Optimum Replacement Analysis

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Optimum Replacement Analysis

As a vehicle ages, its capital costs decrease while its operating costs increase. The combination of the monthly capital and operating cost curves create a concave, total vehicle cost curve.

The Economic Theory of Vehicle Replacement utilizes this total cost curve as a valuable analytical tool that can be leveraged to assist fleet decision makers with the question of optimum vehicle replacement timing. According to this theory, the replacement of fleet vehicles should occur when the monthly operating costs increase at a faster rate than the monthly capital costs decrease, resulting in an increasing total cost curve. This theory, in conjunction with other fleet-specific variables listed below, is a valuable tool that can be used to establish a fleet’s replacement parameters.

Assuming the blended data and assumptions are representative of the specific target vehicle, the optimum replacement timing* is between 39 and 49 months, or 130,000 to 160,000 kilometers.

Optimum replacement period may vary depending on vehicle model, fleet policy, funding cost, accident occurrence and other variables such as these “soft factors”:
- Lost driver productivity due to vehicle downtime when vehicle repairs are needed
- Lower driver morale due to perk value associated with newer vehicle
- Decrease in corporate image due to operating older vehicle model
- Constant change in technology and safety upgrades available on newer models

*Please note: Manufacturer incentives are not included in analysis.

Definitions

Vehicle Capital Costs:
Monthly market value depreciation, or decrease in secondary market value attributed to vehicle age and mileage

Vehicle Operating Costs:
Monthly maintenance and repair expenses incurred for scheduled maintenance, out-of-warranty repairs and temporary replacement rentals

Assumptions

- Vehicle is driven 40,000 kilometers per year
- Vehicle is operated under normal driving conditions resulting in an average condition at time of disposal
- Cost curves based on blended segment internal LeasePlan data and external market data

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Assuming the blended data and assumptions are representative of the specific target vehicle, the optimum replacement timing* is between 51 and 61 months, or 170,000 to 200,000 kilometers.

Optimum replacement period may vary depending on vehicle model, fleet policy, funding cost, accident occurrence and other variables such as these “soft factors”:

- Lost driver productivity due to vehicle downtime when vehicle repairs are needed
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Replacement Analysis Conclusion

Assuming the blended data and assumptions are representative of the specific target vehicle, the optimum replacement timing* is between 43 and 53 months, or 140,000 to 170,000 kilometers

Optimum replacement period may vary depending on vehicle model, fleet policy, funding cost, accident occurrence and other variables such as these “soft factors”:

- Lost driver productivity due to vehicle downtime when vehicle repairs are needed
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### Definitions

**Vehicle Capital Costs:**
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**Vehicle Operating Costs:**
Monthly maintenance and repair expenses incurred for scheduled maintenance, out-of-warranty repairs and temporary replacement rentals

### Assumptions

- Vehicle is driven 40,000 kilometers per year
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### Replacement Analysis Conclusion

Assuming the blended data and assumptions are representative of the specific target vehicle, the optimum replacement timing* is between 47 and 57 months, or 150,000 to 185,000 kilometers

Optimum replacement period may vary depending on vehicle model, fleet policy, funding cost, accident occurrence and other variables such as these “soft factors”:

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Assuming the blended data and assumptions are representative of the specific target vehicle, the optimum replacement timing* is between 48 and 58 months, or 160,000 to 190,000 kilometers.

Optimum replacement period may vary depending on vehicle model, fleet policy, funding cost, accident occurrence and other variables such as these “soft factors”:
- Lost driver productivity due to vehicle downtime when vehicle repairs are needed
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Vehicle Lifecycle Cost and Optimum Replacement Timing

Full-Size SUV

Replacement Analysis Conclusion

Assuming the blended data and assumptions are representative of the specific target vehicle, the optimum replacement timing* is between 53 and 63 months, or 170,000 to 215,000 kilometers.

Optimum replacement period may vary depending on vehicle model, fleet policy, funding cost, accident occurrence and other variables such as these “soft factors”:

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Replacement Analysis Conclusion

Assuming the blended data and assumptions are representative of the specific target vehicle, the optimum replacement timing* is between 45 and 55 months, or 150,000 to 180,000 kilometers.

Optimum replacement period may vary depending on vehicle model, fleet policy, funding cost, accident occurrence and other variables such as these “soft factors”:

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Assuming the blended data and assumptions are representative of the specific target vehicle, the optimum replacement timing* is between 39 and 49 months, or 125,000 to 160,000 kilometers.

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Assuming the blended data and assumptions are representative of the specific target vehicle, the optimum replacement timing* is between 38 and 48 months, or 120,000 to 155,000 kilometers.

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