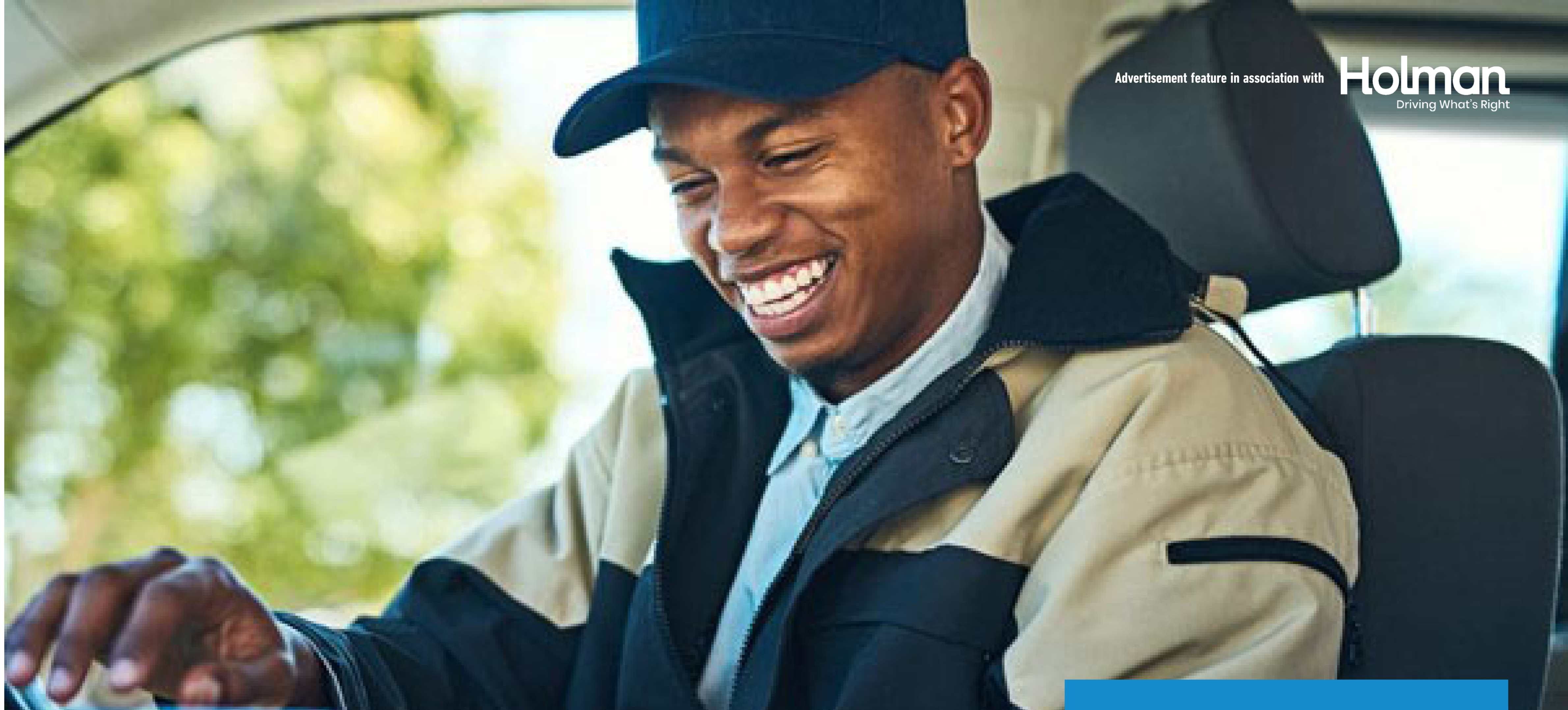
A SPECIAL REPORT BROUGHT TO YOU BY FleetNews

WHY FLEETS NEED FLEXIBILITY TO BE COST EFFECTIVE

The rigidity of contract hire's fixed terms is denying businesses the agility to seize cost-saving opportunities and maximise the financial value of their vehicles

In association with Holman
Driving What's Right



From the minute that a vehicle arrives on a fleet, even the most meticulously calculated total cost of ownership (TCO) figures start to unravel. Fuel and energy prices fluctuate, residual values (RVs) rise and fall, and annual mileages vacillate according to business needs. Muddying the waters further is the unique impact of each driver's right foot on fuel consumption, maintenance spend and insurance risk.

