Fleet Management Essentials

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Fleet is one of the top expenses for landscape companies, but that doesn't mean companies always treat it like a main expense. Most contractors view fleet management in a reactive state, which can result in higher costs for the company. For example, thinking "I'll drive it 'til the wheels fall off!" is not a good method for managing a profitable fleet.

Some companies have "one-size-fits-all" approaches to managing their fleets. But this can lack the strategy needed to achieve goals and make the company successful. Optimally, a landscape contractor should be thinking proactively when making choices for his or her fleet to be sure their program focuses on corporate goals while also being aware of depreciation and other fleet-impacting factors. Being flexible gives the contractor the ability to tailor each vehicle to fit the company's needs.

In order to properly and successfully manage a company's fleet, landscape contractors need to work on their businesses, not necessarily in them. A landscape contractor's main goal needs to be lowering operating costs because that is what will help his or her business grow and succeed.

By being proactive, a landscape contractor must look often at important information regarding the company's fleet and overall goals as much as possible and make adjustments as necessary. Knowing what the cost per mile is and what it should be allows him or her to make changes. This advice comes from the **National Association of Landscape Professional**'s (NALP) recent webinar, "Grow Your Business and Lower Operating Costs Using Your Fleet," presented by Jon Burke with **Mike Albert Fleet Solutions**.

Fleet incentives and discounts

Don't overlook fleet incentives, especially with large manufactures like Ford, Chevy and Chrysler, Burke says.

The typical requirement to qualify is to have at least 15 vehicles in the company’s fleet, he explains. The 15 vehicles can be a mixture of trucks, semis, cars, etc. Or, if the company is smaller in size, the fleet could have five vehicles, but they must all be of the same make within the same model year. There are also other commercial and small business discounts to aware of, such as those from associations like NALP.

Leasing in landscaping

Most landscapers have a negative perception of leasing resulting from the monthly rent and damage/mileage charges associated with retail leasing. Instead of removing leasing as an option, they should consider commercial leasing, Burke says. Commercial leasing is similar to the financing option of paying toward ownership of the vehicle. Through each month’s payment, the landscape contractor is paying down the vehicle’s depreciation. Commercial leases tend to be more flexible than retail leases and they do not include damage or mileage charges at the end of the lease.

Evaluate all costs

When looking to purchase any vehicle for a fleet, focus on the total cost of ownership instead of solely on the upfront purchase price of a vehicle, Burke says. A vehicle that costs less to buy might cost more to operate and, therefore, might not be the best option for the company. Along with acquisition cost, other prices need to be factored in to a fleet’s overall cost.

Be aware of how fleet management can grow a business. Look at different ways to invest, such as a cash purchase, finance purchase or a commercial fleet program. And then be aware of the total initial cash to get your vehicle out on routes and working for the crews.

The following are some of the hidden, variable and soft costs to factor into vehicle purchasing decisions, Burke says: maintenance, repairs, downtime, opportunity cost, fees and expenses, fuel efficiency, administration and resources, license and title, insurance, expense tracking, record keeping, depreciation, residual risk and resale value.

Fleet refresher

Contractors need to ask themselves, “When is the right time to cycle my fleet?” The optimal point to sell a vehicle is before the depreciation meets the costs, Burke explains. Ideally, it is best to get rid of a vehicle before spending more on it in maintenance or other costs than what it is worth. The goal when cycling a fleet is to minimize cash outflow. Anticipate the maintenance at each stepping-stone of mileage to prepare for what’s to come.

Also, be sure to look at the fuel and overall expenses of older vehicles, which may or may not be completely paid off. Even with low mileage, it still might be useful to sell a vehicle on a fleet because the resale value is higher than the cost of maintaining it, and, therefore, it would be better to invest in a new purchase with better efficiency and fuel economy. This might only make sense for some vehicles on a fleet.

The main cycle strategy and goal is to aim to pay for what is used in the fleet, avoid having a vehicle break down and know when to sell each vehicle at best value.

Fleet marketing

Owners can also use their fleets to continue to brand and market their companies in order to gain more customers, Burke points out. “It is important for contractors to always evaluate where their advertising dollars are getting the most impact,” he says. “Vehicle wraps turn company vehicles into rolling billboards, which can reach clients and potential clients while simply being parked.”

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