

TAKE CONTROL OF YOUR FLEET'S COSTS



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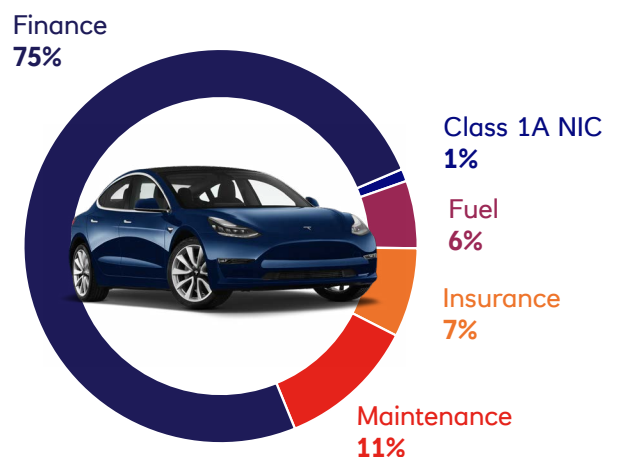
With the financial impact of COVID-19 still being counted by most companies, now is a good time to evaluate the Total Cost of Ownership (TCO) of your fleet to help you save money in the longer term.

There are a great number of ways that business operators could save money on running a fleet of vehicles, such as sale and leaseback, but there is one simple change that you could make to cut costs effectively and that's by utilising a TCO framework.

Already used in many industries to quantify the cost of a purchase over a product's life cycle, TCO is gradually being adopted by businesses operating vehicles to show the direct and indirect expenses.

Currently, many businesses tend to base their vehicle choices on the purchase price or lease rental. However, turning to TCO – framework which includes a wide variety of different cost centres including taxes and National Insurance, depreciation, fuel, insurance and repairs – can more precisely calculate a vehicle's real cost over the time you're operating it and is widely held to be the only accurate method for calculating the true cost of running a vehicle.

Example of typical TCO for a BEV:



Effective rental **£585**

TCO **£32,613**

The benefits of adopting such a framework are extensive. By looking at the TCO of two different vehicles, you'll be able to see clearly which one is projected to be the most cost-effective over the life-time of the vehicle - even if they have similar on the road prices or lease rental costs, it will become clear if it's possible to potentially save your business significant amounts of money.

TCO could also prove a highly effective solution if you're looking to running a different class of vehicle to the norm or even if you're considering introducing alternatively fuelled vehicles (AFVs) such as hybrid or battery electric vehicles (BEVs). Of course, the everyday practicalities of such vehicles for your business will also need to be carefully considered, but using a TCO framework will provide a clear guideline to their likely costs to your business.

How TCO can optimise your fleet funding?

Running alternatively fuelled vehicles (AFVs) such as hybrid or Battery Electric Vehicles (BEVs) is now a viable option for many fleets.

And TCO can be additionally used for comparisons between different manufacturers when it comes to negotiating a deal.

TCO can also be employed to weigh up the benefits of different funding methods – which is another key requirement for all businesses, big or small, looking to make cost savings. Due to legislative changes and wider economic adjustments, you may find that your current approach to funding vehicles is no longer as cost effective as previously, and it is certainly beneficial to explore other funding methods, such as contract hire.

Many small business owners who have responsibility for the day to day running of their vehicles, tend to purchase their vehicles outright as they believe it to be more beneficial to own their own assets. Turning to contract hire could unlock a wide range of operational and financial advantages including tax efficiency and increased available capital. It also removes the risk and instability involved with the vehicle's future Residual Value.

Although switching to TCO and carrying out a funding review may seem daunting at first, Lombard Vehicle Solutions can provide expert advice and support to recommend the correct method of vehicle funding.



Want to know more about how effective management of TCO can benefit your fleet?
Then please get in touch with your Account Manager or our
Business Intelligence and Consultancy Team.

Tel: **0117 908 6490** or email us at enquiries@lombardvehiclesolutions.com

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