Fleets Should Consider the Cost of Inaction

Survey shows proper prioritization and budgeting, no matter the market conditions, will yield more success for fleets in 2023 and beyond.

FREIGHTWAVES × BESTPASS

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Overview

The economy has been declining since the start of the COVID-19 pandemic. Supply Chain Quarterly said that in 2021 "volatility, inflation, and surging demand caused U.S. business logistics costs to increase by 22.4%."

2022 wasn't any easier as overall costs, especially maintenance and fuel costs, skyrocketed.

The International Monetary Fund stated that in 2023, global inflation is expected to fall to 6.6% from 2022's 8.8%. It is expected to fall further in 2024 to 4.3%. Despite anticipated improvements, they are still above pre-pandemic (2017-2019) levels of about 3.5%. And the market has proven to be anything but predictable in the last few years.

In the capital-intensive industry that is logistics, fleets expect daily operating expenses. It's a given that they must account for budgeting basics, but some over-the-road expenses are often overlooked, resulting in yearly expenses exceeding the initial budget.

It's well known that the logistics industry is typically volatile, but with unpredictable costs and a fluctuating market, those that are ill-prepared in regard to budgeting and forecasting will be left behind.

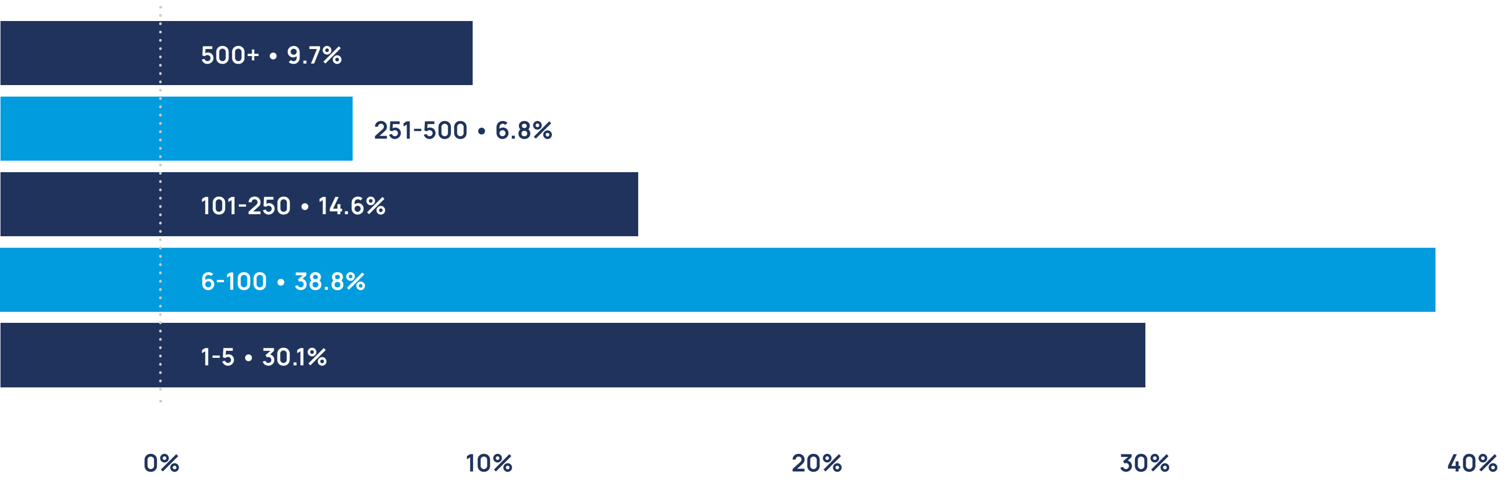
To increase efficiency, many in the industry have made the switch to newer forms of fleet management, including the latest technology or partnerships, but not everyone has. Some are still living with spreadsheets and paper documents.

In partnership with FreightWaves, Bestpass asked fleets of all sizes across the United States to share specific information regarding their companies' expense reports/projections from 2022 as well as their overall satisfaction with 2022 and confidence in 2023. The FreightWaves team collected survey data from 100 participants regarding 2022 budget projections, specific categories within the budget, forecasting and overall performance satisfaction.

