PROFITABLE FLEET MANAGEMENT

FOR SMALL AND MEDIUM BUSINESSES

Drive More Profits in Your Pockets

BILL DEBOER

Profitable Fleet Management

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Bill DeBoer

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Created with:
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Here's What's Inside…

Introduction

You have enough on your hands already. Now you have “managing the fleet” dumped in your lap, which puts you in a bind since you never signed up to manage the fleet in the first place, and you have very little know-how when it comes to automotive stuff. Plus, you still have to get all your other work done!

If you’re like most of our clients, you have enough worries on your plate to ensure everything in the business is running smoothly. You can’t take on another project, especially one this large, that has the probability of costing the company thousands of dollars in repairs, overages, and gas. The list goes on.

That’s where we come in. Recently, we helped a company drive down the cost per mile from 48 cents to 36 cents per mile by showing them how they could run their vehicles longer for more mileage and reduce their total investment in that vehicle, thus lowering the cost per mile.

They were replacing their vehicles every 100,000 miles. We showed them how much they could save by extending the mileage to double and triple, reaching a cool quarter of a million dollars.

Fleet owners face many problems. Some of the toughest are when you come into work and have a ton of service calls, and the vehicle you need to perform those services is down or will not start.

One of the other issues is when you have somebody out on the road doing service calls with a critical breakdown, and the driver is stuck along the side of the road with the vehicle, and they can't make the calls needed to have a tow service get them. Now that employee is left in an unproductive state (no money) for the day. It doesn't have to be that way.

By finishing this book, you'll understand how to align costs and maintenance practices to achieve absolute peace within your fleet management practices.

My passion is helping businesses put more money in their pockets to pay their employees better, and pay themselves better, and ultimately have a more peaceful life with uninterrupted business by ensuring the fleet is always running. This book will help you either do it yourself, find somebody to do it with you, or find somebody to do it for you.

Now, let's get a move on.

Bill

Chapter One
Fleet Accounting: P&L Lies

Many small businesses don’t have a good handle on their accounting practices. They look at the bottom line and see that they made a $5,000 profit, let’s say, for one month. They don’t look at the offset of that. Maybe they have equipment loans that they are paying principal and interest on.

A good example would be somebody operating a larger-size suite, say 15 vehicles, and they’re making a payment on a vehicle loan for those vehicles. That principal payment does not show up on the profit and loss statement. The interest portion does, but the principal doesn’t. On a $5,000 payment, maybe $1,000 is interest, the other $4,000 is principal. That means you need to make that $4,000 principal payment, which shows up on the balance sheet, out of the business's profits.

Say that business showed a $5,000 profit, but with that $5,000 payment, $4,000 going to principal, you would only have $1,000 in free cash flow after that payment is made. That's how the P&L lies.

Don't Get Me Wrong

Businesses should be operating on the P&L. That's the most important way a business should be operated, but they need to have an awareness of the fallacy that's in there. If there are debt payments specifically, the debt or the principal portion of the debt payments needs to come out of the business's net profits. It's even more important that they're looking at the profit and loss, and managing their business on that versus the usual iteration, one of business ownership, which is managing by checkbook.

That's a whole other problem that people get into by managing their money out of their checkbook instead of their P&L. What happens there is they will have a bunch of jobs to get paid for, and they look at their checkbook and think they have a ton of money in it, and they go out and buy a new boat or new truck. The following week, all the bills are associated with the revenues to generate money in the checking account. Suddenly, they're in arrears because the checkbook manages them instead of the P&L.

It's almost like that old saying of the man who looks at his checkbook with checks left over, so he must have money in there.

The Difference between Capitalizing versus Expensing Equipment

Depending on your phase, you will need to show more profits for the lenders as you're growing it. If you need a building or construction loan to build a new building, or as you're growing the business, you need to take out lines of credit and show a good profit and loss statement to the bank.

There are two ways of owning fleets. You can purchase them and have a loan on them, or you can lease the fleets. Typically, with an equipment lease, you have a dollar amount buyout at the end. That's what we're talking about when we speak about capitalizing. That would be taking the fleet, booking it as an asset on the balance sheet, and using a traditional loan structure. Because again, going back to how the P&L lies, the principal portion will be hitting the balance sheet, leaving more profit showing on the P&L versus if you have a lease payment, the entire lease payment is expensed.

Consider the example we discussed previously: the person had a $5,000 payment on their lease or fleet. If $5,000 were a lease payment, 100% of that would hit the P&L as an expense; therefore, that $5,000 profit showing would be completely eclipsed. It'd be zeroed out. The bank would ask, "How will we lend you money when this business doesn't make monthly profits?"

That's why it's very important to understand where you're at in your business and your objectives as you grow. There are use cases. Again, I'm not an accountant. You should refer to your accountant during these discussions, but there is a time and place to put all of your equipment on lease and expense regularly.

Debt Payments Rob Cash

The debt payments robbing cash goes back to what I was talking about with the profit and loss lying to you. It shows that you have cash, but the cash isn't there because it ends up on the balance sheet when you make principal payments on a loan.

P & L Tip

The biggest tip is to have good, clean, accurate books. You want all the expenses in the P&L to line up with the month it occurred. An example would be a plumber who does a boiler job in month one but doesn't account for it until they get paid in month two when the revenue comes in. They want to bill it out in the month it occurred, carry that as a receivable into month two, and apply it back so that it doesn't skew all their numbers.

