2018 Fleet Management Strategies of Top Performers

Descartes Fleet Management Benchmark Study Findings

The role and value of the fleet is continually evolving as more companies are recognizing its ability to provide a competitive advantage, enhance customer service and drive growth.

This 2018 Descartes benchmark study identifies key trends and practices impacting fleet management and reveals the strategies, tactics and technology implications of leading operators. We also explore the relationship between management's view of the strategic importance and a company's financial performance.

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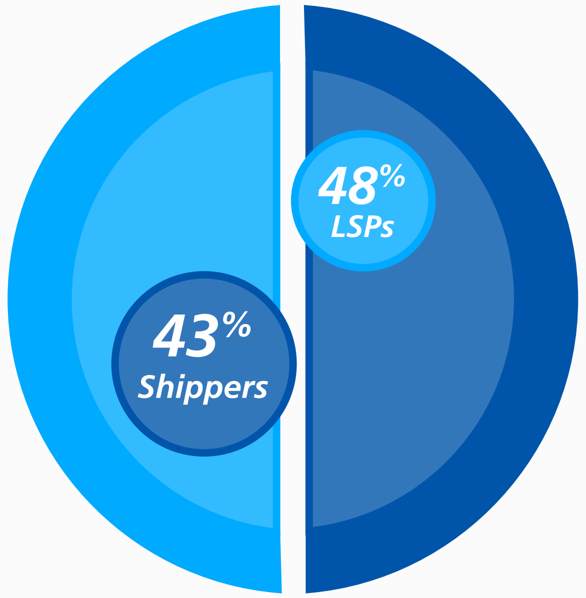
Learn more about the survey results

Who We Surveyed

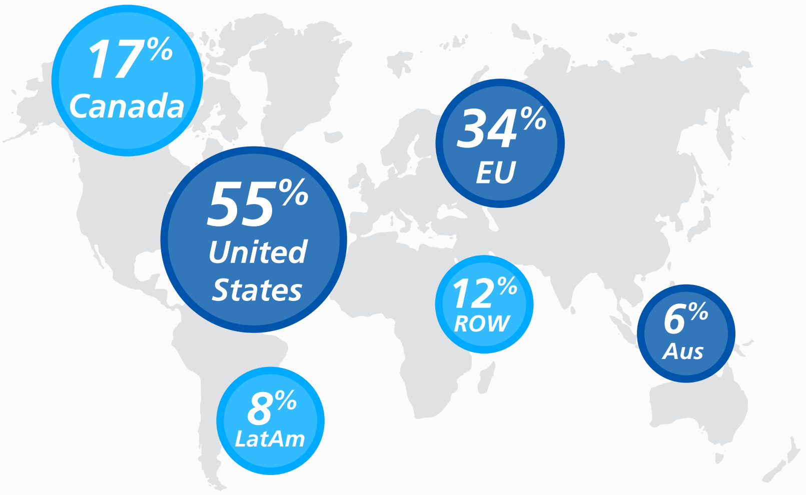
130 respondents participated in the 2018 survey representing different industries, geographic areas of operation and fleet size/type. Here's a snapshot of that information:

INDUSTRY BREAKDOWN



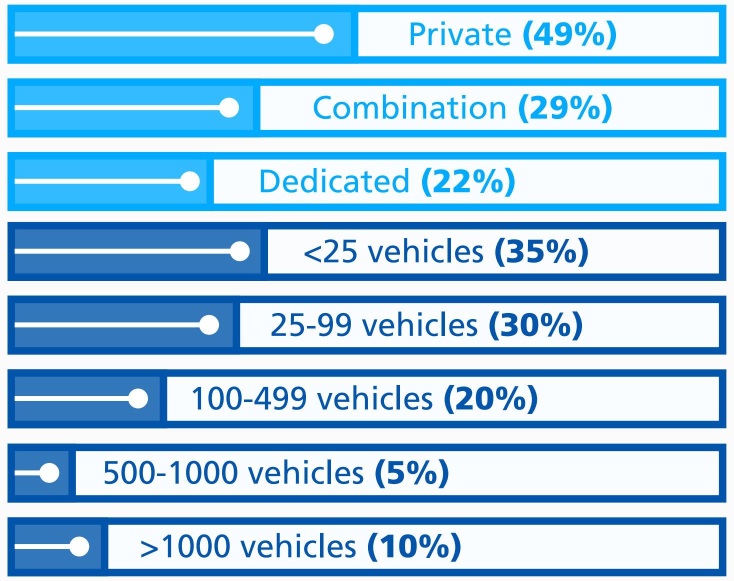
- 48% of respondents represent transportation and logistics companies.
- Manufacturers, retailers and distributors account for 43% of respondents.
- The remainder operate in mobile/field services (7%) and the public sector (2%).

