

# LEASE OR BUY?

*Chris Hurren, Executive Vice President and CFO at Holman Enterprises, explains how to eliminate the financial guesswork when adding to your fleet.*

**D**uring a typical day, a significant portion of my time is spent navigating investment decisions and the allocation of capital. These decisions ultimately impact nearly every aspect of business operation and often serve as the foundation for our corporate roadmap, which means it is critical to ask the right questions from the very start.

If you are not stopping to ask these questions from the very beginning, it is unlikely that you will come up with a result that will meet your business's needs.

At the core of any significant investment decision are several key factors that drive the process:

- What is the potential return on investment?
- What is the time horizon: short- or long-term?
- What impact does this investment have on other decisions you make as a company?
- Is the business generating the capital necessary to fund the investment and your other commitments?
- What is the exit strategy if things do not go as planned?

The challenge most companies face is ensuring that these decisions are based on financial and operational facts rather than being clouded by unanswered theoretical questions. And, in many ways, fleet management is a microcosm of this intricate business dynamic.

To navigate your capital spending and take better control of the balance sheet, removing uncertainty is vital. One way to do this is to leverage the power of technology and advanced data analytics to develop a comprehensive acquisition strategy.

Today, savvy organisations are harnessing the power of telematics and advanced analytics to deliver the transparency necessary to make better, more informed business decisions. Telematics technology provides real-time optics into the precise operating conditions of fleet vehicles – fuel transactions, maintenance records, driver behaviour, downtime and more – and, together with an integrated analytics solution, you make this information actionable.

This insight allows you proactively identify which vehicles should be removed from service before escalating operating costs become a drain on your revenue.

## WHAT FACTORS SHOULD DRIVE YOUR FLEET INVESTMENT STRATEGY?

When acquiring new fleet vehicles, there are several key factors that you should always consider, but possibly the most important one is how the needs of the fleet align with – and support – your company's overall objectives. Developing a sound acquisition strategy begins with determining how these assets will contribute to the business's sustained success and growth.



Once you have determined how the fleet will align with and support your business, here are a few additional factors to consider:

- Depending on the timeframe, how significant is the impact of these acquisitions to your company's available capital or cash flow? When asking this question, be sure to consider the initial acquisition expense and the full term of the lease or loan payments and how these may adjust your fiscal outlook
- What is the direction of your company and how will these units impact both short-term goals and long-term strategic priorities?
- What are all the possible alternatives – cash purchase, lease, financing – and is this the most beneficial way to allocate your available capital?
- Is it important for your organisation to diversify its sources of finance? Do you want to tie up bank lines to pay for fleet vehicles or diversify by leasing them?

The answers to these questions will ultimately help to clarify the lease versus purchase decision. Also, keep in mind that the answers to these questions may change over time and it is important to reassess your strategy on a regular basis. Additionally, the implementation of new accounting standards and the potential for tax reform loom on the horizon, which can potentially have an impact on your long-term strategy as well.

For many companies, there has always been a perceived fear of leasing: a myth that the company would end up paying more in terms of total cost of ownership compared to owning a vehicle outright. Now more than ever, technology is changing that perception by transforming historical data into

actionable information that highlights the true total cost of ownership for each acquisition scenario.

And when the data reveals the actual cost of ownership, leasing often becomes a more attractive option.

## INFORMED DECISIONS BUILT ON COMPREHENSIVE ANALYSIS

When you use data effectively, you will know which vehicles are costing you the most and why they are costing you the most. Is a particular leasing scenario inflating costs because your company is not cycling them out of service at the proper time? Is purchasing vehicles restricting the company's cash flow, and having a negative impact on other core areas of the business?

By taking the time to perform an in-depth analysis and ask the right questions, you gain clarity and ensure that you are making important business decisions on factual information supported by historical data – not just intuition or estimation.

Good decision making is built on a foundation of thorough analysis, and interpreting the proper data is fundamental to the process. Allow this to guide your strategy and tailor acquisition models to the unique characteristics of your business.

Armed with this valuable business insight and supported by comprehensive data analytics, you can accurately forecast the outcome of virtually any acquisition scenario. By removing uncertainty, you will be empowered to make the best possible decision for your organisation. In turn, you create a fleet that is no longer a cost to your company but, rather, a strategic asset that delivers value and helps it generate revenue. ■

## NEW DELIVERY LORRIES

Rudridge Gravesend has welcomed five new lorries to its delivery fleet.

The groundwork and materials supplier has invested in five 32-tonne Mercedes-Benz Arocs 3240 Tridem 8x4 lorries. The grab loaders feature improved manoeuvrability meaning they are easier to handle in areas with restricted access, such as building sites. Each lorry is capable of a carrying capacity of 17 tonnes and has a HIAB X HiDuo 188 B-2 remote control crane, specifically chosen to handle the more specialised civils materials supplied by Rudridge.

The lorries will operate alongside the branch's existing vehicles – a 7.5 tonne Mercedes



Canter and a Citroen van.

Craig Lyons, Branch Manager at Gravesend, said: "We are delighted with our new lorries. Their arrival means we will be able to provide a more extensive delivery service to our customers, fulfil more orders and meet additional next day delivery requests. The drivers are looking forward to getting behind the wheels and out on the road."