Action Step for You

An action step for this would be to ensure that you have a bookkeeper running very efficiently and timely. You want to have a good P&L in your hands by the 10th of the following month for your review. The easiest way to do a P&L review is to break it down by percentage of income. Then you can go through and see where you're trending with your KPIs concerning projections. How much was your fuel bill for that month? What percentage of sales? When fuel starts going crazy, as we've experienced recently, that will swing a lot more than in the past. You want to have a good idea of what range you're in and then start to charge your customers accordingly so that you can keep all of that in mind and still make the net profit the business requires to continue its growth.

One Thing to STOP Doing Right Now

Stop managing your fleet by the checkbook.

Chapter Two

Understanding Cash Flow

Cash is the lifeblood of business. Without cash, it won't exist, and many small businesses could get into a lot of trouble when they don't have good cash reserves. The number one way to do that is to ensure you have a good P&L and manage the business using the profit and loss statement.

Go with Profit First

I would refer you to the book *Profit First* by Mike Michalowicz. He lays out a detailed system there, which I can cover.

The idea behind *Profit First* is to flip the general accounting principle of gap accounting; income minus expenses equals profit. He turns it around, so income minus profit equals expenses. It goes hand in hand with Hutchinson's theory of resources. It's like when you get down to the last of the toothpaste; you make that last little bit work every single time.

That's what Michalowicz wants you to do with the expenses. He wants you to take out the profit and pay the bills with whatever's left. That way, you live within what's left over, and you've already preprogrammed the profits into your business. The way he does that is to break it down, allocating your income across four, five, or six different accounts according to percentages for those allocations.

If you want to run a 10% profit, you will take your revenues, and again, it's not your sales; it'd be off the money you collected. Then you would say, "If I collected $30,000 in revenues last week, we're going to take 10% of that and put it into the income account," so three grand goes there. You would allocate to your expenses mostly payroll and your materials.

You would also have a tax account set up so that you are pre-planning for your taxes and allocating for all of them. Then you'd have an operating expense account to pay your general expenses. It's like an old envelope system that some older people use where they stick cash in envelopes and open it when needed. If you plan and run your business with Profit First, it should be there when you need the money to pay the bills because you’ve already allocated for them.

The “Profit First” Difference

As you grow, you go through these growth periods, and you don’t always realize their tax implications, so they sneak up on you. With the Profit First system in place, it's no big shocker when the tax bill comes, and the money is there to pay it. There’s no sweat in how you will pay this huge tax bill you weren’t expecting.

It goes back to the P&L standpoint, too. Maybe you made $100,000 but didn’t have $100,000 in cash.

Good Cash Flow = Negotiating Power

You can negotiate prepayment discounts with your vendors as you create a good cash flow and manage your money. A lot of times, your payment terms could be two net tens, where you get 2% off if you pay within ten days of being billed, which could result in significant savings.

Then it buys you more credibility with your vendors, so you can even negotiate more because they understand that you'll always have the money there. They know they won't be hung out to dry and are getting paid quickly. It allows them the cash they need to operate within their business.

Fuel Card Programs

There are several different fuel card programs out there. But when operating a fleet, it's very important to utilize one of those programs because they'll give you detailed reporting on your fuel cost. They're going to break it down. I don't want to say geo fence, but you can limit the gas stations where your drivers can fill up so that they are only filling up at the fuel stations that you prefer, maybe those with lower price points. They're not rolling into whatever is the most convenient for them. The other thing is paying with a fuel card versus a traditional Visa or MasterCard. They have programs typically associated with Visa or MasterCard, which carry a higher cost to the gas provider, who will pass that on to you, the consumer. Using a fuel card, they usually negotiate lower rates at the pump.

There are also ways to be creative. A friend told me about a guy who owns a construction company that buys all of the Home Depot cards at the grocery store that gives him free fuel, and then he fills up his trucks with all the fuel points.

A Personal Story

Once we implemented Profit First, we talked about freedom from worrying about where the money is coming from to pay the bills because the money is already there and allocated for it. You can track much quicker when you're running into pain points where you're struggling with sales. It'll be way more apparent what your cash flow position is and more instantaneously in real-time than if you wait for the monthly P&L, which comes out later.

Those profit and loss statements are lagging indicators. It's already over. What happened four weeks ago is not telling you what's happening this afternoon.

When you're managing the business numbers weekly, you get to see a weekly snapshot. It evens out the day-to-day ebbs and flows of the business, but it's enough of a capture where you have real-time data that you can work with. We run everything into the quarter. We have 13 weeks in a quarter, so everything's broken down into a weekly report, then rolled up into a monthly report, and then ultimately to a quarterly report. That's how we run our business.

Your Action Step

Read *Profit First* and implement it in your business.

Stop Doing Step

It goes back to the same old thing, managing from the checkbook. Because you have money in the checking account doesn't mean that it's available for you to go buy a boat.

Chapter Three

Major KPI's-TCO and CPO

A bank called Corporate Billing offers something called cbCharge. This bank deals specifically with fleets. They extend credit terms based on the size of the business and its creditworthiness. Corporate Billing allows a business to open up a charge account where they can partner with thousands of repair shops for their repair and maintenance needs.

The reward of using cbCharge is consolidated billing across your fleet. If you run all your repairs through cbCharge, you'll have a nice monthly statement showing you exactly how much you're spending on repairs and maintenance for your fleet.

