



LOGISTICS TEAM

Fleet Costs

The Transport Sector

Whether passenger or freight, common factors are continuing to pressurise operators in the sector. Margins have historically been slim, but current pressures are presenting possibly the period of greatest challenge since the advent of the motor vehicle.

Rising oil prices are impacting not only on fuel costs, but also tyres, lubricants and any product manufactured from an oil base. Rising steel demand is affecting cost and availability of spare parts – even new vehicles.

To cap it all, endemic skills shortages are being exacerbated by the introduction of the Transport Working Time Directive (soon to be followed by the Training directive, Digital Tachographs, and revised Drivers hours Rules) with all of the wage cost implications. Customers continue to resist price increases, and so maintaining profit margins continues to be a key focus for all operators.

Our Logistics Team includes experts in the sector, with senior management experience of running transport operations. Integrating their knowledge and experience with our purchasing influence and extensive databases of supply markets has created a winning combination to assist transport operators maintain and improve margin, despite the difficulties of the market-place.



LOGISTICS TEAM - Fleet Costs

Is your company receiving the best value from suppliers?

With increasing pressure to be more competitive and improve stakeholder returns, no organization can afford to waste money on everyday business expenses.

However, most organizations do not have the time and resources to track every purchase invoice and scrutinize every change. Price increases are expensive to monitor, difficult to benchmark daily, and often too subtle even to be noticed.

However, without a frequent review of business expenses, potential cost-saving opportunities are missed. As a result, millions of pounds are lost every year in unnecessary expenditure- money that could actually become valuable profit.

Our Logistics Team can deliver today what many organizations take years to implement on their own.

Our Logistics Team are able to offer the experience and skills that will enable you to achieve best value. We know: :

where to find possible increased profit opportunities

how best to negotiate prices

how to identify and assess suitable alternative suppliers.

Our service offers you:

a dedicated, objective consultancy service

an independent review of usage patterns and current prices

potential improved value from current suppliers

the chance to benefit from our purchasing influence of over £300million per annum

ongoing regular monitoring of savings

a self-funding service with fees generated from the savings achieved.

Our experience shows that most businesses and commercial establishments substantially improve their profit performance after only one exercise.

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VEHICLE FUEL

Background/overview

Most businesses operate vehicles of some description, and most vehicles are powered by an internal combustion engine requiring a liquid fuel (eg Petrol, Diesel, etc.).

A range of supply methods are available, ranging from payment in cash at a retail forecourt, to bulk deliveries to the client's own bulk storage facilities. Alternatively, a wide selection of fuel-cards are available, ranging from what are in reality charge-cards restricted to fuel and lubricant purchases, to genuine fuel-cards giving access to discounted supplies from specialist outlets.

Our Team have direct management experience in vehicle operations, and have current market knowledge of fuel supply markets.

We have access to detailed up to the minute data on daily wholesale and retail prices in the UK and world markets. Access to such data allows us to continuously monitor a client's supply relative to the market, in order to establish that best value is being obtained throughout our engagement.

Our benchmarking process, includes an assessment of possible alternative acquisition strategies that may be applicable for the individual client's needs, and therefore develop appropriate tender specifications, aimed at the optimum type of supplier for those requirements.

Information requirements:

With all fuel supply, the key information for pricing purpose relates to the actual date of delivery or drawing the fuel. This is not necessarily invoice date. We also prefer to gain a detailed understanding of the client's vehicle operations, and any parameters which may restrict when and where fuel can be obtained.

FAQ next:

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VEHICLE FUEL

Frequently asked questions

Q: Fuel prices change every day – how can you establish whether we are obtaining best value ?

A: We measure each delivery of fuel you receive compared with the Rotterdam Market Wholesale price for that day. This tells us the margin being charged by your supplier, which we compare with our market intelligence sources.

Q: I have heard that bio-fuels may give me a cost saving – can you look into this ?

A: Our market expertise covers all fuel types. Bio-fuels may give cost advantage, but may invalidate engine warranties, or require modification to ignition systems. Supply may also be restricted. If we believe that use or partial use of bio-fuel is a potential option for the client, this will be explained in our recommendations.

Tips and hints

Mainstream vehicle fuels are actually produced at a small number of refineries to an identical specification. Product quality is therefore not an issue if changing supplier.

All fuel oils (eg Gasoil, Kerosene, etc.) are subject to the same wholesale market patterns as diesel, therefore our process can be equally applied to these products.



LOGISTICS TEAM - Fleet Costs

TYRES

Background/overview

Most businesses operate vehicles of some description, and every vehicle (including tractors, mobile-plant, fork-lifts, aeroplanes, and even some trains !) uses rubber tyres. Even when subject to contract-hire or maintenance contracts, tyres may be excluded from the contract, and are a separate expense.

Supply of tyres and associated services is via a confused and overlapping supply chain, where the roles of manufacturers, wholesalers, dealers, and retailers are not clearly defined. Clients may be unable to identify the optimum supply route to obtain best value for their needs and requirements.

The industry has also developed a range of acquisition methods beyond direct purchase (including rental, fixed price contracts, etc.), which further complicate the purchasing decision, but which if properly assessed can provide significant savings and budgeting certainty. However, if incorrectly applied, significant extra cost may ensue.

Our Team have direct management experience in vehicle operations, and have current market knowledge of every stage in the distributive chain, and technological developments.

Our benchmarking process, includes an assessment of possible alternative acquisition strategies that may be applicable for the individual client's needs, and therefore develop appropriate tender specifications, aimed at the optimum type of supplier for those requirements.

Information requirements:

We undertake a detailed data collection process (ie invoice copying, etc.), but for a full analysis, we typically request a full current fleet profile listing for example vehicle types, axle configuration, operating application, weights, kilometres run, etc.

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TYRES

Frequently asked questions

Q: We prefer to use Brand X Tyres, and they only have one distributor in the area – how can you obtain better value ?

A: Where appropriate, we will examine alternative commercial arrangements, with possibly direct manufacturer support.

Q: We are happy to use any premium brand tyre (or any value tyre), but we receive excellent service from the Brand X dealer ?

A: Our influence means that we can separate Service Provision from Tyre Supply, but still retain a single commercial relationship.

Tips and hints

In many organisations, tyres are only a small proportion of fleet costs, and are regarded as a necessary evil. There may be many suppliers, with in some instances, selection left to an individual vehicle driver. We are therefore often able to introduce more disciplined control of costs, with the provision of good management information, leading to further savings and efficiencies, as a side-effect of our standard activity.