The survey found that respondents should make a shift in priorities to make budgeting more efficient. While priorities have shifted with the market, improvements are still needed for companies to efficiently organize budgetary needs and increase performance satisfaction for 2023 and strengthen confidence going into 2024.

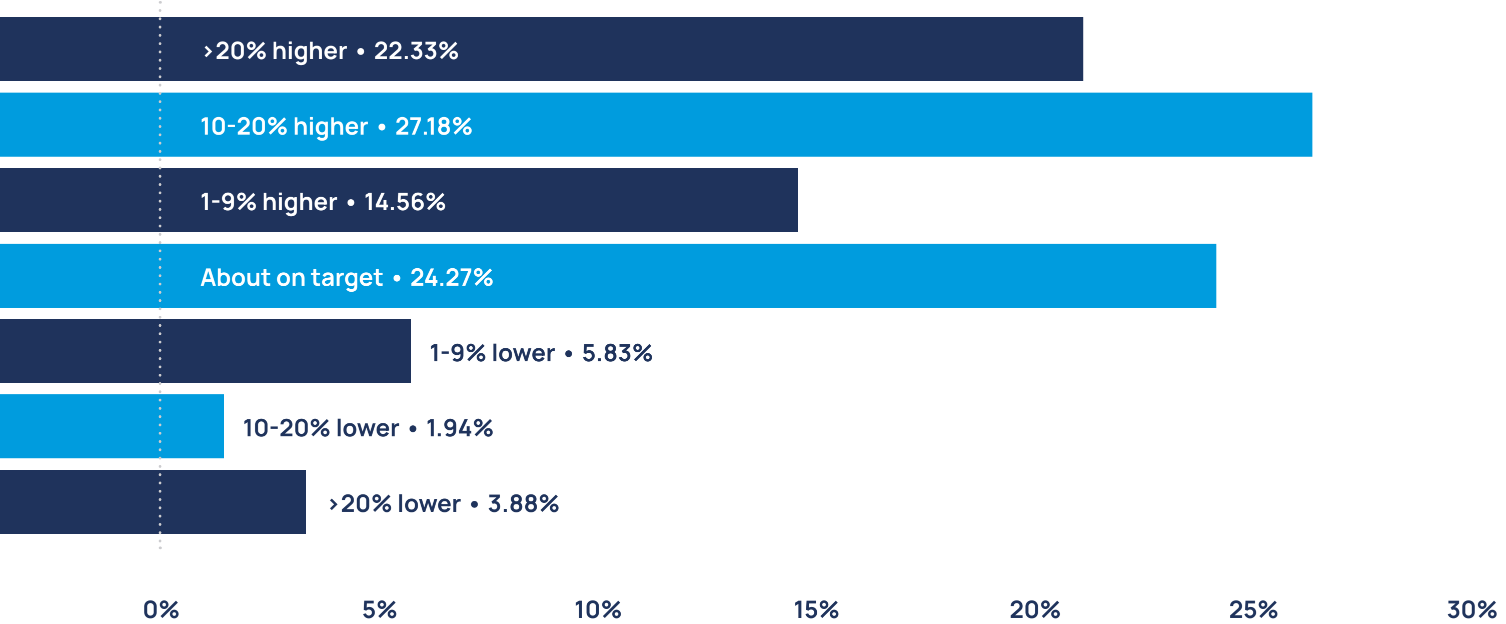
Fleets across the U.S. logistics landscape participated in this survey. The survey saw that the majority of participants (68.9%) identified as small to midsized fleets with 100 tractors or less.

How many tractors are in your fleet?



2022 Expenses: Not What Was Expected

Projections vs. expenses: How close were your 2022 expenses to your projections at the beginning of the year?