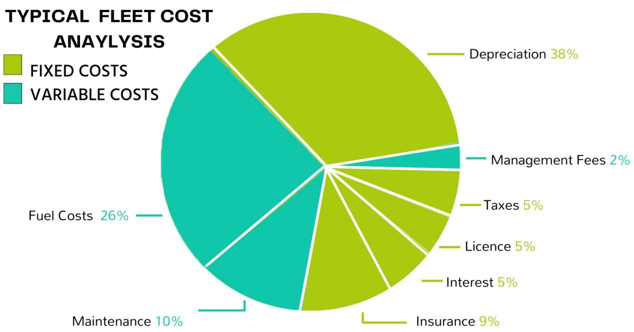
When you sign up for it, you can set the account limit to whatever you feel comfortable with. Then, whether POs or approvals over certain dollar amounts are required, they have complete control over the spending with that account. The nicest thing is that it allows you to consolidate and reconcile your monthly transactions in one easy spot, especially if you're running a fleet covering a large territory where you may be going to multiple service providers.

Say you were using your company credit card to pay for your maintenance. You'd have to dive in and separate what was repaired, paying the electric bill, and all the other transactions that occur within a credit card statement. This is one consolidated bill of all the fleet maintenance and services.

The True Cost of Ownership (TCO)

Businesses might not be properly accounting for the KPIs. Many fleet managers are trying to control the costs, but they don't have a good handle on the costs themselves. cbCharge is a very important tool so that they can have one easy spot to go to and fully understand the repair cost of their fleet. The other nice thing with cbCharge is they link up to some fleet management software and the fuel cards we discussed earlier so that the fuel cards and cbCharge charges all consolidate into one spot within a fleet program. You can start to automate your fleet management practices.

The True Cost of Ownership (TCO) for fleets is one of the main KPIs you should be tracking as a fleet operator. The total cost of ownership is a comprehensive topic. It must be understood to manage your fleet properly. Fleet expenses are broken down into fixed and variable expenses.



Fixed Expenses

Fixed expenses are predetermined regardless of asset usage. We can break this down a little bit further and give examples. Good examples of fixed costs associated with the fleet would be the purchase of the vehicle, the depreciation associated with the vehicle, any loan or lease payments, insurance, permits, licensing, taxes that are paid on the vehicles, and upfitting or wrapping that vehicle to get it out in the fleet.

Variable Costs

Variable costs will change depending on the fleet's size, usage, and overall efficiency. The variable cost is the fuel, which we covered with the fuel cards, the maintenance service and repairs for which we suggested using cbCharge to get a handle on, and then tolls or other sorts of replacements as the vehicle is being used.

When you talk about operating a fleet, 26% of it goes to fuel, 38% to depreciation, and maintenance encompasses 10% of total costs. From there, it breaks down into smaller pieces: management fees, taxes, licenses, insurance, interest, etc. The median maintenance cost for somebody operating a vehicle is $2,600 annually.

That's the maintenance and servicing end of things for a vehicle. The other side of it that we talked about is the fuel cost. What we see in annual fuel cost depends on the asset, but they're spending about $5,700 a year on fuel.

Now that we understand what the total cost of ownership looks like and what we're measuring, we can dive deeper into calculating your cost per mile, also known as CPM. It's the most important number that a fleet operator or manager should be focused on because it's the average cost per mile to operate the vehicle. Understanding the company's cost per mile is an important tool. It will help you make better business decisions in several different areas. Once we talk about the cost per mile, we can get into how it's calculated and then talk about what decisions you can make that affect that.

Better or Worse

The cost per mile equation is your cost divided by your mileage. For example, we discussed average repair costs were $2,600 a year. If we divide that cost by an average of 20,000 miles, that will put you at 13 cents per mile to operate that vehicle a year. That would be as far as services, and then you can combine the fuel and the repair. These are the variable costs associated with it. You can split this up in several different ways, but getting your head wrapped around these variable costs and what it costs to operate in general will go a long way to understanding whether you're making money or not making money within that business.

Work Your Way Backwards

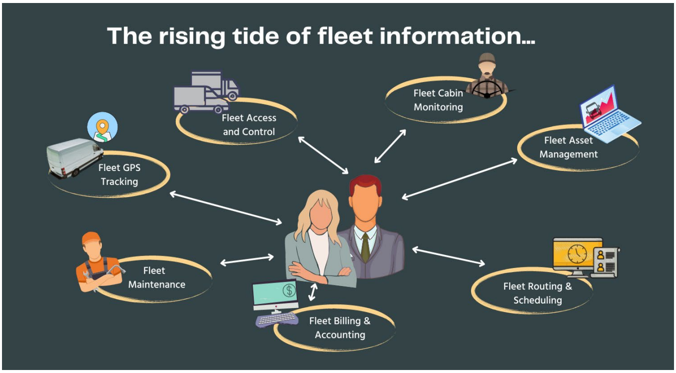
Now you can retrofit it. You look to see what all the costs are. Once you get that figured out, you know what you need to make every quarter, every month, every week, and every day.

A Client Success Story

We need to talk a little bit about telematics because that's how we track mileage, and maybe we need to unpack mileage a little bit, too. We talked about how to track the cost associated with fuel cards and cbCharge. The other part of the equation is the mileage. You need to be able to track the mileage. Otherwise, you can't do the math on that equation. Telematics is a very big piece of that.

