Smart fleet managers can convert fleet from being viewed as a pure cost center to an opportunity for improved operational efficiencies, productivity, and cost savings. By Sean Lyden

At many organizations, fleet tends to be treated as if it’s the “Rodney Dangerfield” of business operations: It gets no respect.

“Even though fleet is essential to a business, it’s hard for management at many companies that don’t have a full understanding of how fleets operate, to embrace it,” said Mark Leuenberger, assistant vice president of supply chain & fleet for Cox Enterprises. “Second to payroll, fleet is usually the largest cost center. The finance people look at that big cost number every month or every year, and see it as a cash-draining situation.”

Leuenberger contends that knowledgeable fleet managers, with authority to execute smart initiatives know the “levers” to pull to help convert fleet from a being a pure cost center to an opportunity for improved operational efficiencies, productivity, and cost savings.

1 RIGHTSIZING

Rightsizing refers to two aspects: The first pertains to achieving an optimal quantity of vehicles in the fleet; the second is “rightsizing” vehicle specification. An example of this includes spec’ing four-cylinder sedans instead of six-cylinder models. This approach lowers acquisition and fuel costs, without sacrificing performance.

“Most fleets, in good times, get very bloated. So, addressing fleet size is a great place to start to reduce costs,” Leuenberger advised. “You can also take the level of executive vehicles down a bit or take out some of the features, such as CD players in trucks or go with two-wheel drive instead of four-wheel drive, if it’s not absolutely necessary.”

2 UPFITS

Are there any upfit specifications that are overkill? Could a fleet omit any of those options without negatively impacting vehicle performance and crew productivity? Shifting from steel to fiberglass service bodies, for example, may increase initial cost, but could also double or triple the usable life of the body. Can long-term savings be achieved by going to a fiberglass body, based on how long the fleet plans on keeping the body? Or, does it make more financial sense to stick with a less expensive steel service body?

3 VEHICLE STANDARDIZATION

Standardization is the practice of developing common specs for particular vehicles. This approach simplifies the ordering process (improving productivity), helps control vehicle acquisition costs, and bolsters a fleet’s buying power.

“At Cox, we standardized our bucket truck and went from 60 different bucket designs down to one,” Leuenberger said. “We’ll have variations of that design from time to time for climate, etc.; however, [standardization] gives us an immense amount of buying power — and saves us on parts, service, everything.”

4 FUEL COST MANAGEMENT

“Fuel cost is a big lever that fleet managers can pull,” Leuenberger said. “All fleets have significant fuel costs, and if you put in programs to buy gas at a certain price or below, that can lead to substantial savings.”

Other initiatives that fleet managers can implement to reduce fuel costs include:

Route optimization. Uses real-world data to plan vehicle routes in a way that minimizes miles and left turns (which increase idle times and fuel consumption).

Anti-idling policies and technology. A typical commercial truck can waste 0.5 gallons of diesel fuel per hour while idling, according to the U.S. Environmental Protection Agency (EPA). With the right policy and technology in place, fleets can achieve significant fuel cost savings with minimal impact on operations.

Driver training. According to the
EPA, aggressive driving (such as speeding, rapid acceleration, and braking) can lower fuel economy by 33 percent at highway speeds and by 5 percent in town. Fleets can save fuel by holding drivers accountable to observe speed limits and avoid harsh stop-and-go driving.

5 VEHICLE ACQUISITION

There are three key areas that impact acquisition costs:

Acquisition strategy: Cash, finance, or lease? A fleet manager should have a clear understanding of how each of these strategies impacts the accounting department and make recommendations, based on vehicle usage and replacement cycles, and which approach works best for the organization.

Vehicle pricing: Is the organization purchasing vehicles at the lowest possible price? This pertains not only to fleet pricing agreements negotiated with original equipment manufacturers, but also those with local dealers and/or fleet management companies.

Factory ordering: When executed properly, the least expensive way to purchase a vehicle is via factory order. The challenge is that this approach requires intimate knowledge of the fleet and timely ordering. If orders are not planned or managed well, this could force organizations to acquire more vehicles out of dealer stock, which drives up the price per unit.

A savvy fleet manager knows how to manage these three areas to squeeze extra cost savings for the organization.

6 TOTAL COST OF OWNERSHIP (TCO)

A vehicle’s total cost of ownership (TCO) encompasses acquisition cost, operational costs (fuel, maintenance, repairs, etc.), and depreciation.

“A lot of companies think: ‘Once we pay off the lease, we’re not paying that $500, $600, or $700 per month anymore.’ That seems to be savings moving forward,” Leuenberger said. “But, in reality, it’s not because they’re going to run that truck into the ground and sell it for scrap. If that company has a good fleet manager, that fleet manager can show [senior management] through TCO and other metrics that selling the vehicle after four to six years and getting cash out of that vehicle and reinvesting it in buying a newer, more fuel-efficient one would actually lower operating expense and be much more beneficial to the company.”

7 PREVENTIVE MAINTENANCE (PM)

With the latest engine technologies and oils, many fleets are able to extend their oil change cycles from what was once considered the standard 3,000-mile interval to up to 5,000 miles, 10,000 miles, or even further, based on the fleet’s oil testing and vehicle OEM recommendations.

Lengthening the interval not only lowers the actual oil change cost, but, for fleets that handle their own maintenance, it frees their technicians to work on more urgent repairs. This reduces costly vehicle downtime, while enabling the technician team to get more done without adding personnel costs.

Leuenberger also pointed to the challenge of ensuring PM actually gets done, especially with fleets spread across the country, as a factor that impacts costs. Overdue preventive maintenance can lead to catastrophic vehicle downtime that results in unplanned operational expenses to repair the vehicle.

“There’s a lot of communication that has to happen by someone who stays on top of this to make sure the work gets done,” Leuenberger said.

The Bottom Line

Savvy fleet managers are at the helm, they know which levers to pull — and how to pull them — to drive the level of cost-savings senior management is looking to achieve, bolstering the organization’s bottom line, without sacrificing fleet productivity.

Savvy fleet managers also know how to incorporate their department into overall company initiatives. Cox’s fleet is integral to customer care operations at its Cox Communications subsidiary, as well as the company’s national sustainability program (Cox Conserves).