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DOERING FLEET MANAGEMENT eZINE

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FUEL MANAGEMENT

Save 10-15% on fuel!

A properly utilized fuel card program can detect and/or prevent driver fraud, track fuel (grade) usage, monitor MPG, and provide an accurate assessment of spending per driver. Some firms use the PIN to bill fuel to job codes. The program can be customized for your use and consolidates all fuel spend onto one monthly bill.

Drivers have their choice of the cheapest fueling locations, not bound to drive out of their way to go to a BP or Mobil because you have a dedicated fuel card. Further, such fuel cards keep credit cards out of the hands of those that don't need them, further preventing fraud (the \$50 gas fill-up with \$20 in food for a driver, including cigarettes). Doering Fleet

Issue: # 30

November 2011

Dear Adam,

We look forward to seeing you at the 2011 RCRI Conference! Please visit us at Booth #713.

**NEWS UPDATE** - Doering Fleet Management has launched a NEW WEBSITE -- [CLICK HERE TO VISIT](#). Doering Fleet Management provides fleet management services to organizations that wish to OWN or LEASE vehicles. The experts at Doering educate you and help make the best decision possible.

Doering Fleet Management welcome our clients and *future* clients alike! We appreciate your time, attention and business greatly. Focused on the success of your fleet, Doering aims to impart a breadth of knowledge, ideas and paths to execution.

MUCH more information is available on our [website](#) in the newsletter archive! We enjoy sharing our expertise, knowledge and industry information with you such that you can make more informed decisions. Doering loves to hear your comments and ideas.

Come on in! There's much to share.

Do these issues strike a thought in your mind? Are you addressing them?

- Vehicle Policy Administration
- Vehicle Cycling Strategy
- Maintenance - Preventative and Reactive (is it up to each driver?)
- Fuel Management (or are you reimbursing?)
- Replacement Vehicle Make/Model Identification
- Vehicle Liquidation Strategy (Maximizing Used Car Values)
- More...

**IF NOT, E-MAIL DOERING NOW FOR A FREE NO OBLIGATION, INITIAL CONVERSATION AND EDUCATION. A talk never hurts!**

Management offers a comprehensive fuel card program underwritten by Wright Express, the largest fuel card in the nation and most widely accepted. Contact your Doering representative for more information!



## The State of the Wholesale Used-Vehicle Market



***Trouble budgeting for fleet costs?***

***WE CAN HELP.***

***Leasing is fundamentally safer and more flexible than ownership and provides working capital and availability of credit, whether or not it is currently needed. Leasing provides predictable costs.***

Doering Fleet Management and other reputable long standing leasing firms continue to operate with availability to capital for credit-qualified clients in the same method and has been used in the fleet industry for over 70 years. Residual values are set accurately to reflect market conditions.

### **DID YOU KNOW DOERING OFFERS:**

#### **MANAGED MAINTENANCE PROGRAMS**

To minimize maintenance costs by utilizing national pricing, consistently maintain your fleet across locations and drivers, institute preventative maintenance schedules and improve vehicle resale value.

#### **FUEL CARD PROGRAMS**

Help track fuel outlays nationwide by driver and by vehicle, monitor fuel

### *Automotive Fleet*

High demand and scarce supply has resulted in extremely strong resale values, which are forecast to persist for the next several years.

While the rest of the economy is still floundering, remarketers have something to celebrate: 2011 has been an unbelievable sales year in the used-vehicle business.

Commercial fleet managers and their fleet management companies have been real heroes for their respective companies. Demand is extremely strong for good used vehicles as many dealers are clamoring to meet consumer demands for what they perceive as a better buy- a three- to four- year- old used vehicle.

Because of continuing limited used-vehicle supplies, resale value retention has been at tremendous levels for most of the past seven to eight months. Historically, the wholesale used-vehicle market gets a seasonal adjustment during the August to November time period, as dealers make room for an additional model-year of vehicles coming to dealer showrooms.

As the industry headed into August a trend change was observed with the easing up of resale values on most models and segments. The key point is that this current softening is at a much smaller level than has historically been the case. The movement from higher-than-normal resale values to a seasonal adjustment, which is much more controlled, is all being driven by a lack of supply of used vehicles.

Fewer returning off-lease units, fewer rental cars being remarketed, even strategic remarketing by fleets extending vehicle life-cycles, to go along with drops of 38 percent and 30 percent in 2009 and 2010 respectively from pre-recession levels of new vehicle sales, are all driving forces behind the current tight used-vehicle inventory.

### **Cause of the Banner Year**

The reason for 2011's banner used-vehicle sales year is simple-demand is outstripping supply.

