CAPITAL

Once you have a vehicle that meets the needs of your business, deciding how to finance it brings an additional set of important questions. The marketplace has numerous solutions such as outright purchase, contract hire, or finance lease, to name but a few, with each having their benefits. But how can you guarantee the benefits work at both the acquisition and disposal stage?

Firstly, you must understand the financial position of your company. Is cash flow a concern? What are the associated tax and accountancy implications of the choices you make? Are there any legislative changes that may affect your decision today or in the future? Aligning yourself with experts within your company and, where appropriate, utilising specialist fleet management providers will enable you to gain the best solution for each vehicle type.

However, to understand the actual financial impact to your business, you must have access to every component so by having sight of the cost of funds, profit margins and residual values, it will allow you to gain actionable insight and help aid effective TCO management.

	OUTRIGHT PURCHASE	FINANCE LEASE	CONTRACT PURCHASE	CONTRACT HIRE
Accounting	• Customer's Risk & Reward • ON balance sheet	• Customer's Risk & Reward • ON balance sheet	• Risk or Non Risk • ON balance sheet	• Lease Co's Risk & Reward • ON balance sheet
VAT on Capital (cars)	• 0% VAT recovery (unless exclusive business use)	• Lessor can recover VAT on purchase • Rentals attract VAT • 50% restriction to Lessee	• VAT on purchase not recoverable • Instalments do not attract VAT	• Lessor can recover VAT on purchase. • Rentals attract VAT • 50% restriction for Lessee
VAT on Capital (Vans)	• 100% VAT recovery	• 100% VAT recovery	• 100% VAT recovery	• 100% VAT recovery
VAT on services (Cars & Vans)	• 100% VAT recovery	• 100% VAT recovery	• 100% VAT recovery	• 100% VAT recovery
Tax on Cars	• Capital allowances claimed by customer • 100% p.a. if CO2 <75g/km • 18% p.a. if CO2 75 –130g/km • 8% p.a. if CO2 > 130g/km • Unclaimed tax relief is not claimed at disposal but remains in the pool	• Full tax relief on rentals • <131g/km • • 15% disallowance for >130g/km	• Capital allowances claimed • By customer • • 100% p.a. if CO2 <75g/km • • 18% p.a. if CO2 75 – 130g/km • • 8% p.a. if CO2 > 130g/km • • Unclaimed tax relief is not claimed at disposal but remains in the pool	• Full tax relief on rentals • <131g/km • 15% disallowance for >130g/km
Tax on Vans	• Capital allowances claimed by customer. • 100% p.a. for electric vans • 18% for all others • BIK for unrestricted use is £3,230 + £610 for fuel	• Full tax relief on rentals • BIK for unrestricted use is £3,230 + £610 for fuel	• Capital allowances claimed by customer. • 100% p.a. for electric vans • 18% for all others • BIK for unrestricted use is £3,230 + £610 for fuel	• Full tax relief on rentals • BIK for unrestricted use is £3,230 + £610 for fuel

MAXIMISING TCO

BE PROACTIVLEY MANAGING ALL AREAS OF EXPENSE DURING A VEHICLES LIFE.

Depending on the fleet size, vehicle types and in-house expertise available, managing a vehicle in-life can be challenging and time-consuming.

Each element can have a significant impact on your business and bottom line, which is why it is essential to utilise the expertise around you – including your business partners and third parties – to free up your time to make the strategic and actionable decisions that matter.

FACTORS TO CONSIDER WHEN MANAGING A VEHICLE IN-LIFE

- Service, Maintenance and Repair
- Compliance
- Accidents
- Drivers
- Fuel
- Tyres

GENERAL SMR

SERVICE, MAINTENANCE AND REPAIR

Controlling your maintenance spend can be difficult for a variety of reasons, including your fleet's complexity, the types of vehicles in your fleet, and their geographic location.

A recent study by Motoreasy showed that workshop labour rates can differ across the country by as much as £160 an hour, which only confirms the importance of being able to control this spend to create a consistent and competitive TCO. Standardising labour and parts costs nationwide on your own can be difficult, and dramatically increases your administration costs.

But by working with specialist suppliers, who already have a nationwide network in place, you can quickly control spend and minimise administration costs, while still retaining full control of your fleet.

It is essential to understand your fleet's servicing requirements and proactively manage maintenance. Only then can you maximise your vehicles' availability, and serve your business and your customers.

THE VALUE OF WORKING WITH A STRATEGIC PARTNER FOR SMR

- Lowered costs from controlled authorisations & proactive warranty recovery
- Pricing transparency & standardised rates
- Access to a national network of garages
- Lower administrative costs
- Increased efficiency & uptime due to centralised booking of maintenance
- Ability to benchmark against similar fleets
- Access to consolidated data & predictive analytics on trends

= LOWERED TCO

It is a fact that vehicles will always need routine maintenance, but it is vital to minimise the impact where possible via things such as workshop collection and delivery, use of a courtesy car, or extended working hours. Also, consider implementing a planned maintenance regime that drives down unexpected off-road events, especially for vehicles doing high mileages or carrying heavy loads.