The difficulty faced by fleet decision-makers is that typical leasing arrangements lack the flexibility to adapt to changed circumstances. With contracts set in stone from day one, vehicles serve their prearranged term for their prearranged fee, whether they prove reliable or unreliable, costly or cheap.

As a result, the end-of-contract date for many vehicles will not be the best time to defleet them. This means fleets are potentially waving goodbye to substantial financial value.

Fleet management specialist Holman has designed its 'Buy, Drive, Service, Sell' model to correct this rigid approach. The strategy is based on maximising value at every stage of a vehicle's life, building in the flexibility that if costs rise beyond projected figures, or cheaper alternative vehicles become available, fleets have the freedom to replace their cars, vans and trucks.

Taking this one step further, Holman's Portfolio Management service constantly analyses both the current and projected financial position of every vehicle. This gives fleets the data and insights to determine the best course of action for each and every vehicle, preparing the ground for a more dynamic approach to disposals.

The modelling takes into account maintenance spend, finance costs, and current and future disposal values to identify the financial sweet spot to defleet a vehicle, says Rory Mackinnon, commercial director, Holman.

The company's long-standing expertise in fleet management has discovered that, while the industry norm is to base vehicle contracts on months and years, it's actually mileage, rather than age, that determines running costs, with a close correlation between the odometer, maintenance spend and VOR time.

But being able to capitalise on these insights requires fleets to have the freedom to sell vehicles when it is in their best interest to do so. The fixed terms of contract hire agreements, with their early termination penalties, lack the flexibility to be agile, whereas finance leasing and outright purchase give fleets the freedom to be masters of their own destiny.

Having built its reputation on excellence in fleet management, Holman now has a successful finance operation too – half of its UK customers now use its funding as well as its fleet management services.

"A dynamic replacement cycle has become very useful for a number of reasons," says Mackinnon. "One, it allows customers to do what they need to with their vehicles when it suits them. Two, it allows customers to seize the opportunities presented by manufacturers that are offering certain deals at certain times to hit their ZEV mandate quotas. Those opportunities would be missed if you're in agreements that you cannot get out of."

Maximising the benefits of this also relies on being able to identify the most cost-effective vehicles to replace. Vehicle mileage and maintenance spend (actual versus projected) are obvious places to start, but the insight has to go deeper.

"We have found cases where vehicles have a really low maintenance spend, because they are never on the road, which incurs other costs," says Mackinnon.

"And we also track utilisation, to see how many times a vehicle is being used, because it's entirely possible that one vehicle is used once a fortnight to drive 200 miles, and another drives 20 miles per day."

Both would have the same mileage reading over 10 working days, but one is essential for the day-to-day operations of a business, while a more efficient alternative might be possible for the other.

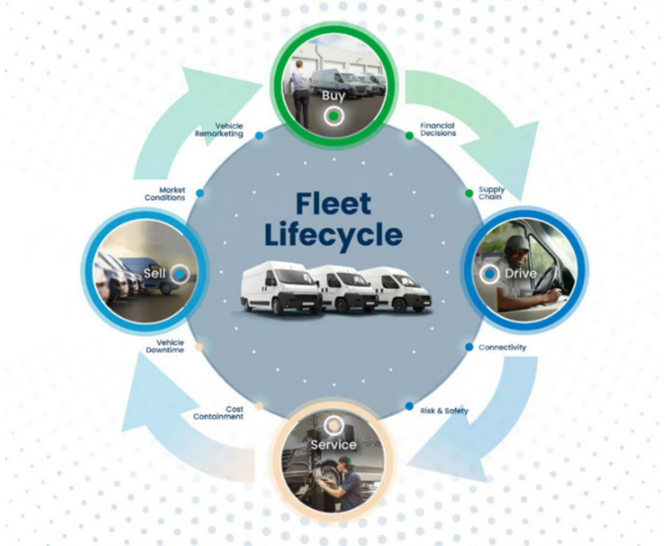
The final piece in the complex jigsaw of Portfolio Management is the monthly monitoring of RVs, which sees Holman revalue its clients' entire vehicle portfolios.