LOCATION OF OPERATIONS



- The survey included companies across the globe, representing the Americas, Europe, and Australia, as well as nations from other world regions.
- While a majority of respondents (55%) operate in the U.S., there was also significant participation from companies operating in Europe (34%).

FLEET TYPE AND SIZE



- Nearly two-thirds (65%) of survey respondents have fleets ranging from less than 25 to 100 vehicles.
- On the opposite end of the spectrum, 15% manage fleets with more than 500 vehicles
- Almost half (48%) of respondents work for organizations that exclusively operate private fleets.

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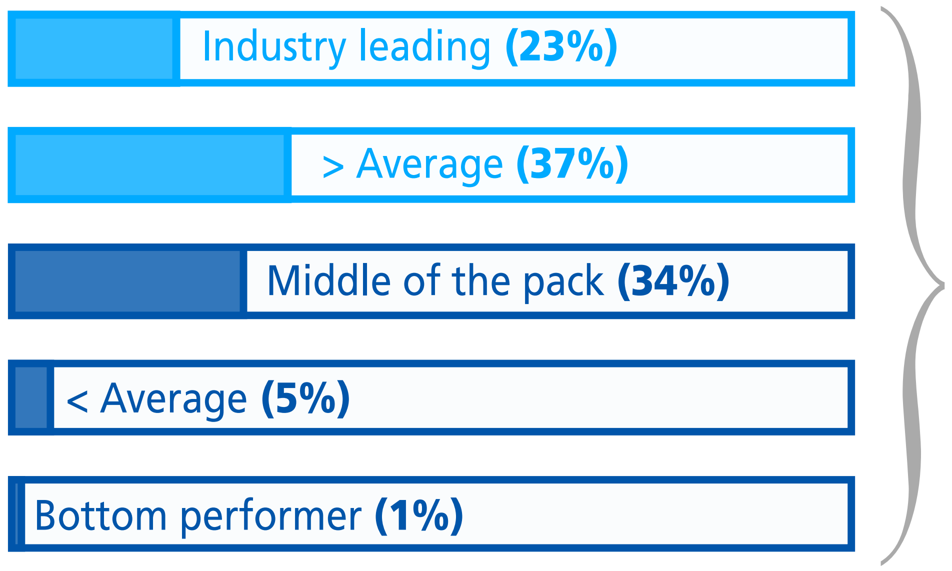
How We Analyzed Results

We took a look at the survey results from **two perspectives** and to analyze the results from both perspectives, we consolidated findings into two groups each: Financial Leaders vs. Financial Followers and Competitive/Differentiator vs. Basic/Necessary.



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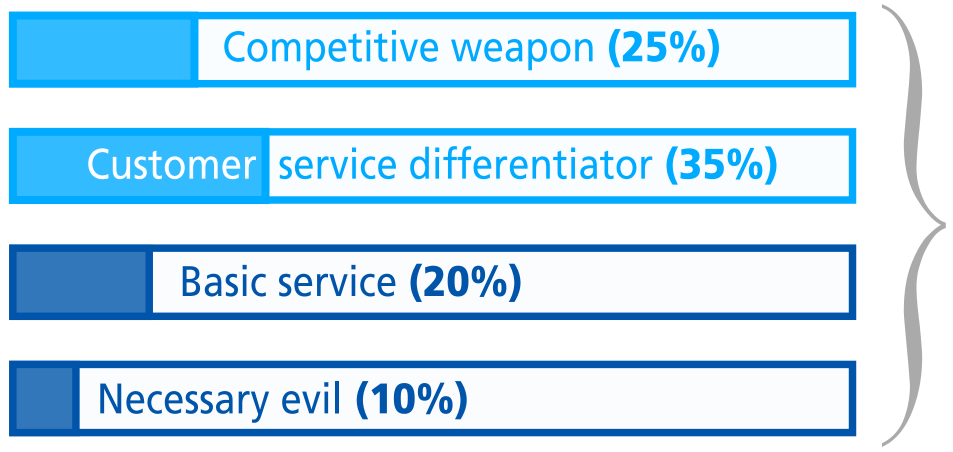
First, we asked respondents to rate their company's overall financial performance

