Holman

Driving What's Right

COST CERTAINTY, ESCALATION & REDUCTION

Is it a safe assumption that your business operates in an increasingly competitive environment that constantly puts pressure on you to do things faster, better and with more efficiency?

The need to stay "ahead of the pack" often creates a situation where costs escalate or hidden costs impact your budget before you even realize what is happening. Unexpected maintenance repairs, driver incidents and compliance requirements can all eat away at your bottom line in ways that can be extremely challenging to manage.

However, when you use ***real-time data and analytics*** to see what's happening across your fleet today and what's likely to happen tomorrow, you can ***proactively manage the potential impact*** before costs add up.

Strategic Evaluation Of Fleet – Efficiencies That Drive Cost Certainty And Savings

The opportunity to lower your total cost of ownership is neither a static or singular event. You operate in an increasingly competitive environment, therefore you need to continuously evaluate your operations to ensure you are maximizing every opportunity to create efficiencies and lower expenses.

You can start with a solid strategy for vehicle replacement cycling that aligns with your business goals and ensures that your financing strategy for vehicles and equipment takes advantage of your organization's current financial health and position.

Once you've acquired vehicles and put them on the road, what else can you do to ensure you are maximizing your investment?

ARE YOU EFFECTIVELY MANAGING COSTS TO PREVENT ANY UNFORESEEN ESCALATIONS OR UNWANTED EXPENDITURES?

Using Analytics To Gain A Complete Understanding Of Operations

To create an environment where cost certainty is the norm, you have to implement a robust telematics and analytics program. By doing this, you will gain insight into exactly how your fleet is performing in real-time and find opportunities to dig into areas where costs seem to be rising. Additionally, new solutions using advanced analytics algorithms will allow you to shift your focus from simply tracking and reporting on fleet operations to a more targeted approach that pinpoints the root causes driving your fleet's operating expenses.

Analytics will also allow you to introduce management through outliers – essentially, uncovering and addressing your vehicles that are having the greatest impact on the year-over-year cost and reliability of your fleet.

You can determine your fleet's "sweet spot" – that ideal range to retire a vehicle and gain maximum returns while enjoying lower operating costs.

THIS INSIGHT CAN HELP YOU MONITOR, MAINTAIN, AND CONTROL COSTS TO OPTIMIZE FLEET PERFORMANCE AND PREVENT UNEXPECTED ESCALATIONS.

It is a simple, but important axiom of business:

YOU CAN'T MANAGE WHAT YOU DON'T KNOW.

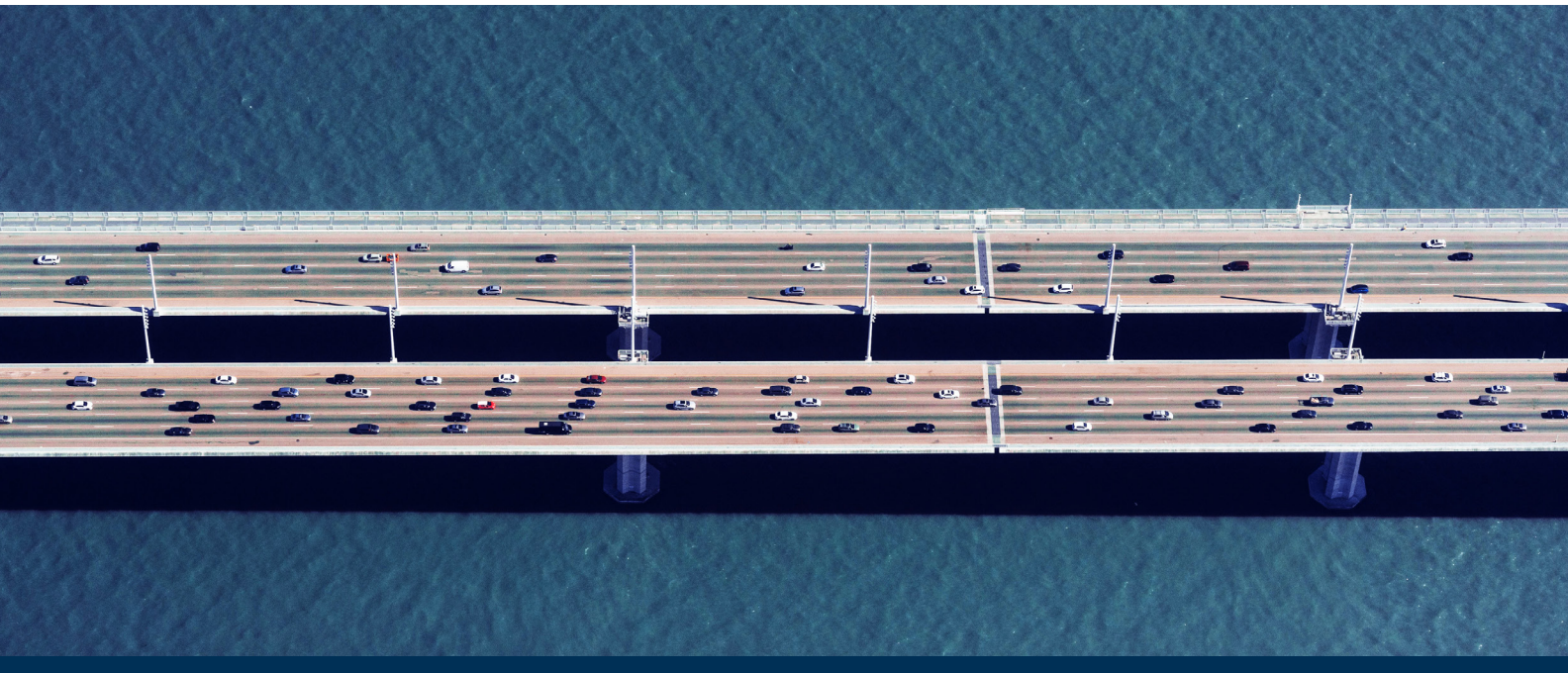
Hidden Cost Drivers That Can Impact Your Fleet And Your Budget

