

LeasePlan

# Fleet Costs 101

A guide to understanding the costs of running a vehicle fleet.



## Overview

*Costs matter to every business, but recent research suggests that they're the number one concern for fleet managers<sup>1</sup>. And this isn't a surprise, when you think that fleet costs have risen by 9% in the last year alone.<sup>2</sup>*

*Some cost elements can't be controlled, of course. The value of sterling against the euro - cars from the Continent have become significantly more expensive.*

*However, other costs can be managed. In this guide, we look at how you can understand, and then optimise, the genuine cost of your fleet to your business.*

### Introducing whole life cost

So, where to start? It's always tempting to lead with the headline cost. This is often a nice big number, so any discount should look much more attractive. It may be a one-off cost too, so it can feel like you've got it all sorted in one go.

However, this approach hides a significant pitfall. It's possible that a reduction in the headline cost could actually end up costing you money – because what really matters is the total amount you pay for each vehicle.

This is known as the 'whole life cost' and it covers everything involved in using a vehicle through its life in your fleet – capital expenditure, operational expenditure and associated charges. This includes maintenance, repairs, depreciation, MOTs, road tax, fuel cards, telematics devices.

The importance of this figure is stressed by John Pryor from ACFO. He observed that at a recent ACFO seminar, "it was suggested that hundreds, possibly thousands, of businesses were potentially 'wasting' money because they were failing to use whole life costs as the basis for company car selection."

### Why it matters

Many costs are interlinked, so it's essential not to look at them in isolation (or ignore some of them completely). You might find an easy way to cut one cost, but it could lead to greater expenses elsewhere.

Some of these false economies are easy to see. Skimping on maintenance, for example, might mean you find some immediate savings, but down the line, you could be facing fines for failing to deliver your services appropriately. (Research suggests the cost of having a vehicle off road can be as much as £1,000 a day.)

Others are harder to spot, which is why you need to take a holistic picture of all your expenses, so you can make an evaluation of what the whole life cost actually is. It's only at this point that you can carry out an intelligent, responsive cost-optimisation plan that supports your business, your people and your company's values.

### Going beyond cost

Once you've identified the whole life cost, it's also worth thinking about the elements of a service that go beyond cost alone.

Having a partner who can work with you in that way that suits your specific needs can save time and money year after year, particularly as they can help you spend your budget more effectively.

<sup>1</sup> Source: LeasePlan/What Van Research 01.03.18-30.4.18 [insights.leaseplan.co.uk]

<sup>2</sup> Source: UHY Hacker Young, 02.17 to 02.18 [https://www.expres]

And then there are the real intangibles. It's hard to put a price on things like support, education and expert insights, but they can make a significant difference too – and not just to your bottom line. They can create a better working environment for your teams and help you keep your customers happy.

### What to look for in a fleet management provider

We think there are two ways a business can engage with a fleet management provider. They're equally valid; it just depends on what you want from the relationship. However, they can change what you're looking for. Here are a few questions you could ask yourself about your current provider.

#### *A basic approach*

- **Service-level agreements:** Was your fleet kept mobile and did it work in line with the promises you received? Do you need more (or less) protection next time?
- **Billing and transparency:** Were your costs clear, easy-to-understand and measurable? What needs to improve next time?
- **Account management:** Even if you're happy dealing with most issues yourself, it still helps to have expert help. Did you have an operations-focused support specialist concentrating on the day-to-day issues, analysing your drivers' performance and helping you meet your duty-of-care obligations?

#### *The premium package*

- **Expert support:** Did you have access to people who can make a bigger difference to your fleet performance, such as capacity planning for your changing needs?
- **Driver support:** Are your drivers getting the help they need to provide a great service for your customers?
- **Solution offering:** Is your partner willing to support all the plans you have to use technology and data to develop your business?
- **International network:** If you have operations overseas, or plan to, there can be significant time and cost savings from working with a partner that also has an international reach. Can your current provider offer this?
- **Value generation:** Are you seeing the savings that your provider can generate throughout the value and supply chain?

### Next steps

If you'd like to learn more about optimising your fleet's whole life costs [Read our 8 Levers of Fleet Optimisation handbook](#). This explores the eight different variables that make up the true cost of your fleet. It includes a range of ideas that could save you money.

### Get in touch

We have specialists in every step of the value chain who are here to help you understand and optimise your costs. Contact our expert team on 01753 802448 to discuss your situation. We'd be happy to give you some ideas.