In today's unstoppable business climate, it is essential you work with partners to find flexible solutions that maximise your vehicle availability and match the needs of your fleet's complexity. Whether you have a centralised fleet department or each business area manages their own, you must have a clear set of objectives to maximise your efficiency and lower your costs.

VEHICLE COMPLIANCE

For all vehicles, legal compliance will play a large part in the management of TCO, from MOT's all the way to O' Licence requirements.

For passenger vehicles, this may be as simple as getting MOT's completed on time and getting them taxed and road legal. For LCVs and HGVs, this becomes more complex. When are regular inspections due, what checks do the additional equipment attached to the vehicle need and what are the legal responsibilities of the driver?

A robust system can be put in place to manage compliance and ensure nothing slips through the cracks by using the three pillars of compliance – as defined by the DVSA:

1. Preventative maintenance for the life of the vehicle
2. Documented evidence
3. Daily defect reporting

By establishing a vehicle compliance system, you will have a complete understanding of the requirements and can proactively manage all aspects of it. It will also reduce unrequired downtime events through regular maintenance and control.

The final step is having a management information system to store all vehicle details including required documents electronically. This will guarantee efficiencies and ultimately support you in controlling TCO.

By investing the time via in-house resource or utilising specialist suppliers, you will have a robust programme that will assist you in ensuring your drivers and fleet are safe on the road and compliant with all relevant legislation.

Your vehicle represents your company, and one in a state of disrepair can have a negative impact on your reputation.

ACCIDENT MANAGEMENT

Accidents have a significant impact on businesses, from injured staff to costly repairs and downtime. Unfortunately, accidents will happen, but safeguards can be established to minimise the impact on the driver, the company and also the TCO.

Firstly, regularly maintaining your vehicles can, on its own, prevent accidents. Also, putting a first notification of loss (FNOL) service in place, either in-house or by a third party, will give your drivers the support they need to report any incident, around the clock. FNOL also helps mitigate costs associated with recovery, repair and third parties by providing a smooth, pro-active and well-managed solution.

It is also essential to have clear objectives against accidents such as – is cost more important than downtime, or when should it be reported to the insurer? Having this in place will enable you to proactively triage every incident and ensure your vehicles are back on the road, quickly and cost effectively.

Having a dedicated internal resource, or working with specialist third parties can provide you with the opportunity to reduce downtime through the speed of reporting and management of repair.

Supporting and training drivers can also have a positive impact on your accident rates and all associated costs. You can read more about the specifics to this on **page 15.**

By collating and analysing all the data you receive through the accident process, you will be able to identify trends, repeat offenders and 'black spots' you should avoid.

FUEL

With a constant change in fuel prices, it can be challenging to control fuel spend. A recent set of figures obtained by Auto Express shows that even for retail customers, regional variations in fuel prices have resulted in some drivers seeing an increased fuel bill of £220 a year.

A simple control method is to restrict the fuel stations available to a driver. Limiting access will not only help with route planning, but also support in the control of costs. Fuel theft and unauthorised fuel purchases can also lead to increased costs which impact TCO and the bottom line. But you can mitigate these risks by using fuel cards in conjunction with telematics data and identify trends and anomalies.

Also, harsh acceleration, wrong gear choice and excessive idling times all contribute to reduced fuel economy. Driver training can be used to educate your drivers on better techniques, which can lead to better fuel economy and more economical driving.

Finally, by having a system to track all the fuel data, you can identify issues and cost-saving areas, as well as gain insight to support you and your on-going vehicle selection.

Harsh acceleration, wrong gear choice and excessive idling times all contribute to reduced fuel economy.

TYRES

One study found tyres make up as much as 20 percent of the maintenance costs of a vehicle. Because of this, it is necessary to have a clear, well-communicated tyre policy that educates drivers on what's required and where to go.

Be sure your policy takes brand selection, geographic location and operational requirements into account. For example, state what is permitted – premium, mid-range or budget – and include guidelines on other options (such as winter or cross climate tyres) to manage overall replacement costs. Utilise strict policy adherence to maximise your cost control.

For HGV's, tyre husbandry is paramount to managing cost. Having a system in place, similar to preventative maintenance, increases the ability to utilise services such as re-tread or grooving.

By understanding your requirements and arranging for agreements either directly with suppliers or through specialist management companies, you may be able to benefit from their purchasing power to obtain discounts and gain better control of the service levels delivered to your drivers.

Having vehicles fit for their purpose (i.e. correctly spec'd) will prevent the tyres from wearing too fast due to overloading or a potential balance issue. And regular checks of tread depths will further reduce downtime and unnecessary breakdown and recovery.

MAXIMISING TCO

BY MANAGING YOUR DRIVERS

Managing all the moving parts of a vehicle, while it may seem non-stop, is a simple process when everything is in place. However, drivers are a crucial element when controlling TCO and must not be ignored.

Since the introduction of the corporate manslaughter act, businesses have been under scrutiny to educate drivers about their responsibilities, work within the requirements of the law and confirm they do not pose a danger to anyone else on the UK roads.

