Holman

Driving what's right for you.

Portfolio Management
Maximising your investment in fleet

Portfolio Management
An introduction

Every fleet is different. Every vehicle is different – even those that are the same. That's because there are millions of variables at play, every day.

Drivers, roads, traffic, weather, jobs, loads: the list of influences on the successful operation of your vehicles is near-endless, with the result being that two identical vehicles could have completely different stories. One could run like clockwork, never endure a single issue and deliver exactly what was planned when it was brought on fleet, hitting every number budgeted to the decimal point.

Another could spend its life in and out of garages for repairs and maintenance, spend lots of time off the road, cost way more in fuel than predicted and cause a catalogue of operational issues.

Do you just put it down to bad luck, shrug your shoulders, absorb the costs and try and limit the disruption as much as possible? Possibly look at all your costs across all vehicles and come to an average state of play across good and bad?

Or are you more proactive? Do you know when the best time to replace each vehicle is? Suppose you set your fleet management up with the right tools, flexibility and experience. In that case, you can control every asset and run it on its own terms, pushing the best to the forefront and making informed decisions on the troublesome ones, understanding the cost, moving the vehicle to the pool fleet or even replacing it with another vehicle.

This is where managing your fleet as a portfolio and not a set of transactions can be transformational. You don't have to accept poor performance because you can create a dynamic fleet by looking at every single vehicle individually and addressing its specific issues.

It can seem daunting at first. After all, for large fleets trying to control every vehicle this way might seem like micro-management and a lot of work. But with Holman's Portfolio Management, it isn't. It's about being proactive, data-led, insightful and decisive: knowing where to focus your effort, and crucially, where not.

Portfolio Management from Holman achieves this with a level of detail and insights unlike any fleet management solution in the industry.

What is Portfolio Management?

Almost all vehicles are depreciating assets, and often they all lose value at slightly different rates, depending on myriad factors such as condition, reliability, mileage and type. This means that just picking a point in the future as the date on which you sell them all is a relatively simplistic way of going about it.

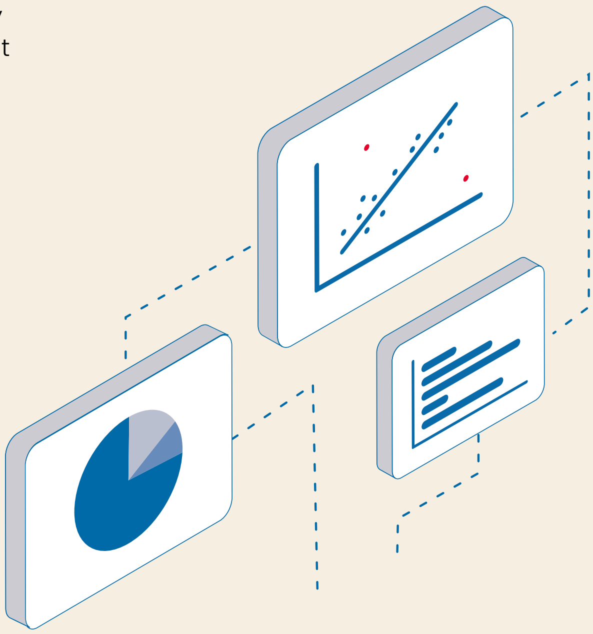
For many vehicles, this end-of-contract date just isn't the best time to be defleeting them, and as a result, your business is losing out on a lot of financial value.

Using Portfolio Management, you can change how you do things and improve the return on investment. That's because it analyses the current and projected financial position of every vehicle – the cost to run it, outstanding finance and current/future used value – to create a depreciation curve for each and every asset, giving you the power to make decisions about what is the best course of action to benefit your business from either the sale, or continued use of each vehicle.

Using real-time data

The Portfolio Management tool then uses real-time data to analyse every vehicle throughout its lifetime. We can identify and anticipate any anomalies/triggers/unexpected issues customers haven't accounted for in their maintenance plans.

By bringing multiple data sources together, our customers obtain its true value and enable them to make the most efficient and cost-effective fleet decisions about whether to invest in maintenance and repairs, or replace the vehicle altogether.



A unique value proposition

When clients need to amend their lease contracts, perhaps through extending the lease at the end of the contract term, we can provide a unique value proposition. By conducting a thorough evaluation of the asset, we can reset the residual value based on the current and future market conditions.