This used-vehicle model supply shortage was made even more prevalent due to large numbers of consumers who could have been new-vehicle purchasers, instead electing to buy or finance a good used vehicle at a lesser total expenditure, e.g., a \$12,000 to \$14,000 used vehicle versus a \$28,000 to \$30,000 new vehicle.

It will probably be 2013 before new- vehicle unit volume returns to the 15-plus-million level of new vehicle sales. At an estimated 15.5 million in 2013 and the traditional 60-percent-trade-in rate, there will only be 400,000 fewer trade-in units than the market had access to in 2007 when new vehicle sales were at 16.2 million. It is expected that there will be a solid level of value in the used market through the middle of 2013

### **The Effects of Mileage**

economy, grade of fuel purchased, and collect accurate mileage on vehicles in real-time. Drivers need not carry credit cards or go out of their way to find a particular brand of fuel! The program works at 98% of all gas stations! This system feeds data to the maintenance management program such that the fully integrated fleet management strategy is most successful.



#### **NATIONWIDE TITLE AND REGISTRATION MANAGEMENT**

#### **ACCIDENT MANAGEMENT**

#### **DRIVER TRAINING AND MOTOR VEHICLE RECORD TRACKING**

#### **AND MUCH MORE!**

**WE'LL ASK AGAIN!  
MAKE SURE YOU  
KNOW!**

#### **NON-PROFIT FLEET MANAGEMENT UPDATE**

Everyone needs a champion behind them, sometimes one, sometimes many. Doering engages each non-profit organization fully - advising, working in the best interests of, being brutally honest with and supportive of everything "fleet" and often quite a bit more.

The intention is to focus on core competencies.

Sometimes your champion must turn you around and tell you "you're fighting the wrong battle - the bigger issue is that-a-

Supply has an effect on all phases of the industry, and the limited availability of low-or even normal-mileage units has made some dealers more willing to purchase vehicles with high mileage. Of course, low-mileage vehicles are still in high demand.

Today's mileage charts are reflective of past adjustment levels, except on the higher-line luxury units where the deduction is slightly more for the same age and mileage ranges.

The growth in the use of mobile applications to value a car has allowed more dealers to apply the mileage variances into their appraisal and valuation process, instead of just guessing. The result is more consistency in these extremely low- and far-out higher mileage transactions.

#### **The Cost of Age**

The newer the vehicle the more of a struggle it has become to get multiple bidders willing to spend top dollar. Many are seeing the overall strong used market where the one-and two-year-old used vehicle is just too close to a new model, not only in total cost but in real-world monthly payments.

#### **Valuing Color as a Resale Enhancer**

Color is one of the most difficult items to tack and trend. Shades and variances in reds, greens, and grays will sometimes vary greatly, tracking exactly the same model, mileage equipment, and condition, and then throwing in color differences makes it extremely difficult to affix a value.

Popular colors are often desirable because of the model of the model and not the shade. For instance, red may be on the top of the list for a full-size pickup, but a red luxury sedan will likely see no advantage.

A unique color on one vehicle may do well. However, trying to find a dozen buyers for a fluorescent green sports car can be a challenge, even after lowering the floor significantly.

#### **Adjusting to the Market**

Today's dealers-both independent and franchised-are proactively adjusting to more controlled new manufacturing levels, tougher to find used inventories, fluctuations with financing, and a less-than-confident retail buyer. One thing about the remarketing industry is the dealers' drive and ability to adjust to whatever is thrown at them. From an oversupply of off-lease cars at one time to drastic gas price fluctuations, which drove all interest away from full-size SUVs to alternative-fuel vehicles; the dealers have and will adjust.

The wider use of tools and venues to obtain the needed inventory is another step dealers have taken. Tracking used offerings at multiple sites is the norm for most dealers. That's the most important reason for a fleet remarketer to post upstream and online: to get more eyes from an expanded market area.

Dealers' concerns are currently focused around getting the right product at the right price. Consumer financing is not as big an issue as it was in 2009 and 2010 when lending criteria was almost locked down.

#### **The Bottom Line**

Although the overall economy may be recovering more slowly than expected, businesses will see a revival of their fleet needs.

The fleet industry is facing a number of ongoing challenges, including tighter manufacturing production levels and a focus on limiting and controlling fleet and daily rental volumes to strengthen residual retention. As the overall volumes grow, the end of service values can't be expected to maintain the strength the market is

way." There is a monumental opportunity cost to your time spent on non-core projects in lieu of key financial responsibilities.

Chief Financial Officers, Treasurers, and Controllers should employ their time in the most effective ways possible.

