

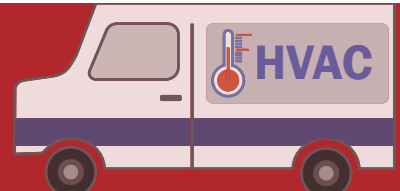
WHITE PAPER: SPIREON - IS YOUR HVAC BUSINESS BLOWING MONEY ON FLEET EXPENSES?

Is Your HVAC Business Blowing Money on These Fleet Expenses?

According to a recent survey of HVAC businesses, fleet expenses are one of the largest costs they manage outside of payroll. This makes sense, considering that HVAC companies spend a large chunk of time traveling to and from different job sites. Every mile logged in a company vehicle creates additional costs in terms of fuel, vehicle maintenance, and vehicle depreciation. As your company grows, the more miles you log, and the more opportunity there is for expenses to spiral out of control.

In this article, we examine the top expenses usually incurred by HVAC fleets, and provide simple actionable steps you can take to better manage these costs.

TOP EXPENSES FOR HVAC FLEETS



INSURANCE

Commercial auto insurance costs on average around \$750 to \$1,200 per vehicle. Rates can increase depending on accidents and driving violations.



MAINTENANCE & REPAIRS

Residential HVAC firms spend \$6,046 annually on vehicle maintenance. Commercial firms spend around \$7,382.



VEHICLE ACQUISITION

New service vehicles on average cost \$30,000. The cost of leasing a van with that same purchase price is around \$18,000.



COST OF OWNERSHIP

The estimated total cost of ownership for a light duty vehicle runs between \$5,000 and \$8,000 per vehicle, per year.



FUEL

The average commercial service truck accumulates a staggering 141,000 miles annually.



At 15 MPG and \$2.50 per gallon, each vehicle uses \$23,500 annually.



LABOR

The median pay for HVAC techs is \$22.64 per hour or \$47,000 per year. Dispatcher salaries average \$38,790 per year.



FLEET EXPENSE #1: AN OVERSIZED FLEET WITH UNDERUTILIZED VEHICLES

Like many fleet managers, as long as techs are getting to job sites, you probably assume that you have the right number of vehicles and technicians. However, it's very possible that your HVAC service fleet is oversized and underutilized.

Savings start by looking at your fleet vehicles. The estimated cost of ownership for a light-duty vehicle ranges between \$5,000 and \$8,000 per vehicle, per year. Then you need to factor in upfitting, truck equipment, and maintenance costs. For this reason, smart HVAC companies are looking at reducing the size of their fleets and doing more with the vehicles they have.

How to Control This Expense:

The most effective way for an HVAC company to reduce their costs is to right-size their fleet. Right-sizing your fleet means finding the optimal number and mix of vehicles to serve your business needs. This approach helps companies reduce fuel expenses and eliminate new vehicle acquisition costs.

The challenge comes in determining which vehicles are essential to your operation, which are surplus, and if new purchases are necessary. Right-sizing is all about striking an equilibrium between vehicle inventory and customer service levels. Remove too many vehicles, and you



may fall short of customer demands. To make smart decisions regarding right-sizing your fleet we recommend that Fleet Managers adopt a Fleet Management system and use for 90 days to establish a baseline for asset utilization. Look for a system that allows you to:

- Reduce miles driven by dispatching the closest available technician.
- Minimize miles driven per stop.
- Find more efficient routes.
- Monitor unauthorized use and identify unnecessary out-of-route miles.
- Direct vehicles away from high-traffic areas.
- Compare actual monthly miles traveled per vehicle with the expected miles to identify which vehicles are under or overused.
- Track vehicle utilization rates.

Pro Tip: Most Fleet Management systems can help you identify which vehicles have the lowest fuel economy or have reached the end of their lifecycle.

Fact: 66% of surveyed FleetLocate Customers reported an increase in vehicle utilization of 10% or more.

FLEET EXPENSE #2: A NEGLECTED VEHICLE MAINTENANCE PROGRAM

Purchasing vehicles costs money. So does maintaining them. While vehicle maintenance is a significant expense, a neglected vehicle maintenance program comes at an even steeper price. Failure to regularly check the health of your vehicles can lead to breakdowns, unplanned out-of-service time, and missed appointments, which is almost always more expensive than the costs associated with preventative maintenance.

Although, with busy schedules, payroll, job sites, customer complaints, and other obligations getting in the way, simple maintenance tasks—like checking tire pressure, brakes, hoses, belts, wiring, and fluid levels—can easily fall to the wayside. When there's not an established maintenance program in place, it can become difficult to track how much is being spent on maintenance, or if it's even getting done at all.

How to Control This Expense:

To keep your HVAC fleet up and running, it's crucial to have a preventative maintenance plan in place. Yes, preventative maintenance is a significant expense for most business, but it's also a prime opportunity for cost reduction.

