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Many thanks to all who complimented last month's issue. We intend to continue providing thought-provoking articles and ideas for making the most from cars+ features.

As the high season in the northern hemi-sphere begins to pick up pace, focus within rental businesses tends to swing from rates & fleet to operational efficiency. We are keen to hear of anywhere that off-system processing (or "manual workarounds") are taking place. If there's a way to automate these, we're eager to help out!

Regards

Andy

[Andy Thorburn](#)  
Managing Director, Thermeon Worldwide

## Don't throw away money through poor pricing or excessive discounting (By [Alex Mol](#))

Companies, large or small, often lose money without knowing the cause. Or worse, realise that something is wrong only when it is too late to renew fleet or make new investments. What could be wrong?

Analysing the problem, usually we find out that the cause lays in pricing or discounts. In such cases, the prices are usually: based on the competitor's prices, sometimes miscalculated or the discounts are excessive. If your company does so, beware!



What can be done? Here's one way of approaching this problem. Firstly, list all direct costs for each vehicle class. Calculate company indirect costs and expenses - they can usually be prorated. Finally, define the expected percentages for: profit, bonuses for staff, commissions, investments, etc. A worked example is below:

<b>1. DIRECT COSTS</b> (daily and kilometer basis)			
(A) Depreciation	0.0926% / day	1 / (3yrs x 12mo) = 0.0278 / 30days = 0.0926%	
(B) VLF	0.0083% / day	(3%per yr / 12mo) / 30days = 0.00083%	
(C) Tyres	\$ 0.02000 / km	(\$200 / 40000km per tyre x 4 tires = 0.03220/km)	
(D) Oil/Filter	\$ 0.03000 / km	(\$200 / 6000 km)	
(E) Maintenance:	\$ 0.00700 / km	(\$1000 each 15000km)	
<b>2. PLANNED RESULTS</b>			
(F) Profit	20%	(H) Investment	3%
(G) Bonus	2%	(I) Commission	10%
<b>3. INDIRECT COSTS AND EXPENSES (prorate)</b>			
(K) Operational	\$ 50000 / mo		
(L) Prorate	\$ 8.33 / car daily	(\$50000 / 200cars = \$250 / 30days = \$8,33	
<b>4. COST CALCULATION (by Vehicle Class)</b>			
(M) Car's Capital Cost	\$ 15000	Note: take the average or the highest class' price	
(N) Monthly Depreciat'n	\$ 13.89 / day	\$15000(M) x 0.0926%(A)	
(O) VLF	\$ 1.25	\$15000(M) x 0.0083%(B)	
(P) = C+D+E	\$ 0.057	\$0.02 + \$0.03 + \$0.007	
(Q) = P+L	\$ 8.387	\$0.057 + \$8.33	
(R) TOTAL N+O+Q	<b>\$ 23.53 / day</b>	\$13.89 + \$1.25 + \$8.39	
<b>5. CALCULATING RENTAL DAILY RATE</b>			
(S) = $R \times 100 / [100 - (F+G+H+I)]$		Note: the Markup formula	
= $23.53 \times 100 / [100 - (20+2+3+10)]$			
= $2353 / (100-35)$			
= $2353 / 65$			
=	<b>\$ 36.20 / day</b>	The PRICE!	
<b>6. CALCULATING EXPECTED RESULTS</b>			
Profit	\$ 36.20 x 20%	= \$7.24	
Bonus	\$ 36.20 x 2%	= \$0.72	
Investment	\$ 36.20 x 3%	= \$1.09	
Commission	\$ 36.20 x 10%	= \$3.62	
Cost Coverry	\$ 36.20 - (7.24 + 0.72 + 1.09 + 3.62) =	\$23.53	

Looking at items 4 and 5 above, we can deduce:

- Offering 20% discount will eliminate the profit.
- If you are not paying commission on an RA, then this % could be negotiated as a discount.
- If your price is higher than the competitor's, you may need to reduce costs or expected results. This assumes the competition is not mis-calculating prices or offering excessive discounts (in order to chase market penetration)
- Fleet occupation level has not been considered above, but you should consider this in the formula as a correction index, eg Capital Cost + 20% (considering 80% of occupation). CARS+ allows you to limit maximum discount (which is validated when editing a price) or offer a discount, please contact us to learn how do it.

Author: Alex Mol is a Mathematician, Software Engineer and Systems & Business Analyst, specializing in organizational consulting, processes, IT and CARS+. [Follow Alex's Blog](#)

## What's new in cars+

All Release Notices can be found at the online [cars+ Manual](#)

March Releases

- [On-Line screen display of all open Non-Revenue Tickets](#)
- [Make Available now closes any open Non-Rev Tickets](#)
- [New fields exist to block one-ways between locations](#)
- [Payments can now be taken on the Sundry Invoice screen](#)
- [Vehicle Depreciation and Lease/Loan now write to History File](#)
- [Hours of Operation can handle system wide Holiday Hours](#)
- [Inclusive Pre-Paid Fuel](#)

New Reports:

- [Res Activity Build Report](#)
- [Res Discount Report](#)

Staff Pick – our favourite new feature this month...



Managers can now control discounts

- Set maximum discount / user
- For discounts at RA Open, RA Close or adjustments in Incident Entry

It's all in the manual: [Field 13/Page 2 of Edit User Access](#)

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## Interface now to:

Amigo Autos, Atlas Choice, AutoEurope, BCO, Car Jet, Car Trawler, Do You Spain, DriveAway, Easy Car, Holiday Autos, Holiday Cars, Holiday House, imall brands, Kemwel, Sunny Cars, Travel Jigsaw  
TUI  
...AutoEscape added in April!

## cars+ Tips & Hints

Did you know?... that within the RA File Search, if you hit the letter "S" after data has been displayed, the columns shift so that more rental data is shown.

## SEO: Tris's Top Tip

Increase keyword relevancy by including keyword rich captions in the "alt" tag of your images

## Industry News

- [Tax breaks for Car Clubs](#)
- [Zipcar IPO](#)
- [Car hire company to track travellers with GPS devices](#)