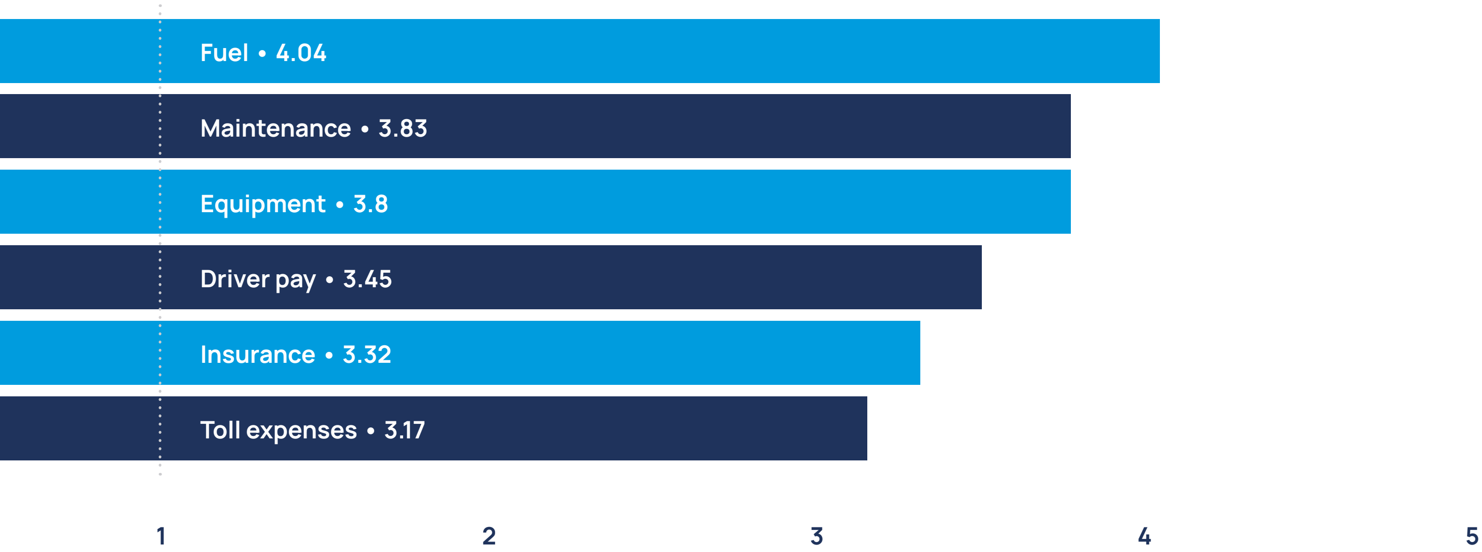


It's no surprise that expenses for 2022 came in higher than projected for a large portion of fleets. A total of 64.07% of respondents were over budget in 2022, with a majority stating that expenses were 10-20% higher than beginning-of-year projections (27.18%).

Despite this, roughly a quarter (24.27%) of respondents said their projections were about on target and nearly 12% said their expenses wound up being lower than the target (5.83% said 1-9% lower; 1.94% said 10-20% lower; and 3.88% said 20% or more lower).

Inflation has had a grip on the logistics space in the last year. As prices and costs increased, so did budgets, making these results anything but shocking.

Projections vs. expenses by category: Please rate how the following expense categories varied compared to projections at the beginning of 2022 *(where 1 indicates expenses came in significantly lower than projections, 3 indicates about on target and 5 indicates significantly higher than projections).*