Regularly scheduled vehicle maintenance, like oil changes and inspections, can help your trucks last longer, provide more reliable customer service, and even put money back in your pocket

when it comes to fuel expenses. For example, underinflated tires increase rolling resistance of the tires, which means you have to use more gas to push the car. According to the U.S. Department of Energy, you can improve your gas mileage by 0.6% on average—up to 3% in some cases—by keeping your tires inflated to the proper pressure. Beyond improving fuel economy, properly inflated tires last longer and make your fleet safer. In addition to proper tire inflation, proper alignment can also lower fuel consumption as well as extend tire life. The same goes for proper servicing of filters, fluid levels, hoses, lines, belts, and wiring.

The trick is to perform these maintenance tasks on the right vehicle, at the right time. The easiest way to do this is to leverage a Fleet Management Program, like Fleetlocate, that automates this by enabling you to schedule maintenance tasks by time, mileage and engine hours. However, you should also consider:

- Creating a comprehensive maintenance checklist that covers your vehicle's critical systems and miscellaneous repair items.
- Training your technicians on how to monitor vehicle problems and who to contact if a vehicle problem occurs.
- Processes for submitting detailed reports to repair techs who can then more accurately pinpoint the problem.
- Tracking manufacturer's recommended service intervals, as well as operating conditions such as miles traveled, engine hours, off-road use and tows, in order to create accurate maintenance schedules.
- Setting reminders that alert you when maintenance is due.



FLEET EXPENSE #3: GAS-GUZZLING DRIVERS

With all the equipment and tools weighing them down, service trucks don't get very good fuel mileage. Compounded by wild swings in gas prices, planning a fuel budget can be a challenge.

There are several strategies to soften the blow of these costs. Some HVAC companies are replacing current vehicles with alternative fuel options such as hybrids, electrics, NGVs (natural gas vehicles) and light-duty trucks that operate on cleaner-burning diesel. While these strategies do improve fuel consumption, they also require a significant investment of time and money — offsetting any short-term fuel-related savings you might generate. A more immediate way to reduce fuel costs is to reduce the number of miles driven by implementing a better routing system and eco-friendly driving techniques.

Consider disorganized technicians who have to constantly make runs back to supply houses or dispatchers sending drivers across town to far away job sites instead of finding the nearest available technician. That unproductive time spent driving instead of charging billable hours is costing you money, and that's not including vehicle depreciation and fuel.

Behind-the-wheel behaviors such as excessive speeding, idling, and harsh braking can also burn through fuel. According to the EPA, you can save as much as 33% on fuel economy with improved driving habits. Take a look at idling alone. Excessive idling can waste a quarter to half a gallon of fuel per hour— and when drivers get stuck in traffic or leave the car on to warm up in the vehicle, it doesn't take long to accumulate that. By optimizing your routes and improving inefficient driving behaviors, you can immediately maximize your fuel savings without having to make a huge down payment on new vehicles or green technologies.

How to Control This Expense:

Fleet managers looking to save fuel costs need to find a system that gives them the tools to track miles traveled, regularly audit fuel spend, and change driving behaviors. This system should allow you to:

- Identify unauthorized vehicle use and out-of-route miles.
- Monitor wasteful driving behaviors, like aggressive acceleration, speeding and harsh braking.
- Maintain proper tire pressure across vehicles.
- Implement idle reduction programs.
- Develop more efficient territory and routing plans based on job schedules.
- Identify traffic conditions ahead of time and find the least congested route.
- Track fuel card usage and measure fill-ups against miles driven to identify any fuel misuse issues.

100% of surveyed FleetLocate customers saw a decrease in fuel costs after adopting FleetLocate.

FLEET EXPENSE #4: UNNECESSARY LABOR COSTS

Labor is one of the highest cost centers for HVAC companies. For this reason, contractors tend to avoid labor-intensive jobs, which lower their overall profitability. Herein lies the problem: Because they're constantly on call, most technicians work remotely and spend a majority of their time out in the field unsupervised. This means managers must blindly trust that their employees are working when they say they are.

Many HVAC companies rely on workers to fill out paper timesheets or will have them punch in and out on a mobile device, leaving them little ability to verify hours worked. As you probably already know, this creates an environment that's ripe for wage theft. For instance, techs might take extra-long lunches and conveniently forget to include it, or they might show up at 8:15 and put down 8:00 in order to pad their paycheck. Time is money. Any small business knows those extra minutes add up quickly, and could cost your company hundreds, potentially thousands, if not caught.