If all of this sounds like a tsunami of data and decisions cascading across the desk of fleet managers, Mackinnon emphasises how the approach is designed to be strategic, rather than tactical.

Quarterly and, more likely, half-yearly reviews, analyse each fleet, pinpoint rogue vehicles, and identify where the greatest returns would come from replacing specific cars, vans or trucks, while also determining which vehicles to keep, and how long to keep them for.

"There may be a perception that all of these data-driven insights make life more complicated for customers, but we've made it really simple. We build and maintain close relationships with our customers, and we're committed to empowering them to make informed decisions and optimise their fleet performance," says Mackinnon.

If evidence were needed, Holman says it saved its customers £100 million last year by optimising every stage of the Buy, Drive, Service, Sell process and harnessing the strategic gains of Portfolio Management.



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Helping fleets plug in

With almost a quarter of the fleet it manages electrified, Holman is in the vanguard of the decarbonisation of light commercial vehicles in the UK.

Its vehicle utilisation data is helping customers to identify which vehicles to transition first to battery power, while also advising on the best charging solutions, whether home, office or public.

"23% of our fleet is electric vehicles (EVs), so we have also had to make sure our servicing network has the capacity and capability to maintain them," says Rory Mackinnon, commercial director, Holman.

"Our platforms are also set up to help our customers with CO_2 reporting."

Moreover, the inherent flexibility of Holman's Buy, Drive, Service, Sell model means customers can not only switch out of internal combustion engine (ICE) vehicles as soon as the financial and operational conditions are right, but also harness the maintenance savings of EVs as they age, with no requirement to return or sell them at the end of a fixed term lease.

And, should RVs dip, fleets have the flexibility to keep vehicles for even longer, amortising depreciation.

Tesco's relentless focus on innovation, efficiency and cost savings

On a customer spectrum of 'easy' to 'challenging', there's no question where Tesco's property maintenance fleet sits. Constantly seeking innovation, efficiency gains and cost savings, the retail giant's property fleet goes out to tender every one-to-three years. The process is part of a wider business-led procurement culture – when every little helps, there's no room for waste or inefficiency.

Suppliers know all too well that a failure to deliver leads to instant dismissal. "I've been in tenders where companies have promised something and within three months we've said we need to go our separate ways because you haven't delivered," says Roy Brooks, fleet manager, Tesco Property. "We normally take 90 days to check suppliers are living up to the standards set in the contract."

When he adds that he wants, "a replacement vehicle delivered before a van has broken down!" it's only his smile that suggests he may be joking.

Tesco's property and facilities maintenance technicians look after its shops, distribution centres, banks and head office. The fleet encompasses about 1,550 light commercial vehicles, 1,100 of which are outright purchased and about 400 on hire. The operation moved to owning rather than leasing its fleet in 2017, and, in 2022, it outsourced fleet management to Holman.

Alongside service and maintenance, fleet management, accident management and rental management, Tesco Property sought a partner with an online portal that provided instant access to its fleet data, as well as a phone-based driver app for vehicle checks.

"I wanted a system where we could track every aspect of a vehicle from its birth to death, rather than having to ask our supplier for reports," says Brooks. "Now I can click a box and see MOT dates, servicing costs or whatever I need."

The migration of data from the former supplier was plain sailing, "with an excellent on-boarding team and a dedicated account manager from Holman, who dealt with everything," he says. Even accounts for road tolls and London's congestion charge were seamlessly transferred.

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How maintenance data feeds risk insights

Fleet maintenance and management data can provide telling insights into the risks that individual drivers present. And, when settling the cost of a single collision can comfortably exceed a five-year maintenance budget for a vehicle, it makes sense to cross-refer as much relevant data as possible.