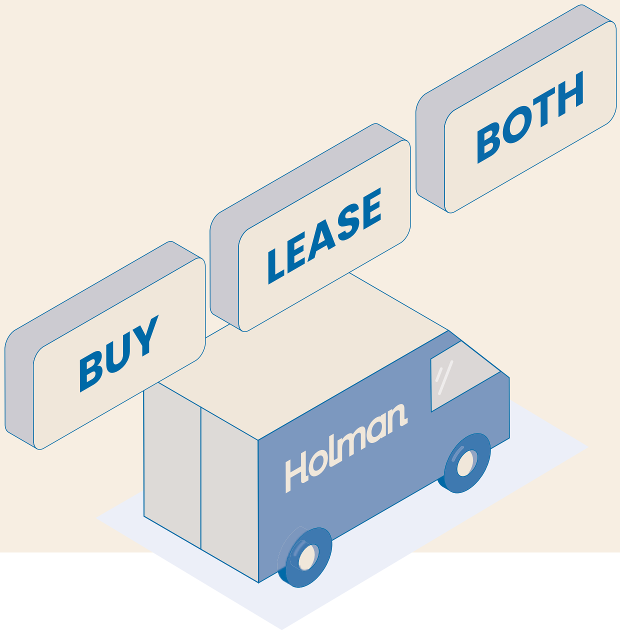
This approach often allows us to offer substantial savings to our clients, such as discounts of up to 50% off their rental costs. In comparison, other leasing companies typically provide minimal rental reductions, usually around 5%. By offering significant savings, we ensure that our clients pay a fair amount relative to the asset's depreciation during the extended lease period. On average, this translates to £138 per vehicle per month.

By extending the leases, we have not only helped clients reduce their immediate financial burden, but have also ensured that they can continue to derive value from their existing fleet.

When to extend...

£138

The average monthly saving clients have seen on leases extended over 6 to 12 months by Holman



Buying right

Understanding your procurement is not just about buying or leasing vehicles for the lowest possible price.

Obviously, you want value. Who doesn't? But value is different to price, and this is where you need to work out exactly where your procurement strategy needs to sit. In order to do this, you first need a good idea of what you are trying to achieve as a business and what role your fleet plays in that.

There's no point just sourcing the cheapest possible vehicles if they then prove to be a burden on your operation. But, the question is: how do you ascertain your exact requirements?

This is where our Portfolio Management and business intelligence can come in. It looks at what you are doing and how you do it, then offers solutions to enhance it. What's clever about this is that by putting forward a business case and a return on investment for each vehicle, you can choose the right model for each role, safe in the knowledge that it will be an asset and not a burden.

The six-month extension cycle

We analyse thousands of individual cars and vans annually, and recommend to clients which should be extended. These are then usually put on six-month extension cycles and reassessed during that period so further extensions or replacement can be organised, depending on the best outcome for each vehicle.

Total Cost of Ownership (TCO) versus True Cost

TCO

Aggregated figures used for leasing don't reflect the real world.

69% of all contracts do not end on term
12% of all contracts incur excess mileage
57% of all contracts have recharges

Start with TCO as a gauge of what the vehicle *may* cost. Then review against True Cost...

True Cost

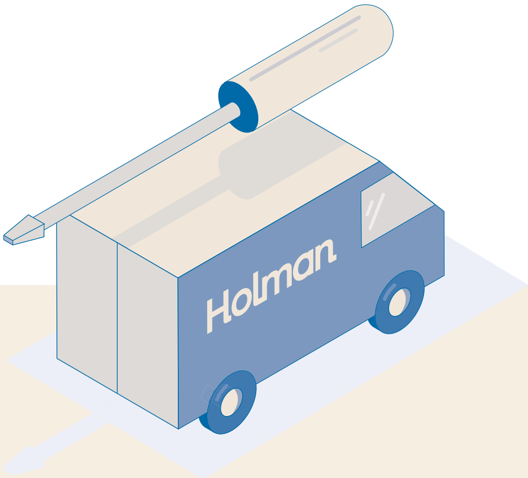
Examine the true cost of every vehicle for better procurement.

2% of assets equal **38%** of spend, so analyse all

- SMR spend
- VOR data
- Fuel spend
- Telematics data
- Residual values
- Market data

Make decisions in real time and based on facts using Portfolio Management

Servicing and selling right



Portfolio Management helps you make decisions at any point in your fleet lifecycle, by looking at various courses of action and providing projections and likely consequences of each decision.

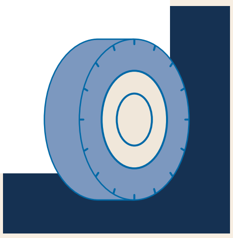
So, for example, it can show what the likely profits might be from the sale of assets at the end of contract, and compare that to what a fleet might achieve in 12 months' time, or now, if they brought the sale forward.