There are many ways people solve the telematics on vehicles nowadays. You can have an OBD2 plugin device. They also have hardwired devices remotely located on a vehicle, so they can't be tampered with, that will track the mileage. There's also camera equipment that can be involved with telematics. That will be your primary information source for collecting your miles traveled, outside of manually tracking it, which is too hard for everybody to do. It's so very important to have a telematics program that works. It also removes human error.

We all hope our employees are on top of things. When we get into telematics, there are several different providers out there, and they all do a lot of the same things. There's very little differentiation amongst the various products out there.



We talked about driving habits. Once we plug into the vehicle's OBD2 connector, they capture the live data stream that the vehicle operates on. We can see who's a good, safe driver. We can see where the problem areas are. We can geolocate these vehicles. We get start/stop reports coming out of telematics. We can find out where people are spending their time, whether they're lingering somewhere they shouldn't be, if they're on the job longer than they reported to be on the job, or if they were not on the job when they reported being on the job. Telematics goes a long way to solve a host of those problems and also gathers the data we need to calculate CPM.

A Red Flag to Watch For

The biggest thing to start with is a good baseline assessment of your location. The best way to do that would be to take a rolling 12-month period and start calculating expenses, and then see what areas you can improve upon to start driving that number lower. You can't look over one month on its own. You need to have it averaged out over 12 months and calculate how many miles you drove your entire fleet for those 12 months and the total costs to operate that fleet within that period. You can figure out your cost per mile based on that.

Chapter Four

Hedging Against Major Repairs

The number one way to hedge against major repairs is to have a good driver inspection program coupled with a comprehensive preventative maintenance program.

When we talk about driver inspections, we want to see them done as frequently as the fleet requires. We don’t want to have this get in the way of productivity, but at the same time, it has to be frequent enough that it catches problems before they happen.

A good driver inspection will be a full walk around the vehicle, checking all its major components, doing an under-hood survey, checking fluid levels, and then documenting. Ideally, this is all done electronically. That also lends itself to picture taking so that we can have a documented paper trail of the vehicle's condition and what the problem areas look like that the drivers are calling out.

We have a visual inspection reported, not the driver making a note. There's an accompanying picture to go with that. Again, we are removing human error with our processes for managing fleets every step along the way. Part of our superpower is taking out the chance for human error. No matter how much your drivers mean well, they write a little note that gets stuck to the bottom of their shoes when they get out to eat.

The other thing with the checklist is that it's done intentionally. They may be checking boxes just to get the checklist done so they can get out there. An electronic system won't let them finish the checklist before they have looked at everything and leave it incomplete.

Daily and Weekly Driver Inspections

The inspection should also be available should something come up. Say a driver did their weekly or daily driver's inspection, whatever the frequency is for that business. Should they be driving down the road when the check engine light comes on, or they start hearing a noise, they can instantly pull out an inspection form and start to report this as an issue to get tracked and have it serviced before it leads to a much more major breakdown or expensive repair.

Making It Personal

We like to look at the inspections on a personalized level. Someone with a fleet that's hauling a tonnage versus somebody with a fleet that delivers lab results would have different things they'd be looking for. Don't get me wrong. A vehicle's operation is operation, but different use cases will dictate how often they're looked at and what exactly is looked at.

Hedging Against Major Repairs

One way to help with preventative maintenance and hedging against major repairs is to partner up with Valvoline. That provides us with a solution called Valvoline Professional Services, which carries a warranty with it. All the necessary fluids, the coolant, transmission, power steering, brake fluid, and fuel system, have different services. Valvoline believes so much in its product that it will warranty against major critical breakdowns of those components if those services are done properly.

The first thing we go to, for example, is the transmission. If you have a transmission serviced with their VPs transmission service on or before 50,000 miles, you'll get $4,000 in warranty coverage for that transmission should it fail. If you have a vehicle serviced before 50,000 and then every 30,000 after that, you'll maintain a $4,000 warranty should that transmission fail. That's very, very good insurance.

They can do that because preventative maintenance works. If you're putting new fluid in there, you're putting their cleaning and conditioning products in there. They believe so much in their product that they will guarantee it with that $4,000 warranty. They've paid out claims, and we've had several situations where they have paid stuff out, not so much with the major component of the transmission.

That's always the big, scary unknown that is a big expense for a fleet operator. We discussed transmission first, but the more practical one is the cooling system. Many components are associated with the fuel or the cooling system. You have a radiator. You have a thermostat. You have a water pump and hoses. There's a whole host of things that go into a cooling system on a vehicle. We've had several vehicles where the thermostat or the water pump will go bad, and Valvoline comes in and pays that repair bill for that customer.

Managing a Fleet as an Afterthought

When the person managing the fleet has several other responsibilities, and the fleet management goes to the back burner, you get into trouble.

Neglecting simple things like driver inspections, picking up low or dirty oil conditions, low transmission fluid, or an empty coolant container can all lead to catastrophic failures within major components like an engine or the transmission.

I've seen this in several fleets out there. They go miles and miles between oil changes, and the next thing you know, a vehicle doesn't have any oil in it, and the engine seizes. Now you're talking a five, 10, $15,000 repair bill for an engine replacement versus the $80 oil change they could have done. It can turn into a nightmare quickly.

When you're actively managing your fleet, have the right tools, track your cost per mile, and actively stay in front of everything, you have a much easier life as far as fleets go. You don't come into the dramas with 911 calls or somebody's vehicle broken down on the side of the road. Everything is pre-planned and happens according to a scheduled service, and it doesn't interrupt or disrupt your business.