After you've used analytics to gain a more complete understanding of your fleet, you can then develop strategies for better managing costs and reining in unexpected escalations that can devastate your bottom line.

There are also some traditional areas of fleet management that your organization should evaluate to ensure you have the best practices in place. Doing so can help you avoid the hidden cost drivers that can derail even the best laid plans and budgets.

AMONG THE VARIED LIST OF HIDDEN COST DRIVERS ARE:

- Failure to adhere to recommended preventive maintenance schedules
- Lack of fuel management oversight
- Excessive engine idling
- Not maximizing ROI



HIDDEN COST DRIVER #1

FAILURE TO ADHERE TO RECOMMENDED PREVENTIVE MAINTENANCE SCHEDULE

Typically, a fleet's highest maintenance costs come from tires, brakes and preventive maintenance (PM). To reduce these costs, some companies extend their preventive maintenance intervals. Initially this may save money on oil changes or tire rotations, but in the long term, you will face compounded repair and tire costs that surpass the perceived early savings.

Here's an example from the our Business Intelligence & Analytics (BI&A) team of the effects experienced by 168,000 vehicles that did not adhere to the recommend preventive maintenance intervals:

- Brake repairs required rotors and calipers due to the pads not being checked as frequently
- Tires had increased wear and tear due to fewer rotations and air pressure checks
- Heavier fleet vehicles also had increased safety-related issues

All totaled, the excess monthly cost on these units was almost $8 million.

By extending maintenance intervals, your fleet may fall into a critical gap where engine and powertrain failures occur prematurely.

SMART ORGANIZATIONS ARE USING TECHNOLOGY TO HELP MONITOR MAINTENANCE AND IDENTIFY TRENDS THAT CAN BE PROACTIVELY ADDRESSED BEFORE MORE SIGNIFICANT FAILURES OCCUR.

Units with ***LATE PREVENTIVE MAINTENANCE*** services incurred ***MONTHLY COSTS*** that were ***47% HIGHER*** than units with timely preventive maintenance services.

HIDDEN COST DRIVER #2

LACK OF FUEL MANAGEMENT OVERSIGHT

Fuel usage can amount to as much as 80 percent of a fleet's variable costs and as much as 60 percent of a fleet's overall operating budget.

Even when fuel prices are low, there are multiple ways you can reduce your fleet's fuel spend. For one organization that targeted four key areas for its 8,000-vehicle fleet, they recorded over $1 million in savings after 18 months. Here's how they did it:

1. Defined acceptable fuel practices via a written usage policy.
   A sound policy should include rules and processes for using the fuel card and identify which fuel grade and fuel providers should be used.

2. Analyzed fleet data to classify vehicles relative to miles per gallon (MPG) costs.
   Modern fleet management systems can help you proactively monitor fuel usage and use analytics to take a deeper dive into your fleet's fuel consumption.

3. Gave drivers tools and technology to locate the lowest cost fueling stations.
   Consider incentivizing your drivers with a target and potential recognition or reward. Doing this, you are motivating your drivers who have the biggest impact on your fuel costs.

4. Addressed drivers who were not adhering to the fuel policy.

Encourage drivers to adopt driving behaviors that conserve fuel, such as observing the speed limit and avoiding aggressive maneuvers.