That way, a fleet can decide whether to stick or twist, either defleeting now to realise an immediate return, or holding on to those vehicles until later. Balanced against all of this is the cost of replacement and in-life SMR costs incurred for the existing vehicles against new ones.

The main five issues PM identifies

Portfolio Management analyses every facet of a vehicle's in-life costs, but the five main flagged problems are:

- Breakdown rate
- Engine costs
- Transmission costs
- Illegal tyres
- Outside influenced costs (accident, etc)



Flagging up problem vehicles

Then there are individual cases that need even more scrutiny. Our system flags up vehicles that have consistent issues that place them outside of usual parameters and can provide a likely cost for replacement there and then, against the predicted cost for continuing to run it to end of contract. Doing it this way provides the intelligence to make tactical decisions at any point in the lifecycle of a vehicle.

Each asset on the fleet is assessed by cost in six SMR areas and then compared to other similar assets. If it is found in any of these areas to have had a cost in the top 5%, this is flagged, while any vehicle with two or more flags is considered a problem asset, requiring more analysis of its suitability to stay on fleet.

Using this process, we can single out those vehicles that can often cause disproportionate cost and inconvenience and give the fleet manager options on what to do about it. Sometimes, it's financially and operationally sensible to sell it, but not always.

Getting residual values right

A key feature of Portfolio Management is the ability for clients to set their own residual values. This is particularly beneficial for those who have their own disposal routes that out-perform traditional auctions. By adjusting residual values, clients can enjoy reduced rentals in the present while considering potential impacts on future disposal profits.

Each month we conduct a comprehensive valuation of the fleet, considering both the current residual value and the estimated value at the end of the contract. Through analysis, comparing the balloon payment with the residual value, we can determine if there is potential equity or debt in the client's portfolio down the line. We also assess the financial implications if the client decides to sell their fleet at any given moment.

Why benchmarking is essential

A fleet usually has a lot of moving parts, and understanding exactly how it works or doesn't can be a complex job involving analysis of many different operational areas and cost centres.

Once this has been done, you need to understand it in context. What does good look like?

A good way to do this is benchmarking. There will be lots of learnings from things that have worked and not worked, especially when looking at similar fleets that have also been through the process.

Working with a fleet management company such as Holman means you can benefit from this expertise and experience in dealing with fleets like yours. Benchmarking can look at how their fleet operates compared to yours, what they did to improve, how problems and issues are rectified and, crucially, allow you to look at a potential decision or action and forecast how it might play out for your own fleet.

So it is not just around benchmarking data, such as comparing labour rates or leasing costs, to ensure your procurement is spot on – it's looking strategically at how you run your fleet and how by doing it differently, you can improve. Benchmarking allows you to make informed decisions based on past experience.

Calculating on-going costs

It might be that the on-going cost of keeping older vehicles roadworthy and compliant can actually be higher than the outlay on new vehicles – and that's without the income that is derived from selling those defleeted vehicles on the used market.

But this is not always the case. Our evidence often indicates that three and four-year-old vehicles can be pushed out to seven years, even accounting for increased SMR and vehicle off-road and depreciation.

This is because when the lease has finished there are no rental payments, and while the costs of SMR increase, they are still less than the rental was. This nuanced view of your vehicles is where Portfolio Management can provide a whole new way of looking at vehicle lifetime on fleet.

A fresh way of looking at old versus new

One of the questions Portfolio Management can help you answer is old versus new. Every decision to keep vehicles on the fleet longer needs to be budgeted for because older vehicles 'behave' in different ways to newer ones. Factors to consider include:

- Unplanned breakdowns, including recovery costs and operational impacts.
- Longer repair times and technician hours for more complex maintenance and repair issues.
- Compliance costs, such as charges for older vehicles in Clean Air Zones.

The 4 steps of Portfolio Management

1

Outline objectives

We explore your short, medium, and long-term objectives for individual vehicles and complete fleets.

2

Identify vehicle needs and requirements

Your fleet must match your plans and growth strategies. Together, we'll detail what your vehicle requirements are. We will develop an understanding of what your vehicles need to do today and any changes for the future, including congestion charges and e-mobility challenges.