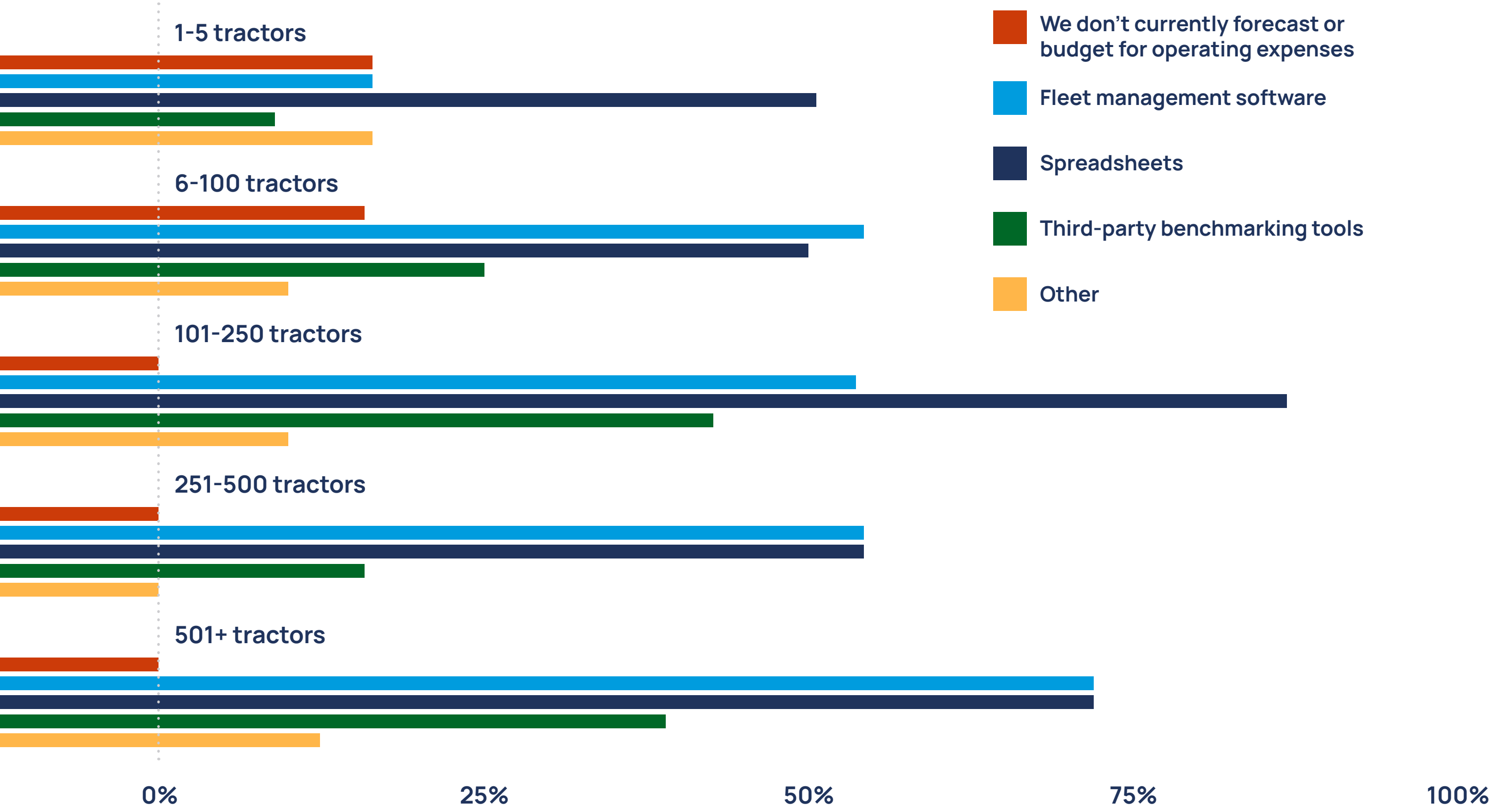
Diving deeper into the results of the projections versus expenses graph, those surveyed were asked about specific categories in the budget and if the respective category fell below or above projections. In terms of weighted averages, each of these categories resulted in the higher-than-projected side of things.

Fuel topped the list for fleets (weighted average of 4.04), with maintenance (weighted average of 3.83) coming in a close second and equipment (weighted average of 3.8) coming in a very close third.

These results were expected as fuel prices have fluctuated over the last few years, especially throughout 2022. Fuel was also a top expense for fleets prior to 2022. The American Transportation Research Institute's (ATRI) 2022 Analysis of the Operational Costs of Trucking reported that fuel costs were 35.4% higher in 2021 than in 2020 and only dipped slightly throughout 2022.

Clutching Traditions

Forecasting platform by fleet size: Which of the following do you currently use to forecast and budget operating expenses?



Participants were asked how they currently approach forecasting and budgeting for operating expenses.

Spreadsheets remain the most common tool across the board (59.22%), especially among fleets with 101-250 tractors. Fleet management software came in second (44.66%) overall and third-party benchmarking came in as a distant third (23.30%).

More specifically, results show that larger fleets (251 or more tractors) are split pretty evenly between spreadsheets and fleet management software. Smaller fleets still lean more toward spreadsheets while those with six to 100 tractors chose fleet management software as the top pick for forecasting.