The crazy thing is you can have management that is so far back on the back burner that their management means scheduling oil changes and ensuring the trucks get washed weekly. That would be all the management's responsibility.

My Concern for You

My major concern is that when the fleet isn't actively managed properly, it'll lead to chaos in the business and your life. It's going to disrupt your business. It's going to disrupt your employees. It will lead to major expenses and loss of income, which is a double whammy. When you blow an engine, you're paying an employee to sit on the side of the road waiting for a tow truck, and he has to get towed back to the shop and get a ride back to the store and try to get out in another piece of equipment. There's lost time and revenue on top of major expenses, and it's a bad spot to be in when managing a fleet.

Chapter Five

Income per Vehicle

Now that we've covered all the costs associated with the vehicle, you need to grasp what your income is per vehicle. What does that vehicle generate for you in income daily, weekly, or monthly? When you understand that you can put that against your cost to operate the vehicle, labor, and materials cost, you can dive into the numbers and know what you're making in real time. This goes back to managing the business for efficiency and cash flow.

It goes back to the income we talked about in the last chapter. Say the truck on the road is worth $5,000 a day in income, and the truck breaks down and ends up in the shop. The driver misses half or the whole day. That's $5,000 plus whatever the repair bill was for that day. Understanding income by vehicle is a very important metric.

I guess we could get into how you would figure out what your income by vehicle would be. That would be dividing your total income by your number of vehicles, which would give you that metric. You can easily solve that and understand your revenue opportunities with those vehicles.

Missing Revenue Opportunities

If a fleet manager doesn't know about vehicle revenue opportunities, it's very easy to see it fall by the wayside. If they don't quite understand, they get busy trying to take care of little things or not fully optimizing the revenue opportunity with each vehicle by setting a KPI goal for what your income revenue targets are for the vehicle. It falls by the wayside very quickly.

Set Up Revenue Goals

It will be all over the map, depending on the industry. Every industry has different revenue sizes associated with fleets, but you work backward. You need to figure out what the capacity of the business is.

This is the tool you’re going to use to measure growth because, as we talked about growing the fleet to match the business, this is the number you want to key in on. If your goal is $5,000 a day in revenue per vehicle, and you do the math and run that $7,000 or $8000 a day in revenue, maybe it’s time for another vehicle. That’s your opportunity to pull the trigger and add vehicles to the fleet to help expand your revenue. Conversely, where is the shortfall with that if you're running below target? Why isn’t that vehicle producing more? Maybe it’s time to downsize the fleet to bring your expenses into line to match the income that you’re making.

Also, we want to go back to earlier chapters when we discussed the OBD. Maybe the drivers are not at the job when they were supposed to be, stopping off at their house or making multiple trips to get parts.

Chapter Six

Vehicle Acquisition

Vehicle acquisition is a huge point of operating a fleet. The first thing you want to do is make sure that you are in the manufacturer fleet purchase plans to take advantage of all the benefits. All the manufacturers, for the most part, except some like Honda, typically all have fleet purchase plans. You have to meet certain qualifications to get a fleet number. Still, once you get that number, it'll open up several opportunities for reduced pricing, better financing, etc.

Buying vs. Leasing

Depending on how you operate your business, you should talk to your accountant and strategize the best way to operate your fleet. If you do traditional leasing, you expense everything as you go with your payments.

One of the good things is that it can spread out cash flow. As you make those regular payments monthly, it’s very predictable. You expense it as you go versus buying where you would put the asset on your balance sheet and then depreciate it.

There are certain instances in which your accountant will want you to do that. If you have a very good year, a good accountant might have you go out and buy a few vehicles to qualify for the tax deduction. They can depreciate those vehicle purchases and dispose of some of that taxable income. That’s a discussion for you to have with your accountant, but those are some strategies you can run around buying versus leasing the vehicles in your fleet.

Paying Cash

If you have the cash, it helps as far as pricing goes. The more vehicles you buy, the more savings you’ll see.

Key Points to Remember

When you work with a partner like me or a fleet manager, typically, they will get involved in negotiating these deals for you, helping you acquire the vehicles, and helping you get them outfitted. They'll also help get the fleet numbers you want in place so that you can take advantage of the different fleet programs that the manufacturers have. That's the biggest thing that we have to offer with vehicle acquisition.

Chapter Seven
Risk Mitigation

In-House or Outsourcing

The number one thing with operating a fleet is mitigating your risk. All it takes is one accident with a bus full of children to destroy a business quickly. When you're looking at mitigating your risk, you're taking care of your preventive maintenance and safety checks and keeping your inspections complete and up to date.

One of the biggest things we see is that sometimes people, especially businesses that are new or starting out or at a smaller level, try to do their maintenance and repairs in-house versus having a repair shop or somebody else do it. The struggle is that when that accident occurs, they will go back and tear that vehicle apart. They're going to go through all the service records on that vehicle, and if you have a non-qualified person doing the repairs, it doesn't shift the burden. It keeps it all on the business.

If they're doing the repairs in-house, that ultimately ends up on the business. If you outsource repairs to a reputable repair shop, you want to ensure that that repair shop has adequate insurance coverage. They typically will get you a certificate of insurance with your fleet listed as an additional insured. That's the best way to mitigate the risk. That way, should a vehicle get into an accident, there should be a paper trail of all those invoices and insurance enforced on that repair shop to pay for any damages associated with their neglect. It helps to spread the risk across multiple parties versus putting it all on the business you're trying to operate.

