

How to buy a fleet vehicle for your business

Whether you are on the verge of buying the first vehicle for your business or expanding an existing fleet, there are a few purchase options on top of deciding to go the new or used route.



Source: pixabay.com

According to Deloitte, fleet management is one of the most critically important industries in the global economy thanks to the changing mobility of people the world over.

Mohammed Sadar of auction.co.za believes that understanding some of the intricacies involved in managing a company fleet is important if a business is to make an informed decision on how best to expand it.

With just about every manufacturer and dealership providing discounted rates to businesses looking to buy in bulk and hidden factors to navigate, you have to be cautious.

Arrive Alive believes that effective road risk strategies for fleet managers become a critical part to the purchasing decisions that must be made. These can range from focusing on the safety of the fleet and its drivers, reducing running costs by

ensuring drivers are trained professionally and being cognisant of aspects such as driver fatigue and alertness.

Understanding your choice

But before this process can even begin, the initial decision must be based on what the vehicle will be used for - will it be used to deliver parcels, transport furniture or transport bulk items?

Cost management

The next step is to draw up a budget. Given the variety of vehicles available - don't be tempted to buy something that's too expensive. And keep the insurance costs of the vehicle and associated maintenance and fuel (or diesel) expenses in mind. All these can quickly spiral out of control if not managed properly.

A matter of financing

Financing is the most important aspect of the fleet vehicle process. You have two options— either opting to own your own vehicle or taking out a full maintenance lease (FML).

The former is perhaps the most straightforward choice, the business purchases the vehicle (either through a capital outlay or by financing through the bank) and then manages the fleet itself. This includes both the maintenance and disposal of the vehicle.

FML sees a business enter a lease agreement (typically 2, 3 or 4-year options) with a financial institution, after which the vehicle or fleet is returned. However, the bank is responsible for maintaining the vehicles and manages the process when they break down, have accident issues or repairs are undertaken.

Depending on cash flow and budgets, going the leased route might be a more affordable way to start building a fleet. This also provides the company with a perfect test period to figure out exactly what the vehicle will be used for - as we all know, the reality sometimes works out differently to what is planned in the boardroom.

Second-hand boon

According to the latest statistics from the National Association of Automobile Manufacturers of South Africa (Naamsa), fleet sales accounted for 3.1% of the total industry sales of just under 50,000 vehicles in September. It believes this number is reflective of businesses delaying purchasing decisions on new vehicles until the economy stabilises.

Another aspect impacting the sales of new vehicles for fleets is the fact that they start losing value the moment they get driven off the showroom floor. So, just like a consumer spending a lot of money on buying new (and losing almost 10% of the market value when driving it home), a business carries the same financial risk. The only difference is that when you purchase a fleet of several vehicles, that cost can significantly impact the financial bottom-line.

A great tip is to consider buying a vehicle that is less than a year old. In that way, you still get the perks of a maintenance plan and low mileage while not sacrificing money on lost value.

Getting rid of old stock

And when you inevitably need to dispose of the vehicle (if not part of a lease agreement), then going the online route through a specialised site is an option. It offers all the assistance and transparency you require so that you can remain focused on delivering strategic value to your customers instead of the hassles and risks of dealing with second-hand vehicle dealerships.

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