ACCORDING TO THE U.S. DEPARTMENT OF ENERGY, SPEEDING, RAPID ACCELERATION AND HARSH BRAKING CAN LOWER GAS MILEAGE BY:

15% - 30%
AT HIGHWAY SPEEDS

UP TO 40%
IN STOP-AND-GO TRAFFIC

Also, every time a driver goes over 50 mph, it costs the company an additional $0.17 per gallon of gas per 5 mph interval.

HIDDEN COST DRIVER #3

EXCESSIVE ENGINE IDLING

Corporate initiatives to reduce fleet spend combined with government mandates to decrease harmful greenhouse gas emissions are driving organizations to develop strategies to limit idling.

Engine idling increases expenses in two main areas: fuel and maintenance.

One hour of idling can burn more than a half-gallon of fuel, depending on the vehicle's engine size and air conditioner use. Also, one hour of idling is equivalent to approximately 30 miles/48 km of engine wear, which accelerates the need for oil, spark plugs, valves and piston rings, catalytic converters in gasoline engines and diesel particulate filters in diesel engines.

When it comes to idling, simple changes in driver behavior can lead to meaningful reductions in your total cost of ownership and greenhouse gas emissions.

In pursuit of such opportunities, you can engage fleet management experts to assist in analyzing the impact of idling on your fleet and implementing idling-focused rules into your vehicle policy. With the support of key stakeholders and an openness to adjust your fleet culture and policy, such initiatives may yield significant financial results.

YOU CAN ALSO DEPLOY TELEMATICS AND DATA MANAGEMENT SOLUTIONS TO HELP IDENTIFY WHICH DRIVERS ARE NOT ADHERING TO THE IDLING POLICY.

Through active management of excessive idling, fleets can benefit from ***lower fuel and maintenance expenses,*** as well as ***reduced emissions.***

HIDDEN COST DRIVER #4

NOT MAXIMIZING ROI

Are you ensuring your organization is getting the most value from each vehicle during all four phases of the life cycle?

1. Buy
2. Drive
3. Service
4. Sell

When planned strategically, vehicle remarketing plays a critical role in minimizing your total cost of ownership.

Although a vehicle has reached the end of its useful life with you, it likely still has value to potential buyers. If you make it a policy to replace vehicles before maintenance costs and downtime begin to rise, then the resale values will bring your organization a return on its investment. The best way to ensure this value is to implement an optimal replacement cycle for each vehicle or segment of vehicles in your fleet.

You can start by evaluating the needs of your business and determining if the vehicles in your fleet are delivering on those needs. Are there gaps that need to be filled? Do you have underutilized or idle vehicles?

Review your existing specs to make sure the fleet fully supports your organization. This will help you create a foundation from which to fully maximize ROI.

Knowing where the fleet stands, before you begin to develop or alter a replacement cycling plan, will ensure the final results have a positive impact. Then look at your fleet data to gain further insight and clarity.

The benefits of optimal replacement cycling can range from reduced downtime and lower operating costs to keeping up with the fast-changing safety and technology features in more recent models.

MAINTENANCE EXPENSES, FUEL EXPENDITURES, AND DOWNTIME WILL GIVE YOU THE TRANSPARENCY TO MAKE BETTER DECISIONS.

Successfully remarketing vehicles in order to maximize the return on investment is one way of reducing the overall cost of ownership.

CONCLUSION

With the right tools and strategic partner, you can be prepared to deal with variable fleet costs. Real-time fleet data and analytics can help you to continuously evaluate what's happening across your fleet each day, identify trends and prevent variable fleet costs from escalating and surprising you.

It is critical to invest in partnerships and tools that help your organization analyze fleet data strategically, so you can dig into areas where escalating costs tend to hide.

USING FLEET DATA TO GET A HANDLE ON COST ESCALATIONS CAN HELP ENSURE YOUR LONG-TERM INVESTMENT IS MAXIMIZED.

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ABOUT HOLMAN

The Holman story started nearly a century ago in 1924 with one Ford dealership in Pennsauken, New Jersey. Even then, the company's purpose went beyond just cars and trucks, sales and profits; it was about people.

Today, Holman is one of the largest family-owned automotive service companies in North America. Our headquarters stands in Mount Laurel, New Jersey, and our 6,000+ employees are in all corners of North America, the UK and Germany.

Our seamlessly integrated teams and systems deliver a unique spectrum of automotive services: fleet leasing and management, vehicle upfitting and accessories, parts and logistics, commercial and retail vehicle sales, and commercial and personal insurance and risk management.

Rooted in the Values and Principles of The Holman Way, we are continuously Driving What's Right.

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