

# PRICING FLEET MAINTENANCE

a 101 for Procurement Professionals

When it comes to evaluating third-party maintenance providers, evaluating every aspect of the provider's services and business practices will benefit your fleet in the long run, maximizing your fleet's performance, and keeping maintenance costs under control.

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# LABOR RATES AND ACTUAL COSTS

Choosing the “cheapest” vendor based on labor rates is not always the best answer. While it should be a consideration, there are numerous other factors fleets should look at — productivity; parts costs, mark-ups, and rebates; technician quality; and outsourcing. For example, you may often find that there are hidden costs associated with outsourced repairs that won't be revealed directly in a vendor's labor rate.

Another consideration is the efficiency of the technicians and the quality of their work. Consider this common example when looking at labor rates: If one provider has a labor rate of \$75/hour and gets the job done quickly, and correctly, in an hour, while a \$60/hour provider takes two hours, and may have redo the work, it's easy to see that the “more expensive” provider is actually cheaper. An essential step is to compare the vendor's **estimated service times for common services** to a standard like Motor's, this will level the playing field and give you a better sense of what the actual costs will be.



Parts are an important area for procurement professionals to examine closely. Many vendors make much of their earnings from parts mark-ups, using lower bill rates as a “loss leader.” Fluctuating mark-ups are common and can range from 20% on the low side and can climb as high as 50% or more. Ask your providers about their parts mark-up practices so you can clearly see where how the pricing structure is organized.

Also, knowing what a provider pays for parts is essential. Many parts providers offer discounts for customers who buy parts in significant volume. Amerit has successfully negotiated discounts of 20% or more from national parts vendors from which they buy in large volume and passes these savings along directly to their clients. Ask your suppliers to provide a cost for a bundle of items that the fleet frequently purchases to gauge how competitive their pricing really is.

In addition, some vendors receive rebates from their parts providers. Ask specifically if these rebates will be passed along as a benefit to you.

# KNOWING THE MARK-UPS



# TOP QUALITY TECHS FOR YOUR BOTTOM LINE

While immediate costs such as labor and parts are important factors to consider, it is crucial that the technicians actually making repairs are doing so in a productive and efficient manner. The faster the service, the quicker your vehicles and your drivers will be back on the clock, assuring a healthy bottom line for your company. But don't sacrifice quality for productivity. Make sure the repairs are done correctly, require that they adhere to quality metrics and meet or beat Standard Repair Times.

Regardless of state licensing requirements, your provider must provide top quality, motivated, customer-focused and highly trained technicians. Low-skilled, unmotivated technicians often misdiagnose problems, leading to higher costs from unnecessary work and parts.

In addition, find out if the potential provider's technicians are certified to handle all of your maintenance requirements. If they are not, that provider will need to outsource more difficult repairs, which obviously drives up the labor rates, extends downtime and decreases repair productivity. Amerit staffs each location with technicians that have all of the skills required to maintain the fleet in top condition. However, don't think that this means that every location has only Master certified technicians—Amerit specializes in optimizing fleet performance and delivering tremendous value by building teams tailored to fit the needs, and hours, of your fleet.



# WHAT'S THE DOWNTIME?

Be clear in your questions about downtime, specifically how long your vehicles will be out of service for different types of repairs, how long the average wait time is for service, and how quickly the vendor responds to demand repair requests. Factoring downtime into the cost equation is a critical step when deciding on a service provider.

Many companies run lean fleets, with few or no back-up vehicles, requiring that their trucks be back on the road as soon as possible after a repair or PM. If yours is one such company, being able to reliably predict how long your truck will be down for service is often the critical factor in whether you have enough trucks to make your routes or not. When downtime is considered into the vendor selection process, it is clear that a responsive vendor not only saves money on repairs but prevents revenue losses from missed routes, disgruntled customers, and more.

# BUT IS IT SAFE?

You spend considerable funds, time, and manpower ensuring that your vehicles and drivers are moving down the road as safely as possible — so you want to make sure that your provider is doing the same. You should always ask what the supplier's safety record look like? Do they follow all OSHA and HAZMAT requirements? Is your company protected from workplace injuries and lawsuits? Your provider should be ready, willing, and able to answer all these questions, and more, truthfully.

Further, you should investigate the vendors training program. A provider that invests in training their technicians and safety programs will keep the workplace, your fleet, your drivers, your community, and your company safe from risks, injury, and, in extreme circumstances, death.



# MISSION CRITICAL TOTAL TRANSPARENCY

While hard costs associated with using an outsourced maintenance provider are important in your budget considerations, in the final equation, transparency may be the crucial deciding factor. Having a provider that is open, clear and forthright about what they can provide and the real costs associated with their services, will set the foundation for your vendor to become an important ally to your fleet and will build a long-term business relationship that will benefit the fleet, its customers, and your bottom line.

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