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# Optimizing Fleet Life Cycle Strategies

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**Factors to consider when making  
buying & maintenance decisions**

by Brad Jacobs

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Maximizing uptime and reducing costs are fundamental drivers of construction fleet management decisions, but a firm's diverse range of equipment can make life cycle optimization challenging. An optimized life cycle strategy based on specific operational needs and an understanding of maintenance requirements, historical data analysis and potential resale value takes the guesswork out of the equation and saves money long term.

## Operational Needs

When equipment is central to job profit, it is important to calculate the breakeven between revenue generation and operating cost investment. If the upfront cost of the vehicle included expenses such as chassis customization or job-specific upfit, the tendency is to run that equipment longer to get the most from that investment. But there is a tipping point at which keeping those types of vehicles running becomes too costly in both maintenance requirements and loss of revenue due to downtime. The most effective way to develop a life cycle strategy for both customized and standard equipment is to evaluate fleet data and use predictive analytics that draws from both the firm's historical information and from industry figures. Preparing for the electronic logging mandate is another important consideration when evaluating your operational needs. The clock is ticking on the federal mandate requiring electronic logging devices (ELDs) to be in use by December.

## Long Versus Short Leasing Structures

Leasing assets help companies better manage cash flow with a constant cost structure that reduces large capital outflows. The question of which is better depends on vehicle application and utilization. Traditional, shorter-term leases provide more predictability in fleet operating costs and optimize vehicles for maximum resale value. They may also result in increased vehicle discounts and lower overall

acquisition costs, as firms replacing vehicles every few years

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are in a stronger position to get a good price when negotiating with manufacturers. On the flip side, squeezing each vehicle for its maximum useful life can lead to a lower cost of ownership due to the lack of lease payments after the vehicle has been amortized. This approach makes better economic sense with heavy-duty assets that have extensive upfit and a longer, useful work cycle. The trade-off is increased maintenance costs and lower fuel efficiency over time. Actual utilization and run rates can identify which cycle is optimal for which pieces of equipment.

## Maintenance Spend Impacts

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Focusing on predictive, preventative maintenance and preferred parts pricing is key to maximizing uptime and reducing life cycle costs. Reliability and durability are hallmarks of construction vehicles, but so are expensive repair costs that may take a long time to complete. For fleets operating on shorter cycles, maintenance management can be less of a burden, and downtime less of a concern. Those running on longer cycles benefit greatly from a data-driven approach to maintenance management. They also benefit from identifying the tipping point when increased maintenance costs and revenue lost from unavailable equipment negatively impacts the total cost of ownership.

## Getting the Most at Resale

Depreciation is typically the firm's largest fleet cost, which makes resale and depreciation management a critical factor in life cycle strategy. Because construction and utility vehicles are often highly specialized, it is usually worth working with a partner who has the expertise and volume base to get the most resale value. Timing can also have an impact. Reduction in fuel prices and increased demand has greatly improved the resale market for trucks overall, so they are holding their value longer.

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## Scorecards Tell the Story

Aggregating data and utilizing a fleet scorecard is a smart way to track the true cost of ownership and drive future decision-making processes. A knowledgeable partner, coupled with a fleet management system that can capture lease payments, maintenance costs, insurance outlays and fuel spend, as well as calculate actual cost per mile, is key to driving change. They can also support longer life cycles by providing maintenance alerts and flagging driver behavior that may impact vehicle efficiency and increase wear and tear.

There is no one-size-fits-all answer to deciding on a fleet life cycle strategy. Evaluating operations, and then combining that information with the organization's historical fleet and market data, will show how key factors impact your total cost of ownership and inform an optimal approach.

### ABOUT THE AUTHOR

Brad Jacobs is director of strategic consulting at Merchants Fleet Management. He has more than 10 years of fleet management experience working with clients to identify long- and short-term

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