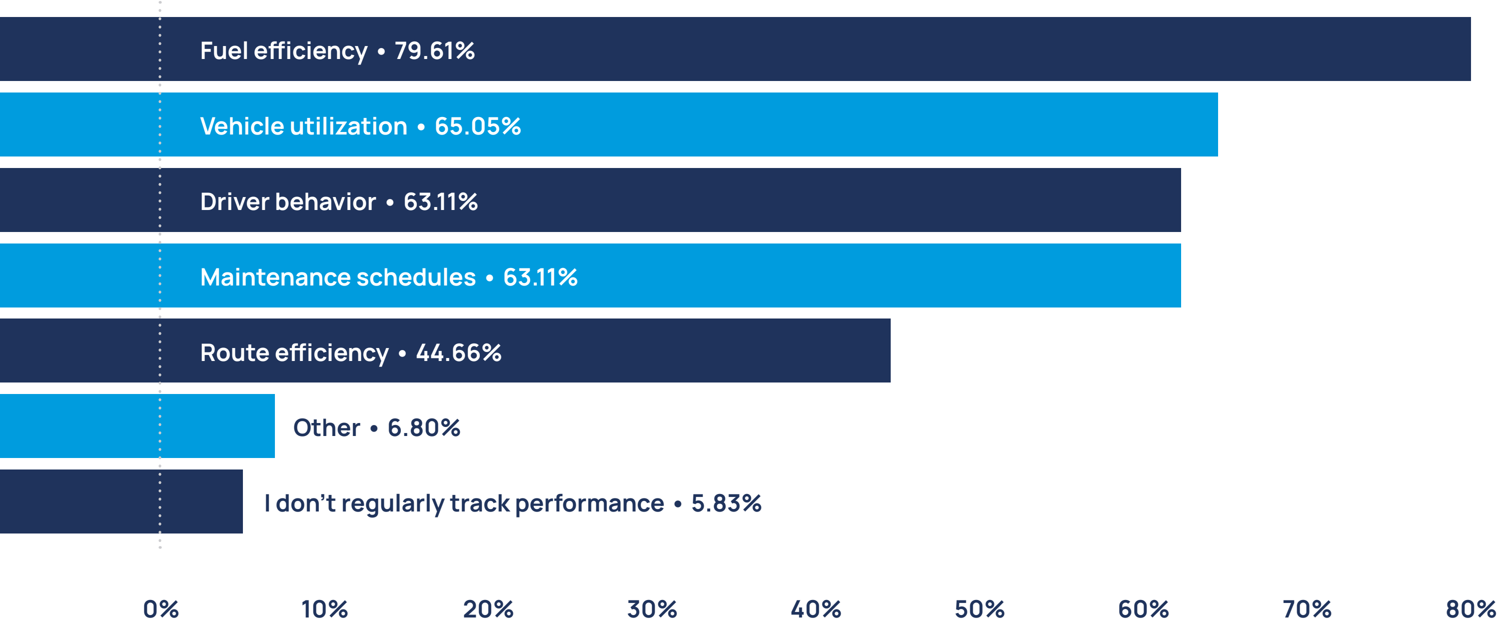
Shockingly, nearly 11% said that they do not forecast or budget for operating expenses at all. This number was higher than predicted.

It is evident that many companies still use traditional processes, such as spreadsheets, in order to maintain convenience. It is likely that these companies are putting budget toward other needs, especially amid high inflation.

The mixed responses are nothing short of predictable, however it is still surprising to see a larger than expected number of fleets not forecasting or budgeting for operating expenses.

The Impact of Tracking Overall Fleet Performance

Fleet performance tracking: Which of the following performance metrics do you regularly track for your fleet?



Participants were also asked to identify which categories they regularly measure for their fleets.

Fuel efficiency is the most common performance metric, with nearly 80% of fleets tracking it. With fuel being a large portion of any fleet's budget, as well as the fluctuation of diesel prices over the last year, this is to be expected.

Vehicle utilization (65.05%), driver behavior (63.11%) and maintenance schedules (63.11%) follow behind fuel efficiency in order.

However, fewer than half of the participants stated that they track route efficiency and nearly 6% stated that they do not regularly track performance at all.

