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**16 Tips to Maximize Residual Value**

By David Wurster, Chris Brown

Does your company sell a product or service? If so, you're constantly looking to protect and augment the value of your offering.

Fleet vehicles are depreciating assets, so it's nearly impossible to "add value" to them—they will always be worth less after you acquired them. But you should maintain the same mindset with fleet that you have with your company's products.

Because depreciation controls the greatest percentage of fleet expense, protecting your vehicles' resale value should be a substantial part of your fleet management strategy.

With the help of the lifecycle cost experts at Vincentric we put together some common sense tips to help you optimize residual value before the acquisition decision, during ownership and prior to resale.

**Factory Order and Don't Over Spec**

1. Select the right vehicle, configured in the most utilitarian manner that is best suited for the job. Make sure that powertrain options are sufficient for the job, but no more.
2. Choose vehicles that are popular in the consumer market and ones in which production doesn't exceed demand, which can lead to large sales to rental car customers. Manufacturers use rental fleets to dump excess units at or near the end of their model lives. Those models traditionally take a hit in residual value.
3. Use guidebooks (see box) to determine which vehicles within your specifications project the best residual value. Remember, vehicles with high fleet or consumer rebates may have a detrimental effect on residual values at end of term, thus negating the upfront discount.
4. For operators with a fleet card, order new vehicles directly from the factory to take advantage of fleet-specific rebates and early production discounts. Factory ordering, as opposed to buying or leasing off a dealer's lot, will allow you to acquire vehicles with only the options you need at invoice prices. {+PAGEBREAK+}
5. Choose options that have the most demand at resale such as air conditioning, power windows and automatic transmissions. Adding upgraded sound systems or interior trim is okay with highline models, but is a waste of money on compact cars. Navigation systems, though a useful business tool, are notorious for not retaining their value at resale. Some wholesalers will add aftermarket items such as sunroofs to improve value in the auction lane. However, the small fleet operator shouldn't be concerned with trying to figure out which aftermarket products are the best investments.
6. Select colors that are popular with consumers, such as silver, white or black. Be conservative, you don't want to put off future buyers with anything odd. Don't select unusual colors such as purple.

**Maintain Vehicle Condition**

Vehicle history and mechanical condition are extremely important at resale.

7. Carefully maintain the vehicle under a detailed preventive maintenance program. Fleet managers should inspect every vehicle regularly during its service life.
8. Have drivers submit vehicle condition reports on a quarterly or yearly basis.
9. Smart reconditioning can add value to a fleet vehicle ready for resale. There is an industry adage that \$1.00 spent on reconditioning will return \$1.50 upon resale. Generally, the return on investment diminishes as the value of the unit decreases. Highline cars, or vehicles that are "special" in some way lower mileage, greater equipment level or an unusual model have a greater opportunity for cost-effective reconditioning. A general wash and vacuum is essential, while a more thorough detail is recommended for units with higher mileage.
10. Avoid major collision repair, though paintless dent repair is generally cost effective.
11. Replace tires with less than 50 percent tread life. Many auctions provide reconditioning services to fleet operators regardless of whether the vehicle will be sold at auction. {+PAGEBREAK+}

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**VEHICLE DEPRECIATION ANALYSIS**



Use the remarketing depreciation calculator to determine daily depreciation costs for your vehicles.

Consider other options for selling the vehicle in addition to wholesale auction markets.

12. If leasing, be sure that drivers understand they can purchase the vehicle when the lease expires. This is the most efficient way to maximize value at the end of a lease. Some leasing companies offer online "upstream" remarketing programs which help companies to sell vehicles before they come out of fleet and to a wider audience.

13. When the driver won't purchase the vehicle, consider using alternative markets such as eBay.

14. For vehicles in rough condition consider using brokers, who will have a broader variety of sales outlets to unload the vehicle.

#### Sell at the Right Time

15. In a global sense, the fall and spring are good times to sell vehicles. Traditionally, new models are launched in the fall. At this time the used-vehicle market is relatively strong, coming out of the slow summer season and prior to the even-slower winter market.

Spring sales (March-May) take advantage of a strong market as well, as the retail market gears up for the spring and summer driving seasons.

16. However, market timing is actually more complex and specific to the type of vehicle and region of the country. For instance, 4x4's will be more valuable in the cold climate states in the late fall and winter.

Selling those vehicles there and then would be smart, while selling convertibles is not. David Wurster is president of Vincentric, a provider of data, knowledge and insight to the automotive industry by identifying and applying the many aspects of automotive value.

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