Stepping over Dollars to Get to Pennies

Typically, smaller operators think that they're saving 50 bucks on a brake job if they do it in-house when, in reality, they're opening Pandora's Box for one of these nightmare scenarios.

It's like insurance when we're talking about risk mitigation. Unless you face that scenario, you don't know what you're saving, but the biggest thing is the peace of mind of knowing that you have the awareness when you're operating your vehicles.

You go from one to two to three vehicles and say that they're all doing anywhere from 10 to 20,000 miles a year. You're suddenly going from 20,000 miles of exposure to 60,000 miles of exposure, and then you double that again, and now you're up to 120,000 miles of exposure. Every little step of growth leads to a much greater chance of a nightmare scenario.

As risk increases, shift the burden by ensuring the vehicle is serviced properly with a reputable repair shop vendor that has full insurance and can provide the details and add you as an additional insured on that policy.

Driver Risk Mitigation

Going back to telematics, they typically have driver report cards you can produce with their reporting. They'll give you harsh driving reports, where you can see who's driving aggressively and who's overusing the brakes. This not only applies to the risk management piece of the puzzle, but it also comes to the wear and tear on the vehicle. You'll find that the person who's driving more aggressively will consume more gas, will burn through brakes more quickly, and you'll have increased operating costs or increased cost per mile on those types of drivers.

You can create these reports, sit down, review them with the driver, and help make a plan for them to get on a better driving track. The other thing that you want to be doing is constantly running driver history abstracts. I see this a lot with fleets. They'll hire somebody, and the day they hire them, they'll pull his driver's abstract and never pull another one again.

Meanwhile, they don't know that maybe the guy was involved in a fatal accident. Anybody involved in a fatal accident has a higher propensity to have another accident after that. Suppose you're not pulling these driver abstracts to see who's getting speeding tickets, getting a DWI, or getting into other traffic accidents or violations. In that case, it could quickly become a threat to your operation or your fleet.

Something else you can do is go through safety training with the drivers, especially in today’s day and age with cell phones. Who’s looking at cell phones instead of driving like they’re supposed to be? There are good safety programs out there. Typically, suppose you’re operating a fleet and have commercial insurance on the fleet. In that case, the insurance company will give you discounts showing that you put your drivers through a safety training program.

Accompanying that would be accident reporting. Should you have an accident with the vehicle, you want to make sure that the vehicle's driver is trained on how to capture all the details of that accident when it happens. That is a very important component of managing a successful fleet.

Drivers need to know how to act and respond, ensure all the information is collected at the scene, take pictures, and mirror or collect their report, or the insurance company can help them fix that situation.

Safety Compliance

Regarding safety compliance with state and federal regulations, you want to ensure that you're operating the vehicles within the guidance of those agencies to which you are subject. Several different regulatory bodies are out there, whether it's a state emissions inspection or a DOT safety inspection. You want to ensure that you comply with them all because, whether in a roadside traffic stop or in an accident scenario, you want to ensure that everything complies. Otherwise, they'll come down on you even harder as far as the penalties go.

Something to STOP Doing Immediately

Stop trying to save money and being foolish by cutting corners with maintenance and safety issues.

Chapter Eight
Here's How We Can Help You

In the first meeting, we will get together and do a fact-finding session. We'll get a handle on your fleet, size, and operating equipment. Typically, if it's available, we like to sample the fleet by doing visual inspections on them and getting a baseline assessment of where you're at and your maintenance and life journey in the fleet.

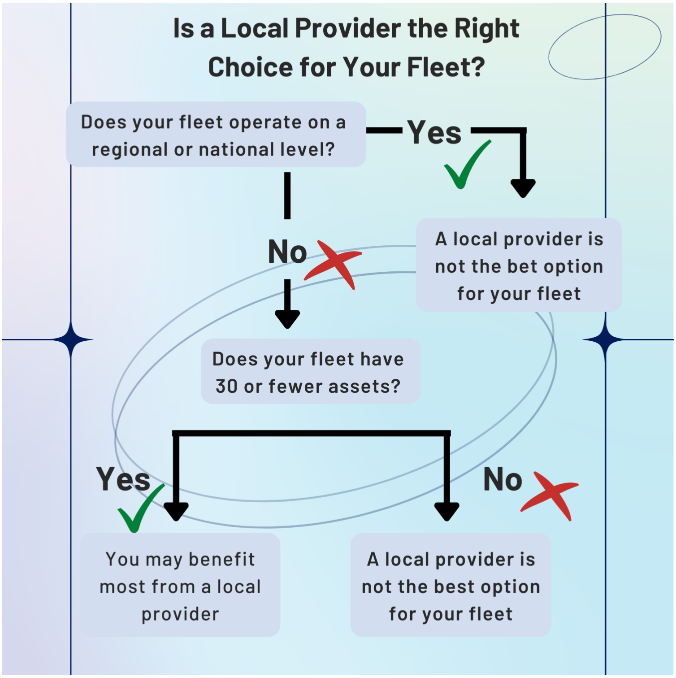
My Hope for You

I hope that you can either implement a fleet management program internally or find a good partner to work with to dial in your expenses and grow the business even more and live life uninterrupted.

To contact us directly, go to our website, freefleetbook.com, and fill out a form there.

You can schedule a meeting with me there. I'll have a link to my calendar available.

