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Navigating Your Company Fleet in 2010

MCMAHON AUTOMOTIVE GROUP VALUE MEMORANDUM

2009 was a challenging year for many businesses, resulting in a number of belt tightening initiatives including reduction of staff, freezes on capital expenditures, along with other cost reduction measures. Some businesses anticipate significant recovery in 2010, while others are hoping for only minor improvement. Regardless of perspective, most businesses are anxious to get back to business, and focus on growth.

Company fleets were impacted by cost reduction initiatives as well in 2009. Fleets were downsized due to staff reduction, vehicle replacements were often deferred, and there was increased pressure to reduce fleet operating expenses. As a result, many businesses will be entering 2010 with a tired, downsized fleet, overdue for replacement, and potentially postponed maintenance.

What can a manager do to best navigate the company fleet in 2010?

Pressure on cost reduction and cost containment will likely continue, so be certain you are doing everything possible to manage your fleet operating expenses. If you do not have a maintenance management program in place, do it now. Fleets running vehicles beyond normal replacement schedules will be experiencing higher maintenance expenses, increasing the need to better manage these costs. A quality maintenance program will prevent unnecessary repairs, collect post warranty credits, electronically capture repair data, and offer national discount pricing.

Data capture enables key reporting that allows you to mileage band your maintenance costs and identify optimal cycling opportunities as well as avoid additional repairs. Mandates that deferred vehicle replacements in 2009 often went unchallenged, due to a lack of supporting data. As an unfortunate result, many businesses actually increased their overall vehicle operating costs without realizing it.

Replacing vehicles in 2010 will require better planning. A number of manufacturing plants were shuttered this year, and dealer inventories have been scaled back. You may also be competing with high order volumes from pent up demand causing potential supply delays from automotive manufacturers. Factory order to delivery times are increasing, so you may need to accelerate your plans and get approval earlier to order your vehicle replacements.

Fuel expenses have been favorable in 2009, but will low fuel costs continue in 2010? Predictions indicate that gasoline will rise again to $4.00 per gallon and higher. It's just a matter of when. If you are not signed up on a national fuel management program, do it now so that you can better manage fuel expense. Operating older, less fuel efficient vehicles is also counterproductive to lowering expenses. Continue to advance your plans to increase your average fleet mpg by replacing older vehicles with newer, more fuel efficient models. Wholesale prices are continuing to improve. The market supply of used vehicles continues to lag behind demand. Businesses that are replacing and remarketing vehicles in 2010 will likely benefit from strong resale values. These conditions will favor replacement of those vehicles kept in service beyond optimal cycling terms. Managing your vehicle fleet will require a new strategy, but you don't have to go it alone. McMahon Automotive Group can assist you with navigating your company fleet in 2010. Our locally based account team can implement a vehicle management program combined with a maintenance and fuel program that will help you meet your goals of operating a reliable fleet of vehicles at the lowest possible cost.