Overall performance satisfaction: Please rate how satisfied you are with the following aspects of your fleet's performance *(where 1 indicates very dissatisfied and 5 indicates very satisfied).*

Number of Tractors	Vehicle Reliability	Driver Behavior	Fuel Efficiency	Route Optimization	Maintenance Efficiency
1-5	3.34	3.7	3	3.24	2.97
6-100	2.8	3.2	3.05	3.2	3.3
101-250	2.93	3.07	3.2	3.33	2.93
251-500	3.29	3.57	3.29	3.86	3.29
501+	3.2	3.3	3.8	3	3.1

Respondents were asked to identify how satisfied they were with their fleet's performance in 2022 on a scale of 1 (very dissatisfied) to 5 (very satisfied), and 3 being neutral. According to these answers, respondents across the board feel pretty indifferent about specific aspects of their fleet performance, with the majority selecting 3 (neutral) as their answer for overall satisfaction per listed category.

Looking at the data by fleet size, driver behavior was the highest scoring category across all fleet sizes with an overall weighted average of 3.36. Vehicle reliability was the lowest scoring category across all fleet sizes with an overall weighted average of 3.05. However, the margin is small and they both round to 3 (neutral satisfaction).

The differences are small, but it seems as though smaller and larger fleets seem more generally satisfied, as fleets with one to five tractors and those with 251 or more tractors had higher overall weighted averages across all categories. Midsized fleets (six to 250 tractors) had lower overall weighted averages across all categories.

One thing to note is that while respondents placed fuel efficiency as the most widespread performance metric in the fleet performance tracking graph, it still falls in the middle in terms of satisfaction.

Budgeting Confidence Wanes in 2023

Budgeting confidence: How confident were you in your fleet's expense projections for 2022 and how confident are you in your fleet's current expense projections for 2023?

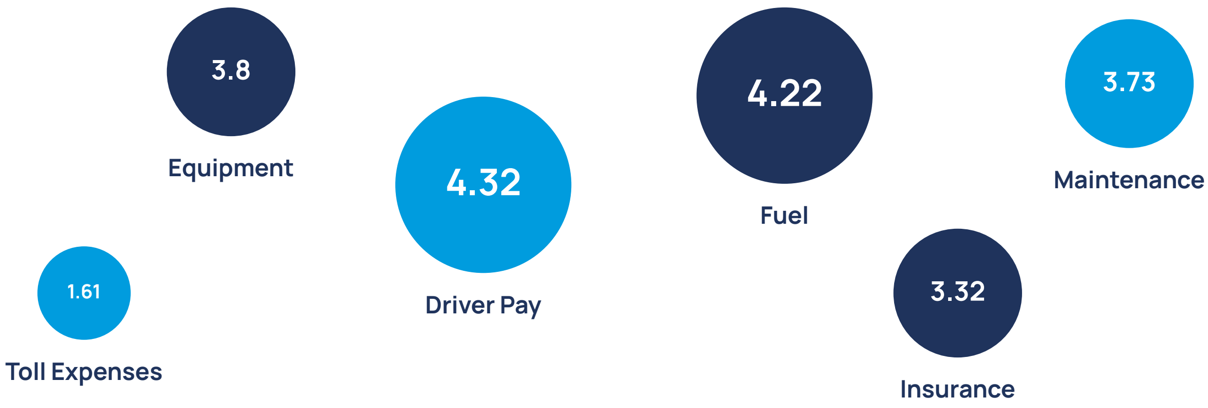
	Very confident	Somewhat confident	Not very confident	Not at all confident
2022	14.56%	62.14%	17.48%	5.83%
2023	7.77%	47.57%	30.10%	14.56%

Participants were asked about their confidence level surrounding yearly budgets for both 2022 and 2023. An overwhelming majority (62.14%) marked “somewhat confident” as their answer for 2022. And while “somewhat confident” was also the most common answer for 2023, far more stated that they’re “not very confident” (30.10% for 2023 compared to 17.48% in 2022) or “not at all confident” (14.56% for 2023 compared to 5.83% in 2022).

The unexpectedly high expenses of 2022 have created less certainty when it comes to planning. It’s no surprise that the shift in the economy made fleets less confident in their projections for this year as the economy will continue to change.

New Year, New Priorities

2023 priorities: Please rank the following expenses in order of priority for your fleet in 2023.



Respondents were asked to rank expenses, by category, in order of priority for 2023.