Chapter Nine
Case Studies



DeBoer’s Fractional Fleet Management Program Case Study – Company A

- Fleet Management: How DeBoer's fractional fleet management program can save your business money
  - DeBoer’s Fractional Fleet Management Program Proves Cost Effective for Trade Company Operating Small Fleet
- **Overview**
  - DeBoer’s Auto understands the challenges faced by trade companies with small to medium-sized fleets of vehicles, typically 35-100, that need to be managed. It is often not practical or cost-effective for those who provide residential and commercial on-site services to handle their own full-time fleet management internally or to contract with a big-name, regional, or national fleet management firm. Now, there’s a turnkey solution—DeBoer’s Fractional Fleet Management—a family-owned, New Jersey-based

program with a national arm. DeBoer's effectively manages from afar, using state-of-the-art software, and outsources maintenance through its nationwide network of trusted vendors. Decades of local automotive service by an expert team prove effective in the fleet management arena, reducing overall cost.

- **In Brief**
  - **Challenges**
    - Time Consuming
    - Inconvenient
    - Expensive
  - **Solutions**
    - Single point of contact
    - State-of-the-art technology
    - Money-saving management
  - **Benefits**
    - 24/7 Access
    - Reduced Risk
    - Lower Cost
- **Fleet Management Challenges**
  Fleet management is a challenging necessity, and there's a lot a stake when

a smaller-than-enterprise-level company tries to handle it on its own. In-house fleet management is time consuming, inconvenient, and costly.

- **Time Consuming** – Any business fleet will experience occasions of unexpected breakdowns and accidents, which will require fielding calls from drivers, arranging for a tow of vehicles, and making decisions regarding repairs. Following, of course, will be a variety of incoming invoices. Sometimes, unforeseen events occur on weekends, holidays, or outside of usual business hours, when a company's staff might not be available.
- **Inconvenient** – A fleet manager must be versed in complying with regulatory standards, keeping up with maintenance schedules, and knowing when it's time to replace a vehicle rather than repair it. For trade companies attempting to handle all these aspects in-house, it's not only

inconvenient but also could result in business downtime, legal noncompliance, and customer service issues, all of which point toward lost revenue.

  - **Costly** – A business owner with a fleet but without a management company to oversee it is often reactive when it comes to vehicle repairs and replacements rather than proactive about vehicle maintenance beforehand to prevent breakdowns. Expensive, unnecessary replacement of major parts or entire vehicles leads to profit hits.

- **Turnkey Solutions**
  DeBoer's Fractional Fleet Management Program is a wise and affordable intermediate solution for trade companies with small to medium-sized fleets.

  - **Single point of contact** – DeBoer's Fractional Fleet Management Program serves as an intermediary, with round-the-clock accident and breakdown response that includes fielding calls from drivers. Aside from the unexpected, DeBoer's handles the fleet's full maintenance process from afar, including keeping track of warranties, recalls, and service intervals, then arranging for necessary appointments with trusted automotive vendors nationwide. And with DeBoer's Corporate Billing Program, there is no need for a company to waste time keeping track of the fleet's incoming invoices; DeBoer's is the point of contact for direct electronic payments to be made to its vendors.

- **State-of-the-art technology** – DeBoer's Fractional Fleet Management Program utilizes the power of telematics to implement driver inspections on electronic devices such as phones and tablets. A software product links to company fuel cards and GPS trackers, which will be installed if not already existing, for tracking mileage, fuel consumption, and maintenance costs.

DeBoer's then uses analytics to interpret the collected vehicle information and reports all to a customized dashboard. It's a convenient way for company owners and managers to access fleet data for any given time span.

- **Money-saving management** – DeBoer's Fractional Fleet Management Program includes keeping track of each vehicle's maintenance schedule, warranty benefits, and recall notifications. Proper maintenance leads to a reduction in replacement, a money-saving strategy. DeBoer's program also includes management that can lead to overall incident prevention as relates to DOT stops and compliance issues—whether they concern emissions standards, driver licensing, vehicle registration, or title certification – all of which can lead to unnecessary expenditures.

- **Broad Benefits**
  For companies with small to medium-sized fleets, partnering with DeBoer's Fractional Fleet Management Program can reap benefits that, until now, only the 'big guys' had the privilege to enjoy.
    - **24/7 Access** – With DeBoer's Fractional Fleet Management Program, there's no need to hire or assign an employee to track and manage vehicles. Experience the freedom to focus instead on growth, expansion, and strategic initiatives. Drivers gain access to 24/7 response during emergency breakdowns and unexpected accidents with one call. Enjoy peace of mind, knowing that automotive experts are monitoring drivers, tracking data, handling compliance, addressing recalls, approving repairs, and consolidating billing to save companies valuable time.

- **Reduced Risk** – Partnering with DeBoer's Fractional Fleet Management Program can help protect fleet investment by reducing ordinary risk. Long-term maintenance of a vehicle within a fleet improves performance and extends its life by four years, thereby reducing the risk of annual replacement by 50%. Proper maintenance and recall awareness leads to increased vehicle safety and reduced risk of an accident. Proper maintenance and tracking can reduce DOT stops, thereby reducing the risk of compliance issues. DeBoer's program mitigates all these risks.
- **Lower Cost** – Trusting the management of a small to medium-sized fleet to DeBoer's can lower a company's overall fleet operating cost in several ways. Properly maintained vehicles consume less fuel, have less need for replacement parts, and have extended turnover times. Consider that the average cost

of a new fleet vehicle is $40,000. Maintaining that vehicle to 100K miles costs, on average, $11,000. That's a total cost of $51,000, or approximately 51¢ per mile. This is the point at which many companies that are not utilizing the services of a management program like DeBoer's chooses to replace a fleet vehicle. However, maintaining that same new vehicle to 250K miles would cost approximately $30,000, lowering the cost to 28¢ per mile. Factoring in the $40,000 saved from not having to purchase a new vehicle during that time reduces the cost to 12¢ per mile.

