

# How to choose the right fleet management provider

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The local fleet management industry, when measured against global standards, can justifiably be seen as being among the best. It is thus difficult to explain why local fleet owners do not make more use of professional fleet management services.



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In the past decade, the industry has seen a considerable increase in knowledge and skill levels. An increase in sophisticated telemetry and the improvement in information management were the most important contributing factors. This helped our industry stay in tune with international fleet management, which is particularly pleasing.

We probably have a lack of trust here in the ability of service providers. This apparent lack of trust may have a number of possible causes.

## 1. Perception around outsourcing

Fleet owners have the perception that they can achieve the same benefits as professional fleet management companies can offer. In the majority of cases, this is, unfortunately, a myth. The principal of economies of scale is as old as the mountains and is a proven form of optimising costs.

The professional service providers in this industry often manage fleets in excess of 20,000 vehicles. It should, therefore, be logical that the buying power of these service providers will be more powerful than that of an individual fleet owner with, for example, 500 vehicles.

Professional service providers not only provide economies of scale, but also structure, pro-active planning and discipline. It is therefore superficial to measure the value of fleet management by only comparing relative buying costs. Consider the complete value chain to see the full extent of fleet management in context.

## 2. Confusion as to what fleet management is

There is a whole legion of companies who refer to their services as so-called “fleet management”. The owner of a workshop in Johannesburg cannot possibly claim to be delivering comprehensive fleet management services as much as a telemetry provider in isolation cannot claim it either. Yet these services are advertised as such and this adds to the wrong perceptions about what fleet management actually entails.



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The maintenance management and telemetry of a fleet are merely components of fleet management which in isolation cannot offer the same advantages as the holistic approach of professional fleet management. Complete fleet management should, in fact, be an example of where the whole is more than the sum of the parts.

An effective approach to fleet management should include at least the following services:

- Vehicle selection
- Purchase management
- Maintenance (including service and tyres)
- Fuel management
- Utilisation management through telemetry
- Renewal of licences and the allocation of traffic fines
- An optimal replacement policy
- The remarketing of off-fleet vehicles

A professional fleet management service provider should manage each of these cost factors in order to unlock optimal value. Fleet owners also don't necessarily have the required skill and systems to do this effectively and thus lower the total costs of fleet operations. However, it is of critical importance that each vehicle is managed individually, with the aim of optimising the total cost of ownership of every vehicle. This should make it clear that fleet management has been fine-tuned to a level where it calls for a very complex and analytic approach.

### **3. The healthy balance between service levels and their costs**

There exists a perception that fleet management companies make a profit on the purchase price, of say, tyres at the expense of the fleet owners. It is indeed true that fleet management companies aim to be both professional and sustainable. If we examine the business model of a fleet management company it will be clear that none of these role players can afford to let fleet owners pay more than they already are doing. It doesn't make sense and yet it is still mentioned as a criticism and reason against the use of fleet management service providers.

### **4. Fleet owners whose maintenance costs are lower than those of fleet management companies**

Many fleet owners believe in managing their own maintenance facilities, and usually on site. In the majority of cases, there is a logical reason for this, for example in the case of a transport company with the need to maintain vehicle uptime. But when the primary reason is not the productivity of the fleet, but "costs" there is a very real likelihood that over time it will have the opposite effect on costs.

The allocation of overhead and labour costs becomes a challenge to accurately calculate the accurate cost per kilometre of the fleet. Amongst others, it may lead to the perception that fleet owners can maintain their fleet cheaper than fleet management companies.

To reduce fleet management simply to a matter of comparing "costs", is to negatively and unnecessarily affect the perception of effective fleet management. A holistic approach to fleet management, combined with the right fleet management partner, should without a doubt and too much trouble lead to considerable savings. A common aim is savings of 10-20%.

In conclusion, my advice to any fleet owner is to select a fleet management service provider based on experience and reputation, form a strong partnership with the service provider and ensure both partners enjoy the benefits of such a relationship where their interests and objectives are aligned.

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