

Determining a

# Return on Investment

*What you can expect to gain when implementing an enterprise fleet operations management system.*



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A well-planned and effective preventive maintenance program should reduce unscheduled downtime repair costs by at least 25%.

\* This is a conservative estimate. Clients may see a greater or lower reduction amount depending on their current processes.

## Preventive vs. Reactive Maintenance

Believe it or not, there are organizations out there still using the *reactive* maintenance strategy, which simply means letting equipment run until it breaks. Why is it still common? It's not normally by choice, but it does require less oversight, less staff, and less planning. Organizations are able to "get by" but for the most part **they know they could be doing more** to improve the life of their equipment.

Research has shown that preventive maintenance can reduce costs and increase the life of equipment. To make it easier, a variety of fleet maintenance systems are available to help you efficiently schedule the maintenance to be done. Software varies from very simple (track oil changes and other simple services) to very comprehensive that allows you manage complex inspections, service groups, and other specific maintenance requirements.

Assuming that the right system will help reduce unscheduled downtime repair costs by at least 25%, let's take a look at some of the savings on the next page.



Let's assume an organization has the following fleet makeup:

- 200 light equipment units (anything from pickup trucks to skid steers)
- 200 heavy equipment units (garbage trucks, excavators, etc.)

While every situation is different, let's use a conservative estimate that there is typically 1 unit in the shop for unexpected downtime repairs for every 100 active units in the fleet. Let's assume that those unexpected repair costs are \$750 per day (parts and labor). Depending on the type of equipment and the repair needed, it could be less or more depending on the day but we'll use this amount for a measurement.

**Reactive Repair Costs Per Week = \$750 x 5(days) x 4(units down for a 400 unit fleet) = \$15,000**  
**\$15,000 x 52(weeks/year) = \$780,000 Unexpected Repair Costs Per Year**

By implementing the right fleet maintenance system for your organization, you can expect to see the following savings (using the example fleet of 400 units):

**\$780,000 Reactive Maintenance Costs Per Year x 25% reduction of downtime repair costs due to better preventive maintenance performance = \$195,000 in potential savings**

***“We cut costs in small equipment maintenance by 65% in the first 7 months and we have numbers like that throughout our fleet.”***

- **Shane Neal, Fleet & Warehouse Manager, Frazee Construction**  
*Collective Data fleet management software user*



Improving preventive maintenance performance is **just one** aspect that can provide a positive return on investment when you implement a fleet management system.

**Now that's something to be excited about.**



# Parts Management Improvements

The tracking of parts is always a hot issue in fleet operations. We hear on a daily basis about how it's not tracked nearly as efficiently as companies would like to. From managing proper stock levels, to re-ordering, to purchase orders, the whole process can be cumbersome to manage without some type of software system in place.

If done properly, the efficient management of parts can be a **huge opportunity** to save money. A comprehensive fleet management system will make everything related to managing parts much easier.

Here are a few ways you'll be able to achieve savings through better parts inventory management:

1. Capture warranty dollars
2. Inventory reduction
3. Core part returns



Integrating **barcodes** into your parts room will enhance the inventory management process. It goes hand-in-hand with saving money through more accurate counts, reduce data entry, and work order completion times.



## 1. Capture Warranty Dollars

A fleet management system will make claiming warranties (even small ones) an achievable goal. A good system should provide a notification to the user when parts that are about to be used on a work order are still under warranty. This gives the user the opportunity to go through the proper warranty claims procedures.

Maintaining warranty records on each and every part would be very difficult and time consuming without software, which makes warranty management a way to get a *quick and worthwhile* return on investment from new software.

### Warranty Savings Calculation

- Let's assume a total yearly spend on parts for a medium-sized fleet is \$500,000
- Let's assume that 3% of parts fail before the warranty period ends

$\$500,000 \times .03$  (claimable warranties) = **\$15,000 savings through improved warranty claims per year**

## 2. Inventory Reduction

Without proper tracking methods, it's easy to over-order unnecessary parts in an attempt to make sure there is always one on the shelf for use when it's needed. But with the help of fleet management software, you can streamline this process and only order when the time is right.

In a conservative estimate, fleet management software should help an organization reduce spare or obsolete parts purchases by **at least 10%** after implementation vs. manual methods.

### Inventory Reduction Savings Calculation

- Let's assume the fleet has a current parts inventory value of \$100,000
- An estimated 10% savings can be gained by selling off unused or obsolete parts

$\$100,000$  (current inventory value)  $\times$   $.10$  (reduced % of unused or obsolete parts ordered through the year) = **\$10,000 savings per year**

## 3. Core Part Returns

Core part returns are another commonly overlooked areas to save money. Many fleets are good about core part returns for more expensive parts such alternators, but when it comes to the smaller items it can sometimes be ignored and discarded.

A comprehensive fleet management system makes tracking all of the core part items quick and easy, while having the records to see if core part returns are actually being done according to company policy.

### Core Part Return Savings Calculation

- An estimated 5% savings in an annual parts budget can be achieved through improved core part returns

$\$100,000$  (current inventory value)  $\times$   $.05$  (% received from core part returns) = **\$5,000 savings per year**



# Labor Productivity Improvements



What would you do with more staff? With more efficient scheduling, employees will save time and they'll have extra hours to take on more work. For example, mechanics may be spending some time during their day looking through equipment repair history files to see when the last time a particular service was performed. Or, maybe it takes an admin staff member about a day to compile a monthly report using paper records and spreadsheets. Another example would be that mechanics are working overtime days that have too much work booked for completion.