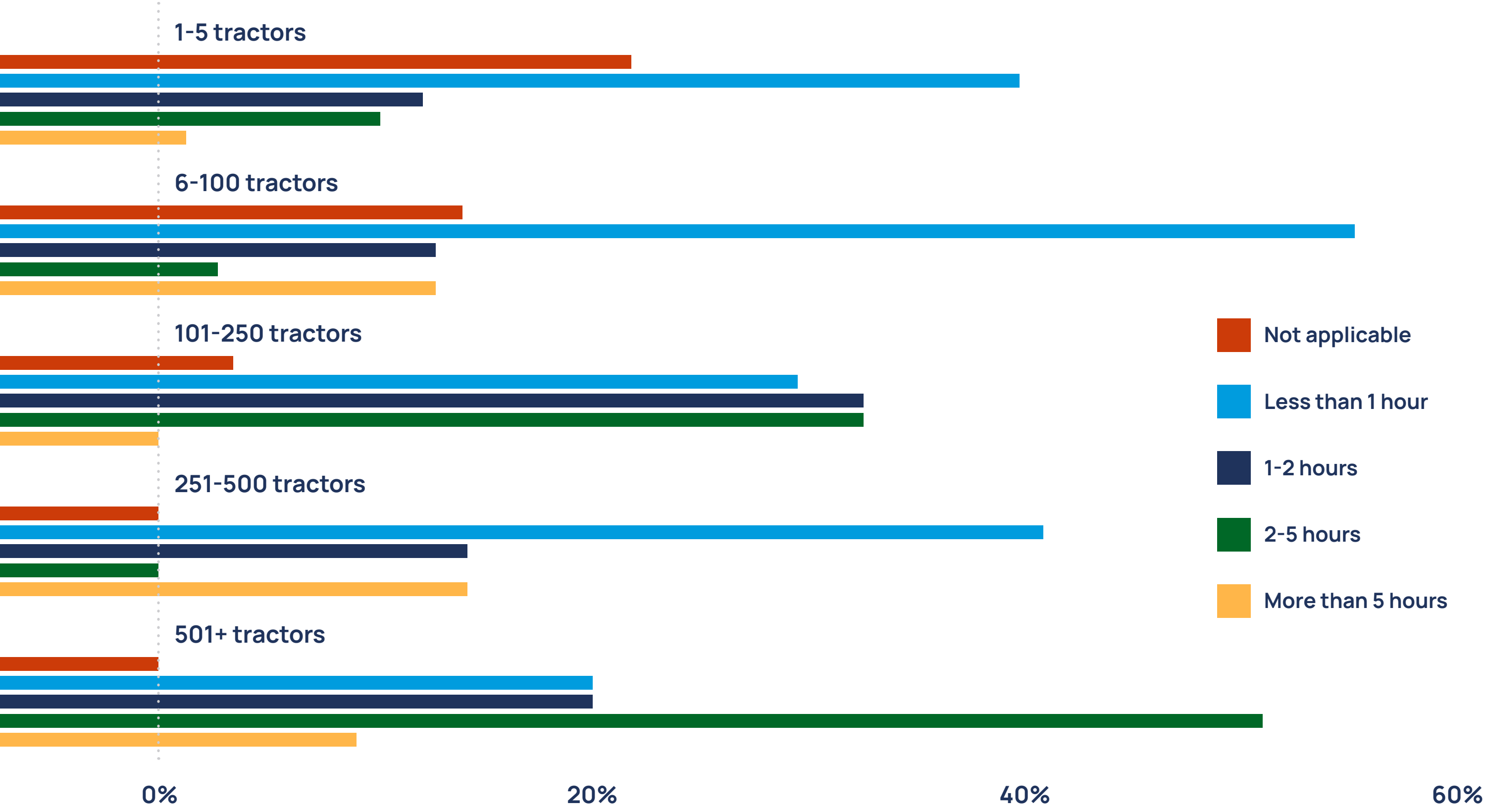
Driver pay was just a middling issue for companies in 2022. For 2023, they consider it the No. 1 priority with a weighted average of 4.32. Driver shortages and a competitive labor market could be to blame for this shift in priorities.