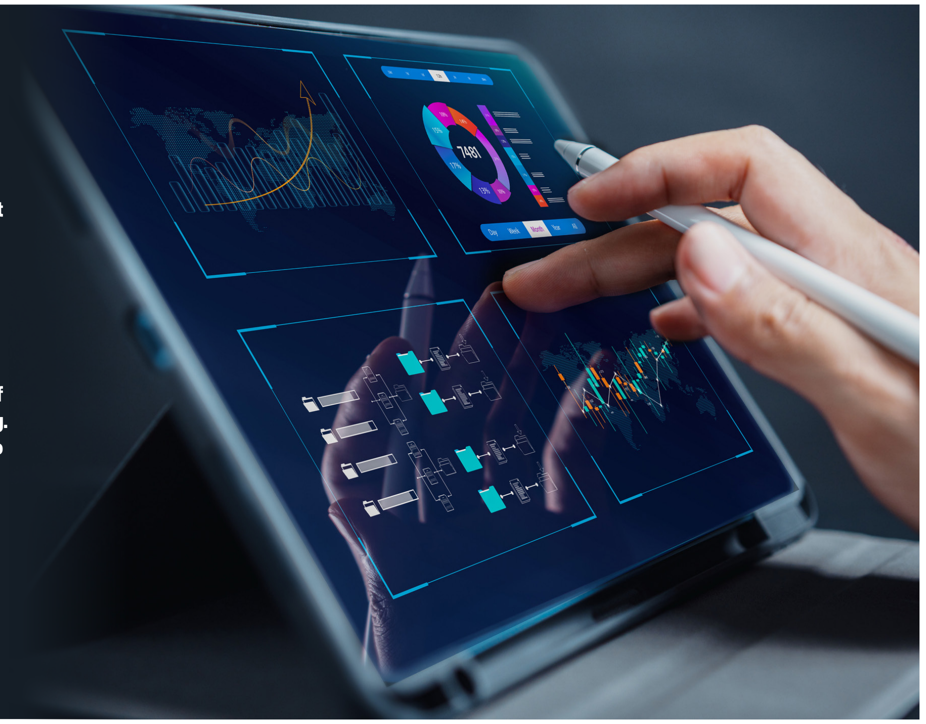
Drivers who wear through tyres more quickly, for example, or whose vehicles need brake pads replacing more frequently, might have an aggressive driving style that is not being picked up in other data.

Holman's Riskmaster driver risk portal aggregates all such indicators of risk to help employers identify which drivers would benefit from coaching.

"It takes in licence checks, maintenance spend, fines and accidents, so customers have a constantly moving risk profile for their drivers," says Rory Mackinnon, commercial director, Holman.

"Off the back of that they are able to prescribe safety measures, whether e-learning, seminars, or in-cab training."

Riskmaster does not depend on telemetry data to analyse risk, but Holman is looking to appoint a telematics partner to exploit the full potential of connected vehicle technology, both from risk and fleet management perspectives.



Century celebrations

This year marks the 100th anniversary of Holman. The family-run business started as a single Ford dealership in New Jersey in 1924, before launching a lease and rental business in 1948.

By the 1970s ARI* was heavily engaged in optimal life cycle analysis and sustainable fleet practices. Its natural extension into the leasing market occurred in 1989 with the acquisition of Lend Lease Cars in Canada, followed by the launch of Holman Leasing in the US the following year. Today, the company employs 6,500 people worldwide.

In 2011, Holman (operating as ARI) opened its operations in the UK, and has grown to become a top 20 company in the *Fleet News* FN50.

Recent accolades include being voted by more than 400 UK fleet decision makers as one of the UK fleet sector's "100 Trusted Brands in the Industry," achieving 'Highly Recommended' status.

And earlier this year, Holman won the Innovation in Cost Reduction Award at the Great British Fleet Event for its Portfolio Management Solutions, a testament to its commitment to deliver value to customers.

*ARI was founded in 1948 by Holman Automotive Group when Ford asked it to create a business to lease and rent vehicles to its customers.

www.holman.co.uk