- Financial Leaders
- Financial Followers



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Then, we asked them to rate their management's strategic view of fleet

- Competitive/Differentiator
- Basic/Necessary

▶ SURVEY INSIGHT

*There is a **compelling correlation** between the strategic importance management places on the fleet and how well a company performs financially.*

Additional findings revealed:

- The majority of companies who view transportation as a competitive weapon or service differentiator (70%) are also Financial Leaders.
- Similarly, almost two-thirds (65%) of companies rated as Financial Leaders were also identified as Competitive Weapon/Customer Service Differentiator companies.
- When asked about expected annual growth over the next 2-3 years, respondents further supported this correlation. Almost three-quarters (73%) of the fastest growing companies surveyed believe the fleet is a competitive advantage. In contrast, 60% companies that don't understand the value of the fleet are the slowest growing.

Increased Focus on Changing Customer Demands

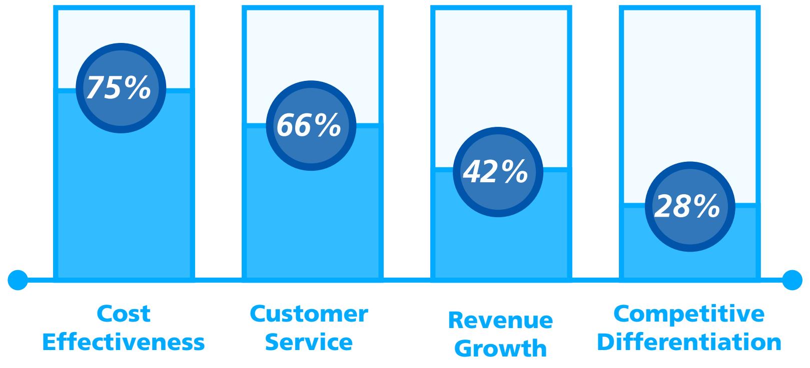
Respondents were asked a series of questions to learn more about industry trends and business challenges effecting fleet management.

FUTURE IMPACTS

When asked which economic, regulatory and industry changes would have the greatest impact on fleet management over the next five years, "driver shortage" ranked as the #1 factor by 72% of respondents, including top-performing and laggard companies in both financial and strategic categories.

It's not surprising that "more demanding customers" received the second-highest ranking from respondents. This is likely a reaction to changing customer expectations being driven by their online experience in B2C environments. Many successful companies are responding to growing customer demands with technology solutions to expand delivery options and offer value-added services.

VALUE MEASUREMENT



75% of all respondents said their companies measure the value of the fleet based on cost effectiveness, making it the dominant measurement selected. However, it was closely followed by customer service, with Competitive/Differentiators rating service slightly above cost. Companies with a Basic/ Necessary strategic view of the fleet ranked customer service 22% lower than cost.

Overall, organizations focused on traditional metrics such as cost may be missing significant opportunities for the fleet to create value competitively and contribute to revenue growth.

SURVEY INSIGHTS

- *The driver shortage continues to be a top-of-mind concern, motivating top-performers to get the most out of available drivers and improve fleet productivity.*
- *By ranking HOS/ELD compliance as a future concern, 27% of laggard organizations suggest they are still ill-prepared to meet driver mandates.*
- *Growing concerns regarding the impact of demanding customers aligns with the significant percentage of companies now measuring fleet value based on customer service.*

Internal Hurdles and External Pressures

Operational Challenges Faced by Respondents

Survey respondents were asked to characterize the largest operational challenges they are currently facing. Reducing costs was cited by 67% of participants, keeping it at the top of the list. Managing driver performance and behavior was noted by 52% of respondents, signaling that many companies are need to work on their driver management processes and technology used to capture driver activity.