Make sure your drivers understand that safe driving begins before they even turn the key. Train your drivers to do routine scheduled checks of their vehicles so they can spot possible signs of disrepair that might need attention. Performing basic checks, such as examining the wheels and tyres, confirming that lights and other electrics are working, and inspecting the oil levels can prevent issues from occurring. This enables you to catch maintenance issues early, avoiding long periods of unplanned downtime and saving business expenses, while significantly improving safety.

Implementing a driver policy that produces a culture of safety enhances a driver's well-being, supports your corporate identity, and leads to lower driver-influenced costs. Additionally, safe driving practices and vehicle safety training can have a significant impact on your drivers' behaviour behind the wheel.

Telematics data can help you assess driver behaviour and identify how to improve driver economy. From excessive idling, speeding, harsh braking or cornering, preventive maintenance and fuel consumption, integrating best practices increases efficiency and lowers costs.

However, for any safety programme to be effective, a company must first build a safety culture. Senior executives must drive this change and support in creating and implementing a safety strategy. By doing this, they will show its importance and in turn, help your drivers understand its value to the business and themselves. This kind of fundamental change will increase administration but will help drive down costs and improve driver safety.

Remember, no two drivers are the same, and to enable tight control of your TCO a system should be put in place to leverage all the data a driver management programme will produce.

Finally, by analysing the data you can identify reoffending drivers, create tailored training programmes and allocate your resource for those that need it. This negates the requirement for company-wide training and allows a focused approach to maximise your return on investment.

FOR ANY SAFETY PROGRAMME TO BE EFFECTIVE, A COMPANY MUST FIRST BUILD A SAFETY CULTURE.

MAXIMISING TCO

THROUGH TELEMATICS, BIG DATA AND PREDICTIVE ANALYTICS

Telematics, Big Data, predictive analytics and other advanced solutions are revolutionising how you can manage overwhelming amounts of data points, operations and costs. The analysis of fleet management data has shifted from an ocean of Big Data to pinpoint accuracy that is vehicle-focused.

This next generation of fleet management software is successfully deploying expertly-designed statistical analyses that go beyond Big Data reports, generating clear and specific reasons why higher costs are occurring. Instead of providing general reasons why spending is moving in a particular direction, statistical analysis coupled with Big Data identifies the logic behind the increased fleet costs. By using this insight, you can then gain proof of which specific issues can be addressed to produce immediate outcomes that positively affect TCO.

This evolution – which is happening today and will continue to intensify – will take your data from merely insightful to genuinely impactful.

Partnering with a fleet management company can produce results that will allow you to make significant changes to operations with almost instantaneous results. New solutions will empower you to dig deep into your data efficiently, analysing current maintenance data together with the vehicle's previous history to establish failure ratios.

In any given year, how many data points will a fleet of 300 generate?

1,254 from maintenance

30,000 from fuel

15 MILLION from telematics

CONCLUSION

It is clear to see that each area of a vehicle's life cycle can have a significant bearing on TCO. But by putting in sound practices, taking the time to understand your requirements and those of the broader business, you can minimise their impact and ensure complete control.

By examining the vehicles on your choice list and refining them based on job need, you can maximise manufacturer discounts and ease reallocation. Then by choosing the correct funding solution for each vehicle type, you will have the foundations to obtain the best return at acquisition and disposal stage.

Establishing contracts or working with specialist partners, can quickly turn general service, maintenance and repair (SMR) from an uncontrolled cost and administration burden to a controlled line of spend and an area to drive costs down.

A robust compliance programme will also help maximise your fleets availability, ensure legal requirements are met, and support the management of TCO through strict processes and data capture.

Deciding on the primary focus behind dealing with accidents (separate from driver safety) and building a robust FNOL process your drivers will use to report an accident quickly and, in turn, give you the control to manage all associated cost while identifying areas of concern.

With fuel and tyres making up a considerable expense in the life of a vehicle, having strict policies in place and ensuring adherence will put you in prime position to control TCO against issues and price variances. When coupled with telematics it can provide an effective tool to manage this area of expense.

By creating a safety culture and implementing a programme set around keeping drivers safe, you will empower them to look after your assets and themselves while still protecting yourself and your brand.

While it is important to review each section independently, to truly grasp control of your vehicles' TCO you must harness the power of all the data created, which will enable you to understand what is driving your costs and allow you to take quick and decisive action.

By working with strategic partners to obtain this actionable insight, you will benefit from increased efficiency across the entire life cycle of the vehicle, reduce your TCO, and guarantee that all the time and cost benefits gained are felt directly by you and your company.

Holman Driving What's Right

Holman, previously ARI Fleet UK, has revolutionised funding and fleet management with technology that enables organisations around the world to realise new levels of efficiency and value by leveraging the power of data through the Holman insights portal and other customised solutions. Founded in 1924, Holman, now the largest family-owned company in the industry, has continuously uncovered new ways for fleet managers to translate their fleets' data into decreased costs and improved driver safety. Holman manages more than 2 million vehicles globally with offices in the UK, North America and Europe.

Learn more at **Holman.co.uk**, email us at **enquiries@holman.co.uk,** call us on **0844 8000 700**
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