While tolling isn't the top cost for fleets, it is a growing expense that cannot be ignored. In 2021, toll costs reached $4.2 billion, according to the 2022 ATRI report. Additionally, its survey results showed that the average marginal cost per mile spent on toll (3 cents) is more than that of permits/licenses (16 cents) and almost equivalent to tires (41 cents).

Looking back at the projections versus expenses by category graph, participants were asked about specific budget categories and if the respective category fell below or above projections. Participants marked fuel (weighted average of 4.04), maintenance (weighted average of 3.83) and equipment (weighted average of 3.8) all as above budget. With the exception of driver pay, these mirror the results of the projections versus expenses by category graph as these individuals were prioritizing these categories going into 2023.

Tolling Time and Expenses Go Either Way

Time spent on toll-related activities by fleet size: How much time does your fleet spend on toll-related activities per week (e.g. processing toll receipts, resolving toll errors, etc.)?



Those surveyed were asked how much time their fleets spend on toll-related activities per week. Nearly 14% selected "not applicable," meaning they spend no time on toll-related activities, most likely because they don't have tolls in their area and "less than 1 hour" was the most common answer across all fleet sizes (43.69%).

It appears that the larger fleets, specifically those with 101 or more tractors, spend the most time on toll-related activities, with the majority spending more than one hour weekly.

Smaller fleets (those with less than 100 tractors) spend less time on toll-related activities, with the majority selecting "less than 1 hour" or "not applicable."

While fleets, specifically small to midsized ones, are prioritizing conversation around budgeting for tolling expenses, it is a growing industry.

Current tolling situation by fleet size: When it comes to toll expenses, which of the following describes your current situation?

When asked their situation regarding toll expenses, nearly 20% of all respondents said they were too high and should be reduced. Nearly 3% said they don't know how much they spend on tolls each month.

With 44.66% of respondents claiming their toll expenses are manageable, these numbers almost mirror the results of the time spent on toll-related activities by fleet size graph, with 42.72% saying they spend more than an hour on toll-related activities.

Diving deeper, it seems as though toll expenses present more of an issue for fleets with 101-500 tractors, with a large number of respondents selecting "our toll expenses are too high and should be reduced."

The majority of those with six to 100 tractors seem confident in their current toll situation as the top two answers were "our expenses are manageable and not an issue" and "toll expenses are not a significant expense for my fleet."

The rest of respondents (those with one to five and 501 or more tractors) fall in the middle of the scale, with the majority stating toll expenses are controlled and several selecting "our toll expenses are too high and should be reduced."

Similar to previous findings, these results suggest that the companies struggling with toll expenses (approximately 22%) should consider a third-party toll management service or allot more administrative time in order to budget for these more effectively.

Conclusion

Bottom line: The majority (64.07%) of fleets in the industry went over budget in 2022 — each respective category fell above projections, no matter how much or little. This survey also shows that confidence is waning, overall performance satisfaction could be higher and budgeting could be more efficient.

And with the continuous threat of economic decline, it is more important now than ever to invest in the right processes to achieve these goals and make business more efficient and profitable, even if it is necessary to step outside the box. In a highly volatile industry, every player needs to continuously look for ways to be more efficient, especially during the threat of economic decline.

Companies need to find ways to improve performance and reduce expenses — inaction isn't good enough. Improving these numbers could see higher confidence levels moving into 2024 and beyond.

So how can companies make that shift?

Strategic partnerships and investments can make companies more prepared and efficient. Spending the proper amount of time on budgeting and forecasting could lead to better performance.

Bestpass manages over $1.5 billion in tolls per year and positions itself as a leader in supporting fleets by simplifying toll management. The company works to solve numerous problems fleets face when traveling across the U.S. and has now ventured into other areas of management in order to help fleets build out a complete view of performance.

In addition to its complete nationwide toll road coverage, Bestpass' intuitive toll management platform allows users to easily assign toll charges and bills to specific vehicles and invoice customers for the cost of the toll and processing. This platform offers one consolidated view for all tolling and violation issues that easily integrate into your fleet system.

According to Bestpass, its customers have reported that handing over management responsibilities has generated anywhere from 80% to 250% return on investment.

It is more important now than ever for freight companies to prioritize and budget properly to ensure success, no matter the market conditions.