HVAC businesses need to find ways to accurately capture labor hours and automate time consuming, and often inaccurate, payroll data entry. Without accurately recording productive and non-productive working hours, you're essentially handing employees a blank check. GPS technology can help in this arena. Fleet management software and cloud-based time clock systems use GPS technology to automatically capture employee locations, calculate hours spent at a job site, and upload this information to back office systems. By automating data entry using these systems, your office works easier, your field techs are more productive, and most importantly, you reduce unnecessary labor costs.

How to Control This Expense:

To reduce your payroll expenses, you need a system that gives you vision into your technician's behavior out in the field and streamlines the payroll process for your mobile workers. Look for a system that:

- Verifies when techs arrive and leave a job site.
- Makes dispatch more time efficient by tracking driver locations.
- Sends alerts for unauthorized vehicle use or out-of-route miles.
- Stores time/location records, eliminating payroll or customer disputes.
- Sends overtime alerts reminding employees to clock out before exceeding their limit.
- Integrates seamlessly with other back-office systems, like accounting and scheduling.

FLEET EXPENSE #5: RISKY DRIVER BEHAVIORS, HIGHER INSURANCE PREMIUMS

There's a lot to lose any time a driver gets behind the wheel. Accidents can cost you hundreds of thousands of dollars, and when injury or death is involved, accident-related costs can soar even higher. According to the National Highway Traffic Safety Administration, fleet accidents involving an injury costs nearly \$74,000, and each fatality can cost a business more than \$500,000.



Did You Know?

23%

Accidents without any injuries can increase insurance rates by about 23 percent.

33%

An accident that includes damage to both a person and a vehicle increases insurance premiums by about 33 percent.

42.6%

Only 42.6 percent of companies currently have driver safety programs in place.

Source: <https://www.motus.com/auto-accidents-cost-employers-56-7-billion-last-year-finds-new-motus-trend-report/>

The price you pay for insurance is directly impacted by the number of insurance claims you file and the cost of those claims— accidents being among the most expensive. Risky driving behavior increases the likelihood of fender benders and injury, which in turn leads to insurance premium hikes, and after enough incidents, your provider could drop you altogether.

According to a recent study from the US Bureau of Labor Statistics, about 40% of motor vehicle accidents are work-related — posing a significant risk to techs who are required to drive to job sites during different hours and weather conditions. Because of this, driver safety should be a top concern for HVAC companies. However, only 42.6% of fleet-operating companies have a driver safety program in place for employees using company-owned vehicles. HVAC fleets without a driver safety program that address risky driving behaviors automatically increase their exposure to insurance hikes, lawsuits, injury claims, or worst, fatalities.

How to Control This Expense:

To reduce their accident rates, and in turn their insurance costs, companies need to develop a comprehensive, iron-clad fleet safety policy that all levels of fleet operations adhere to, from the CEO to field managers and drivers. A comprehensive fleet safety policy should include the following elements:

- Periodic motor vehicle record (MVR) and license checks on all drivers.
- Driver training and education seminars.
- Proactive monitoring of driver behavior.
- Clearly define “working hours” and “personal time” for vehicle usage.
- Coaching for drivers exhibiting poor driving behavior and appropriate consequences for those failing to comply.
- A clause that explicitly states who can and cannot drive the vehicle outside of normal business hours, if you have drivers on take-home programs.
- A no-cell phone prohibition while the vehicle is in motion and a strict seat belt use clause.
- Quarterly safety reviews to look at the company can do to improve fleet safety.

Pro Tip: When insurance companies know you have a proactive driver safety program in place, they can reward you with a lower premium because they know you’re less of a liability. Ask your insurance provider what kind of incentives they offer to companies with a driver safety program.

CONCLUSION

Your HVAC fleet is more than just trucks and vans. It serves as your mobile business, transporting you to and from job sites and client meetings. Managing it well is vital to serving your customers and growing your business. For this reason, a well-managed fleet can be your greatest business asset.

On the other hand, fleet operations can also be one of your biggest costs centers, draining your company’s profits and hurting your bottom line. The need for increased insight into fleet operations is driving more business owners to invest in Fleet Management systems. These systems provide a wealth of vehicle data that gives you insights into how your fleet operation is running and can reveal hidden areas where you’re wasting money. Armed with these insights, company owners have the intelligence they need to increase efficiency and drive out waste.

Fleet Management systems, like Spireon’s FleetLocate, collect real-time data and provide insights that can help you pinpoint where exactly you’re spending – and wasting – money in your fleet.

In summary, look for a telematics system that allows you to:

- ☑ Increase vehicle utilization and right-size your fleet.
- ☑ Improve vehicle maintenance schedules and modify fuel-consuming behaviors.
- ☑ Reduce out-of-route miles, unauthorized trips, and fuel card fraud.
- ☑ Improve dispatching and lower administration costs.
- ☑ Make smarter, faster, more profitable business decisions.