#### **THIS MONTH:**

Doering is scheduling appointments for the

2011 RCRI conference.

Be sure to stop by the booth this year. Please submit any questions you wish to discuss to [info@doeringleasing.com](mailto:info@doeringleasing.com) and we will be prepared to discuss during the show or during the breaks.

We are scheduling meetings as well during non-exhibition hours and look forward to speaking with you further about your needs/questions/problems.

#### **REMEMBER:**

Just because the problem is out of sight doesn't mean there is a clear road ahead. In fact, unless a fleet is actively managed, there is always room for improvement.

#### **When Is the Optimal Time to Replace Your Vehicles?**

##### *Automotive Fleet*

It's complicated. But our strategies make it easy. We've developed a unique tool kit based on the industry's deepest benchmark data that allows us to uncover the optimal time to replace your vehicles.

We consider many variables, including the

experiencing today.

In 2011, remarketing teams are heroes because of their level of returns versus residual forecast from two to three years ago. It shouldn't be expected that this "golden age" will look the same a couple of cycles from now, unless forecasts on value retention take future volumes into account for today's projections.

### **Fuel Report - Retail Gasoline Prices Set To Decrease**

#### *Automotive Fleet*

Retail gasoline prices at the end of July averaged \$3.70 per gallon; however, August opened with massive declines in wholesale prices not seen since the financial collapse of 2008.

Despite predictions from leading financial investors that prices would trend higher later in the year and in 2012, it has become increasingly difficult to ignore the low U.S. gasoline demand.

An increase in gasoline deliveries did occur during the first week of August, but four-week demand is 2-percent lower than last year. The year-to-date demand lags the prior year by almost a full percentage point. The low demand could be a sign of a further weakening economy, which could further decrease prices.

One major concern is that hurricane season is upon us, and any cloud formations that head toward the Gulf Coast refining center could cause a dramatic increase in price from panicked traders.

### **Fleet Auction Values up 18% Mid-Year**

#### *Automotive Fleet*

Astounding data from Manheim Consulting as they released the 2011 Mid-Year Used Car Market Report. It provided some statistics related to auction values of fleet vehicles. Which were not a surprise to Lessors and Fleet Management firms but are shocking to end users and fleets who haven't noticed the recent marketplace.

According to Manheim, the average auction value of a mid-size commercial fleet-vehicle was more than \$9,700 in the first half of 2011, which was up 18 percent from 2010. In addition, according to the report, fleet vehicle mileage declined 7 percent to just less than 65,000 miles.

In the report's introductory letter, Manheim president Sandy Schwartz noted: "It is fair to say that few of us have ever witnessed a period like the first half of 2011. Early in the year, it seemed that the economy was following a predictable, if slow, recovery path.

"Credit was easier, and, as more customers could afford to buy a used vehicle amid tight supply, wholesale prices moved higher. In the second quarter, we witnessed the combined impact of high fuel prices and the Japanese earthquake and tsunami on the used vehicle markets."

We will enter 2012 with an expectation of a sustained plateau in used vehicle prices. Other sources have shown the softening starting in 2013. Stay tuned!

### **KBB: Fuel-Efficient Vehicle...Values To Drop**

#### *Business Fleet*

Kelley Blue Book (KBB) analysts say that values of fuel-efficient vehicles will drop

high cost of fuel, the competitive used vehicle market, driver behavior, maintenance costs and repair history. We've found that by adjusting the replacement cycles of a fleet, you can lower your total cost of ownership by as much as 10 percent per month, increase driver satisfaction and deploy a more environmentally friendly fleet.

by 15 percent by year's end. The expected market correction is in response to stabilizing gas prices and Japanese auto-makers returning production to normal levels.

KBB states that, after 20 weeks of consecutive increases in values for fuel-efficient vehicles. Values peaked in May as fuel prices fell. From January through May 2011, fuel-efficient vehicle values increased 20 to 25 percent. However, the organization said that during the last four to six weeks, values of compacts and subcompacts declines approximately 1 to 2 percent, along with the overall market. That said, KBB's valuation team said it doesn't expect the overall used-vehicle market to decline any more than an additional 3 to 5 percent.

The key differences in the market between today and 2008 noted by KBB are less economic uncertainty, higher fuel prices compared to that period- even though prices fell- and a much lower supply of used vehicles than in 2008.

**If this newsletter was useful to you and imparted knowledge and ideas as it was intended to do, it was a success. If it did not, please provide the much-needed feedback.**

**This eZine provided by Doering Fleet Management.**

Sincerely,

**Adam Berger**  
**VP of Sales**  
**Doering Fleet Management**

Many articles or content thereof are from various industry sources. The information is intended to be advisory in nature, but should not be relied upon without proper guidance, consultation and advice, both from a fleet manager and an accountant, as needed.

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