

# Managing down fleet costs

A recent survey carried out by Hitachi Capital Vehicle Solutions revealed that, as a result of the credit crunch, 79% of fleet managers are looking for ways to reduce their costs.

Managing down fleet costs is always important to any business but, in these challenging economic times, the need to run an efficient fleet is greater than ever.

Hitachi Capital Vehicle Solutions can help you to ensure that you have identified all potential efficiency gains. Follow our top ten tips to ensure that you are managing down your fleet costs.

This simple guide shows you how to manage down your costs and keep your fleet running efficiently. If you need more information or advice, Hitachi Capital Vehicle Solutions can help you to determine the most efficient way of managing your fleet through a free, no obligation fleet funding and policy review\*.

We use KPMG's carWISE Fleet financial modelling software to independently forecast the cost of acquiring, operating and disposing of company cars and light commercial vehicles.

For more information, or to book your review, email [fleetreview@hitachicapital.co.uk](mailto:fleetreview@hitachicapital.co.uk) or call 0844 499 5227.

## Top ten tips to managing down your fleet costs

### 1. Strategic advice

Proactive strategic advice ensures that your fleet policy and funding decisions reflect the changing economy and new legislation. It also caters for the evolving needs of your business and drivers, which is essential for the efficient running of any fleet.

If you use a fleet provider, your account manager should conduct regular strategic reviews to identify potential areas for efficiency gains. This can generate considerable cost savings for your business.

### 2. Contract extensions

A formal extension to your contract hire agreement offers lower costs than a new vehicle. It also provides greater flexibility as you are not tied into a new long-term agreement.

Consider formal extensions where vehicles are coming to the end of their contract but have not yet reached their contracted mileage, or where the original contract length/mileage was low.

### 3. Contract amendments

Contracts are based on an estimated contract term and mileage. Reviewing and actively managing your contract term and mileage can offer big savings.

A proactive fleet provider will suggest beneficial contract amendments; reviewing your term and mileage annually to take into account changing driver and business needs.

### 4. Fleet policy review

Changing legislation and evolving business needs mean that your fleet policy can quickly become out of date.

Review your fleet policy annually to ensure that you are choosing the most efficient vehicle types and contract lengths. A well-planned fleet policy will lower your overall monthly outlay.

\*Our free fleet funding and policy review is available to businesses with 50 or more company vehicles.

## 5. Whole life costs

Calculate fleet budgets, including fuel, tax and national insurance, to understand the real cost of your contract. Do not be tempted to choose a vehicle because it is the one you've always chosen or simply because it has the cheapest monthly rental. This could leave you out of pocket in the long-run.

## 6. Fuel expenditure

Analyse your fleet's fuel expenditure, reviewing:

- The distance each vehicle travels
- The amount of fuel used
- The cost of fuel used

Set Key Performance Indicators (KPIs) such as the cost of fuel per mile and look for trends, for example drivers who use the most fuel. Offering your drivers a fuel card will make monitoring fuel consumption and expenditure an easy task.

Give your drivers guidance on where to fill up, supermarkets usually offer the lowest pump prices, and ensure that this is enforced.

Tackle unnecessary mileage and consider offering staff fuel efficient driving training. The savings made can far exceed the initial training costs.

Encourage better journey planning to reduce your fuel bills. If your drivers make multiple stops during the day, for example visiting customers or making deliveries, a telematic system could help to plan your drivers' journeys more efficiently.

Remember that well-maintained vehicles use less fuel than those which are poorly maintained. This includes ensuring that the tyres are at the correct pressure.

You could also offer incentives or recognition for those drivers who make the biggest efficiency improvements, for example by increasing their miles per gallon (mpg) or reducing their overall mileage. If you split the savings made, then both your business and your driver will see the benefits.

## 7. Funding methods

Review your funding methods regularly to ensure that you are using the optimal funding type and payment terms for your business needs.

If you use a fleet supplier, they can help you to undertake this review. Hitachi Capital Vehicle Solutions uses KPMG's carWISE Fleet modelling software to independently assess the most efficient funding model for your business.

## 8. Your supplier

Ensure that your supplier is financially stable and offers competitive terms and a high level of service.

Your account manager should be passionate about meeting the needs of your business. He or she should take the time to understand how your business works and proactively support you with ideas, observations and initiatives.

In these difficult economic times, a financially stable provider is more important than ever. Your fleet provider must be able to invest in its own business, consistently and over time, in order to support your business. Make sure that you know the identity of your supplier's ultimate parent company, in order to gain an understanding of its financial standing.

Benchmark your existing supplier against other fleet providers regularly. This will ensure that you are benefiting from a competitive solution.

## 9. Out of contract costs

Review any out-of-contract costs, such as daily rental, accidents, fines, and excess mileage. These are all costs that can be controlled.

Monitoring exactly what you're spending is vital to managing down your costs. Keep accurate records so that you can identify any areas for improvement and establish trends: perhaps you have a handful of drivers who regularly damage their car or receive parking fines.

Tackle these issues with individual drivers and ensure that your fleet policy covers these areas. Consider training for any drivers who regularly have accidents, as the savings made are often greater than the training costs.

Agree on KPIs and set up regular review meetings with your suppliers to identify ways in which they can help you to manage costs down.

## 10. Contract terms and conditions

How flexible, fair, and customer-friendly are your supplier's terms and conditions?

Your supplier should work with you to amend and update your contract as your business needs evolve.

If the terms and conditions of your contract make it too costly to make amendments, then your contracts will not remain cost-efficient over time.

## For more information

For more information, or to arrange your no obligation fleet funding review, please contact us on

**Call:**

**0844 499 5227**

**Email:**

**[fleetreview@hitachicapital.co.uk](mailto:fleetreview@hitachicapital.co.uk)**

If you would like additional copies for colleagues, these can be downloaded by visiting [www.hitachicapitalvehiclesolutions.co.uk](http://www.hitachicapitalvehiclesolutions.co.uk). Call **0844 499 5227** or email [fleetreview@hitachicapital.co.uk](mailto:fleetreview@hitachicapital.co.uk) for more information.

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## Need more advice?

Hitachi Capital Vehicle Solutions is offering a free fleet funding and policy review to any fleet of 50 vehicles or more. We use KPMG's carWISE Fleet financial modelling software to independently forecast the cost of acquiring, operating, and disposing of company cars and light commercial vehicles.

We will work with you to produce a 'whole life cost' analysis, examining every aspect of funding, including fuel costs, insurance, and modelling of net present values, to fully assess the cash flow implications of funding choices. All applicable tax (direct and indirect) and National Insurance rules are taken into account, including the impact of changes in Corporation Tax treatment for cars leased from 1 April 2009.

**Our FREE fleet funding and policy review is available to businesses with 50 or more company cars or light commercial vehicles.**

### Useful websites:

Hitachi Capital Vehicle Solution  
[www.hitachicapitalvehiclesolutions.co.uk](http://www.hitachicapitalvehiclesolutions.co.uk)

Association of Car Fleet Operators  
[www.acfo.org.uk](http://www.acfo.org.uk)

Institute of Car Fleet Managers  
[www.icfm.com](http://www.icfm.com)