- **Success Story**
  In 2022, Company A completed its first year with DeBoer's Fractional Fleet Management Program, overseeing their 35-vehicle fleet that had traveled 621,000 miles in 2021.
    - In the year prior to partnering with DeBoer's, Company A spent $316,710 to maintain its fleet, a cost of 51¢ per mile.

- Company A had hired a full-time employee to internally manage their fleet, costing them $25,000, including salary, training, and benefits package.
- The overwhelming responsibility of managing Company A's fleet resulted in the employee's departure from the company, again leaving the fleet management responsibilities to fall back on the shoulders of Company A's general manager, distracting him from full attention to daily in-house operations.
- Although the general manager is an expert in his field, he is not familiar with the varying maintenance schedule that each type of vehicle should be on, the emissions standards that need to be maintained according to state regulations, and the manual filing system that Company A had set up years ago to track the renewals of drivers' licensure and vehicles' registrations.

- Company A had suspected that the higher-than-usual fuel consumption in 2021 was due to drivers' misuse and mishandling of corporate gas cards. But unfortunately, there was no system in place at that time to track the metrics.
- Enter DeBoer's Fractional Fleet Management Program.
- In their first year of partnership with the program, Company A saw the following:
  - 52% reduction in fleet management cost
  - $40,000 reduction in vehicle replacement cost
  - 8% reduction in the number of miles driven, reducing overall fuel consumption
  - 81% reduction in overall cost per mile to 10¢
- Company A further reported a YOY increase in sales of 30%, which they attributed to these factors:

        - Technician downtime had decreased, as DeBoer's program included the use of free loaner vehicles during instances of fleet vehicle repair.
        - Time saved by their dispatcher, owner, and support staff had increased, as they were not embroiled in the details of fleet vehicle repair and maintenance that DeBoer's now handles, leaving personnel to tend to their own business and customer satisfaction.
    - Utilizing DeBoer's Fractional Fleet Management Program, Company A's annual cost savings amounts to $206,927. They gladly renewed their contract!

- **Drive with DeBoer's**
    - Don't leave your fleet to fate. Leverage the four-decade success of DeBoer's Auto by utilizing their Fractional Fleet Management Program.

- Call (973) 827-4047

- **Fleet Management Leaders**
  - DeBoer's Auto is a family-owned, generational business headquartered in Sussex County, NJ
  - 40+ years' stellar reputation locally **servicing** all makes and models of cars, trucks, minivans, and full-size vans
  - 25+ years as a vendor **maintaining** vehicles for more than a dozen major fleet providers, including LeasePlan and Enterprise
  - 11 months **managing** a high-profile, nationwide fleet

  - Bill DeBoer, Sr. – Founder and President
    - retired while continuing to oversee

  - Bill DeBoer, Jr. – Co-owner, VP, General Manager
    - more than two decades of experience

    - innovator in the daily operations of the family's full-service, high-tech auto repair facility
- Tina Ormond – Store Manager
    - ASE-Certified Service Consultant
    - nearly a decade of experience in the automotive industry
- Josh Kays – Technician
    - ASE-Certified Professional Technician
    - nearly two decades of experience in automotive repairs
    - researcher of current trends in automobile industry technology

Keep a Cool Quarter of a Million, or Give It Away

You would think that was self-evident, but usually, companies are unintentionally giving it away.

If you're like most of our clients, you have enough worries on your plate to ensure everything in the business is running smoothly. You don't have the bandwidth to take on another project, especially one this large, that has the probability of costing the company thousands of dollars in repairs, overages, and gas. The list goes on.

Recently, we helped a company drive their cost from 48 cents per mile down to 36 cents per mile by showing them how they could run their vehicles longer for more mileage and reduce their total investment in that vehicle, thereby lowering the cost per mile. They were replacing their vehicles every 100,000 miles. We showed them how much they could save by extending the mileage to double and triple, reaching a cool quarter of a million dollars. That's where we come in. We help businesses like yours run more smoothly with fewer breakdowns, less downtime, and more profit in your pocket at the end of the year.

To learn more about the ideas discussed in this book:

Step 1: Download your "Cost Per Mile Worksheet" to see how well you track your systems compared to our clients' cost-per-mile average savings. **www.freefleetbook.com**

Step 2: Download your "10-Point Pre-Drive Checklist" to ensure your drivers don't miss calls because their vehicle is broken down. **www.freefleetbook.com**

Step 3: Book a Discovery Call with Bill to schedule a 15-point audit to evaluate your existing opportunities in your fleet and where you have room to increase profitability.
Call: **973-302-3630** or contact: **fleets@deboersauto.com**

“I look forward to helping your fleet management problems be a thing of the past and helping you drive more profits into your pockets.” Bill DeBoer

Keep a cool quarter of a million? Or give it away...

You'd think that was self-evident, but usually companies are unintentionally giving it away.

If you're like most of our clients you've got enough worries on your plate when it comes to making sure everything in the business is running smoothly you really don't have the bandwidth to take on another project especially one this large-- that has the probability-- of costing the company thousands of dollars in repairs, overages, gas... the list goes on.

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