



CARITAS Vehicle Management

A Conversation about ROI

In an effort to provide specific examples of how CARITAS' fleet management program generates measurable savings for clients, we would like to share a recent conversation we had with a prospective client on this very question. Below you will find specific questions posed by our client followed by our explanation and additional clarification around the value-added services we provide, which offers a closer look at how the projected savings will offset costs incurred.

Managed Maintenance:

Question: *"I understand that the Managed Maintenance fee is \$7.00 per car, per month. We have a 330 car fleet that is $330 \times \$7.00 = \$2,310/\text{Month}$ and $\$27,720$ annually. That is not an insignificant amount, how will this program justify the cost?"*

We discussed several issues in response to this question:

- The vehicles enrolled in our Managed Maintenance program have access to 70,000 repair facilities across the U.S., most of which are national service providers like Goodyear, Firestone, Midas, Sears, Pep Boys and a many others. These facilities are referred to as National Account Shops, and we have pre-negotiated price discounts that average 25% - 40% lower than their posted retail rates. If you take your average annual spend for vehicle maintenance and repairs (M&R), we project your annual savings to be approximately 30% of this figure. So, with 330 vehicles, if you take a conservative figure of \$400 per vehicle, per year, that equals \$132,000 in M&R, which will generate roughly **\$39,600 in annual savings.**
- Our Managed Maintenance program provides a "Cost Avoidance" process that's designed to screen for and prevent unnecessary maintenance and repairs. We have an ASE Certified Technician review vehicle history and audit every repair estimate prior to authorization to identify services that are not absolutely needed, and to eliminate the cost inflation that occurs from "upselling" on the service drive. Based on our clients with similar size fleets, we estimate that you will save **\$22,000 annually** in cost avoidance alone.



- Another key benefit that's more difficult to measure is the value derived from maintaining an accurate, up-to-date database of each vehicle's service history. When a driver is standing in the repair shop asking for approval for an expensive repair, you'll have instant access to records that eliminate guesswork, which helps you decide whether to replace or repair the vehicle. We generate reports to help you accurately forecast and create *vehicle replacement schedules*, which allow you to anticipate your needs further in advance and develop more accurate budgets for vehicle acquisition, maintenance, and disposal. While this is hard to quantify in terms of annual savings, I suppose the best question here is, what does it cost to not have this data available?

Use of a Fleet Fuel Card:

Question: *"If the fuel card cost is zero, why would I use a Fleet Fuel card, the drivers see this as an inconvenience?"*

The cost of the card is \$0, and you do receive cost saving and other benefits:

- All fuel purchases are tracked for each vehicle and the data with full reporting is available with a mouse click. You can customize reports based on your preferences.
- Electronic billing and centralized invoicing streamlines your accounting and budgeting processes.
- Each vehicle's odometer reading and actual fuel economy is tracked and recorded
- You will receive a modest discount of 1% on fuel purchases, which, for your fleet, generates an **annual cost savings of approximately \$3,000** based on current fuel prices and vehicles being driven an average of 12,000 miles per year.

Title and Registration Administration

Question: *"The fee for registration management is \$25 per vehicle per year, why would I have Caritas do this for me?"*

Tracking registrations and titles is a time-consuming process especially when you add the complexity of having vehicles located in multiple states. You can reduce risk and offload the



task of Vehicle Registration Management to our Fleet Administration team, and house the physical titles at our facility.

Vehicle Purchases:

Question: *“My drivers’ feel they get very good deals by negotiating with dealers on their own. How do I know that having you handle our purchases is actually better?”*

Having our Fleet Management team facilitate your Community’s vehicle acquisitions achieves the following:

- The overall strategy for managing your vehicles will focus on reducing the fleet’s total lifecycle cost. A vehicle’s purchase price is a major component of its lifecycle cost, and our job is to monitor the manufacturers’ pricing and incentive programs and provide recommendations based on comparative data. This translates into savings on a vehicle’s purchase price in two ways:
 - First, once your fleet is “optimized,” you will have *vehicle replacement schedules* allowing you to plan your purchases well in advance. This allows you to factory order vehicles and receive fleet pricing that ranges from \$2,000 to \$5,000 (sometimes more) lower than standard retail pricing. We have data to support this. If you take the low figure of \$2,000 x 30 vehicle purchases listed on your worksheet, **the annual savings would be \$60,000.**
 - Secondly, we monitor manufacturers’ promotional campaigns, which provide unique savings opportunities that are often unknown to retail auto dealers. For example, right now Nissan is offering special fleet incentives to Women Religious Communities. A nicely equipped Nissan Altima S model with an M.S.R.P. of \$23,400 can be purchased for \$18,400 using \$4,500 in fleet discounts. A Toyota Camry LE with a comparable M.S.R.P. has a fleet price of \$22,177. Both include the Caritas 3% fee. The Altima is on par with the Camry in fuel economy, safety, reliability, overall quality, and resale value. So let’s say you’re thinking about replacing just 10 mid-size units next year, and you were leaning toward purchasing Camrys. Our job is to point out this **\$50,000 savings opportunity** with Altimas so you are fully informed before a final decision is made.



- Here's an important point . . . many of our clients have maintained close, long-term working relationships with their local car dealers, and we appreciate how integral "relationship" is to your Community's culture. Fortunately, you can take advantage of Fleet Pricing and keep your local dealers involved in the process. When we order a car direct from the factory, we designate your local dealer as the "drop ship" location. The manufacturer compensates the dealership directly for mechanically inspecting, testing, and prepping the car for delivery. The dealership is also compensated to have a representative conduct a "courtesy delivery" for your driver. Additionally, drivers continue to have their vehicles serviced at the same dealerships during the warranty period. This turns out to be a win-win for your Community and the local dealerships.

Vehicle Disposal:

Question: *"We trade our vehicles now to lower the capital needed to purchase new all in one transaction, why would I have you sell vehicles separately from buying them?"*

In order to maximize savings on the purchase of new vehicles as well as the sale of old vehicles being cycled out of your fleet, we manage each transaction separately.

- With very few exceptions, vehicles are not traded-in to car dealers.
- We have experienced over time that utilizing national auction network results in higher sale prices (20% - 50%) and higher net returns to the Community. This makes sense when you consider that auctions bring together multiple buyers who engage in a Bidding process versus the trade-in process which asks one party what he or she is willing to pay for a car they didn't intend to buy.
- It is relevant to point out that in real terms a 20% - 50% higher sale price on vehicles worth less than \$1,000 yields a small gain that is offset by our fee and the auction fee. In these cases, the real value to your Community is in eliminating the time, hassle, and risk associated with selling very old cars that are most often not in good mechanical condition.

We hope this information is helpful in evaluating the benefits of partnering with a fleet management firm.