A fleet management system should help reduce the time spent looking for information and help make scheduling more efficient. With that, you'll save money as a result of those labor productivity improvements. To calculate some estimated savings let's assume the following:

- **A 40-hour work week (2,000 hours/year/mechanic), and 10% savings on labor time due to improved scheduling.**
- **Reduced time entering and retrieving information, equipment history, prior work, etc.**
- **Administrative time is reduced by 5% due to improved workflow, less time managing paperwork, and reduced time managing monthly reports.**

Labor Productivity	Hours saved/ employee per year	Cost/Hr/Employee \$\$	Saved/employee per year \$\$	# of employees	TOTAL Saved per year \$\$
Improved mechanic staffing and reduced overtime	200	\$35	\$7,000	5	\$35,000
Improved mechanic efficiency	100	\$35	\$3,500	5	\$17,500
Reduced administrative time (including Fleet Manager)	100	\$40	\$4,000	3	\$12,000
				Total Saved =	<b>\$64,500</b>



# Calculating an ROI

The examples of savings seen in this document are **just a few** in a long list of opportunities to improve fleet operation productivity and control costs when you invest in a fleet management software system. Some other opportunities could include:

- **Better fuel tracking that helps identify fuel consumption variations to take action and reduce costs.**
- **Avoid penalties or fees by making it easier to manage DOT and OSHA information through proper inspection and certification tracking.**
- **By running a more efficient and well-maintained fleet, safety is improved that results in savings through the reduction of accidents and incidents.**

## What is ROI?

*A performance measure used to evaluate the efficiency of an investment or to compare the efficiency of a number of different investments.*

## The formula:

$ROI = \frac{\text{Gain from Investment} - \text{Cost of Investment}}{\text{Cost of Investment}}$

*Cost of Investment*

## To recap the savings from the *example fleet* used in this document:

(200 heavy and 200 light-duty units)

- A - \$195,000 through reduced unexpected repair costs
- B - \$15,000 through better warranty dollar claims
- C - \$10,000 through inventory reduction
- D - \$5,000 through more efficient core part returns
- E - \$35,000 through improved technician staffing and reduced overtime
- F - \$17,500 through improved technician efficiency
- G - \$12,000 through reduced administrative time

**Total Savings Annually: \$289,500**

$ROI = \frac{\$289,500 \text{ (The gain from the investment)} - \text{Cost of Investment}}{\text{Cost of Investment}}$



**Typical ROI range from a good fleet management system = 100%-1000%**  
(One year after full implementation and training)

**Note:** Fleet management software prices vary and depend on the options, ability to configure, number of users, and/or integrations. As a result, ROI will vary because the actual cost of the fleet management system is a component of the ROI formula. The important factor to consider is that the fleet management system is **the right fit** for the company to meet their needs. Some fleets will require a simpler system and some fleets have more complex needs and will have integrations involved. Other factors, such as how an organization *currently* manages their fleet could affect the initial return on investment they see. An example would be a medium-sized fleet that is currently managing everything with pen and paper vs. a fleet that has some type of preventive maintenance program already in place. Collective Data provides the estimated savings for the *example fleet* in this document with good faith and experience in the industry, but can not make any warranties of any kind on the information provided.



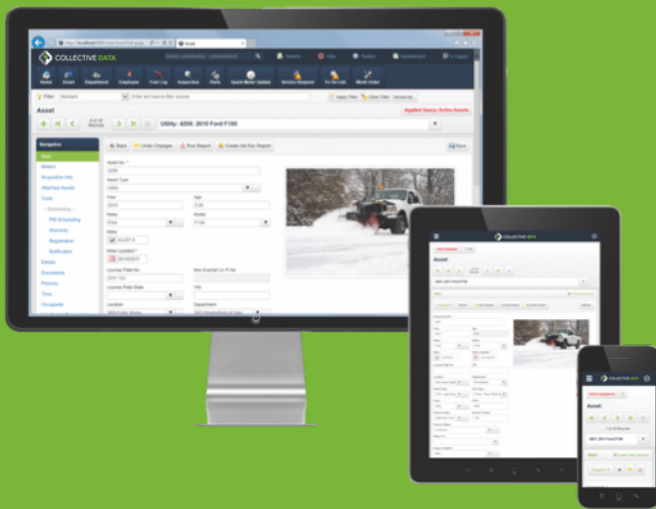


# *Now is the time to act.*

If your organization is currently working without a modern, comprehensive fleet management system in place you are losing money. Delaying the implementation of software now is **far more costly** in the long-term than the short-term costs of getting the system purchased and installed.

Whatever software you decide to go with, make sure it will meet your needs today and in the future. If the ability to configure the system to your needs is important, ask them how that process works.

## *Consider Collective Data software in your search.*



Collective Data offers a comprehensive fleet management system that supports thousands of users across multiple industries that include government, utilities, gas and oil, construction, medical, and transportation.

- Web-based access
- Configurable to unique needs
- Compatible on tablets and smart phones
- Host on your internal network or through Collective Data hosting services
- Easy to use
- Integrates with other systems

*Request a demo: [collectivedata.com/demo\\_request.html](http://collectivedata.com/demo_request.html)*