3

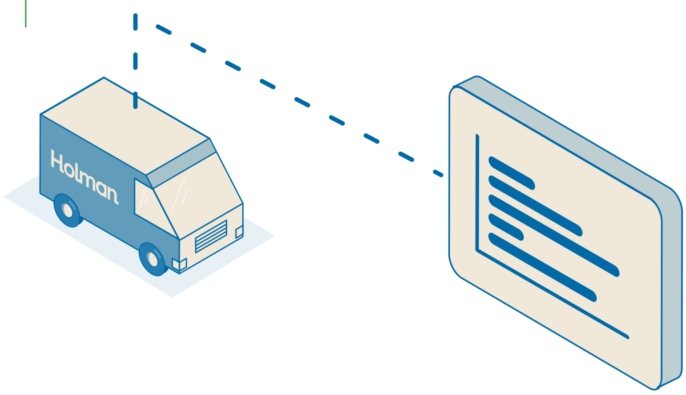
Review market for options

We're always looking to increase efficiency, so we'll explore your options, including whether there are better solutions on the market. This could include reviewing the brands on the market and ensuring that vehicles match your requirements.

4

Implement a roadmap

Once we've developed our roadmap, we'll put it into practice using our Drive, Buy, Service, Sell approach.



Data-driven results

Portfolio Management uses data in extremely clever ways to clarify and simplify issues.

This process is refining what information you need to see, allowing your company to define business objectives and then receive a fully-integrated data analysis solution from your outsourcing partner.

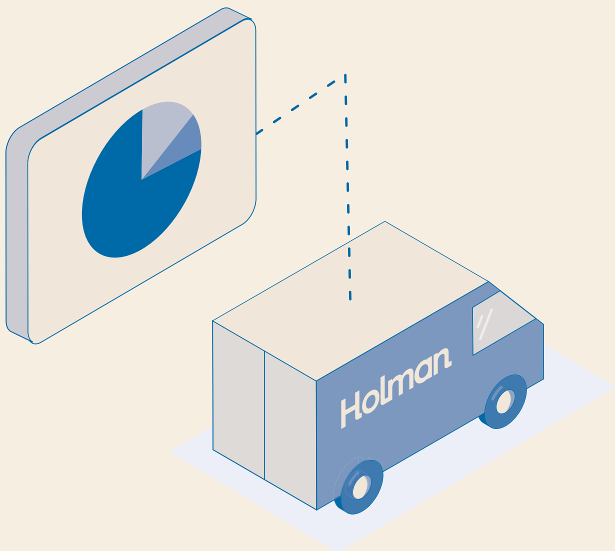
What this offers is clear – actionable solutions, thanks to expert data analysis, forecasting and predictive models to show where your fleet costs will be across the vehicle lifecycle.

For instance, Portfolio Management can pinpoint certain vehicles costing the company more in fuel, or it can analyse SMR spending across the entire fleet and determine when blocks of remedial/regular servicing work will likely occur.

This can then be blended with background data on workshop and parts availability to ensure the minimum vehicle downtime.

At Holman, we view this process as key in our offering – moving away from a 'broken to fixed' fleet model towards a 'predict and prevent' solution to save your business time and money.

Most fleet management companies provide data solutions to their clients. But the ability to interpret and turn data into something that makes a tangible impact has become hard to find. When fleet data produces numerous reports that generalise what is going on in a fleet, you end up with more questions and more headaches.



Managing connected vehicles

Connected vehicles may sound like something for the future, but many fleet vehicles will already feature connected technology such as telematics, over-the-air software updates or maintenance alerts. While this technology is undoubtedly clever and can help drive fleet efficiencies, it also creates problems – what data is being produced, where is it stored, is it safe?

This mass of data also needs to be acted upon, so how do you sort out which data will prove helpful to your business operations?

Today's vehicles can receive vast amounts of data – DAB radio signals, navigation instructions and 3D mapping from satellites, telephone signals, adaptive cruise control data, and even over-the-air software updates (not to mention the varying levels of autonomous technology being developed).

And just as data flows seamlessly into vehicles, it also flows out, feeding an ever-hungry demand for more and more data on vehicles, locations, speed, economy and accident interventions.

This creates another level of responsibility for anyone operating a fleet of vehicles as it is essential to know what data is being generated as well as where it's going and being stored.

Advanced data analytics in Portfolio Management is changing this. Companies now have access to proven solutions that take quick action based on solid, real-time data. These new solutions provide insight to your fleet's operations quickly while bringing greater accuracy as well. As a result, efficiencies increase, and costs decrease.

How much Portfolio Management saves our clients - some real life examples

- A logistics fleet
  26 assets @ £11,000 per year
- A transport infrastructure fleet
  53 assets @ £41,000 per year
- A utility fleet
  23 assets @ £14,000 per year
- An estate agent
  120 assets @ £60,000 per year

Holman Driving What's Right

Holman UK

www.holman.com