67%	52%	37%	34%	28%
Reducing Costs	Managing Drivers	Increase On-Time Performance	Eliminate Paper Process	Reducing Delivery Time

Process and performance improvements such as going paperless and achieving tighter time windows rounded out the top five responses. Fewer respondents ranked large-scale changes including backhaul (24%) and fleet vs. for hire (18%) as top-of-mind concerns.

Competitive Outlook

23% of respondents are unaware of competitive activities

When asked about their greatest competitive concerns, respondents cited offering faster deliveries and cheaper (or free) shipping as competitors' top two strategies. Both of these strategies are indicative of the "consumerization" taking place in transportation as a result of changing customer expectations.

Perhaps the most thought-provoking result regarding competition is that 23% of respondents acknowledged not knowing what their competitors are doing. It is emblematic that Basic/Necessary companies (who place lower value on the fleet) were much more likely to be unaware of their competitors than the Competitive/Differentiators (31% vs. 17%).

SURVEY INSIGHTS

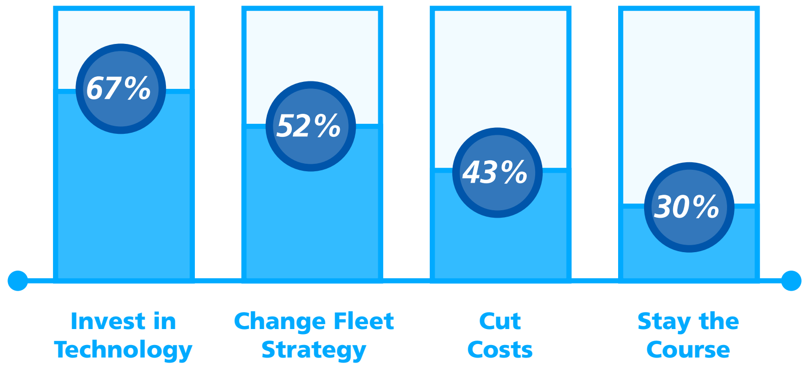
*Increased **customer service expectations** are the impetus behind growing competitive concerns and new operational pressures facing fleet management.*

- While reducing costs is still the #1 challenge for the fleet, how management decides to achieve this objective will impact performance.
- Increased emphasis on achieving better on-time performance (38%) and reducing delivery times (19%) indicates the growing importance of customer service expectations on operations.
- Providing shipment visibility and value-added services, both integral to enhancing customer service, were recognized as competitive concerns by 22% of respondents.

Focus on Improvement

PREPARING FOR CHANGE

Planned Strategy of Respondents



Change is inevitable. To gain insights on future fleet planning, we asked how operators are preparing for macroeconomic, industry and regulatory change.

Investing in technology was the overall top response by 67% of respondents, followed by changing fleet operations strategy (52%). These 2 points go hand-in-hand. Those companies with little strategic regard for the fleet (53%) and poorer financial performers (46%) were more focused on cutting costs.

IMPROVING FLEET VALUE

Top Competitors & Financial Performers Improve Value by:

58% Cutting Costs
40% Automation

Necessity Driven & Financial Followers Improve Value By:

77% Cutting Costs
32% Automation

Survey respondents were asked what they considered the most important strategies and tactics for improving transportation value. Cutting costs was by far the top priority for 66% of all respondents. Overall, automation for improving customer service was ranked as the second most important strategy (37%).

Companies that believe the fleet is a competitive advantage were less interested in cost reduction than those who don't feel it adds value by a significant 31% margin. The focus on expanding delivery options was also heavily skewed in favor of those who recognize the value of their fleet.

SURVEY INSIGHTS

Top-performing competitive companies tend to ***focus less on cost-cutting strategies and more on forward-thinking options to create value****, such as improving customer service with automation.*

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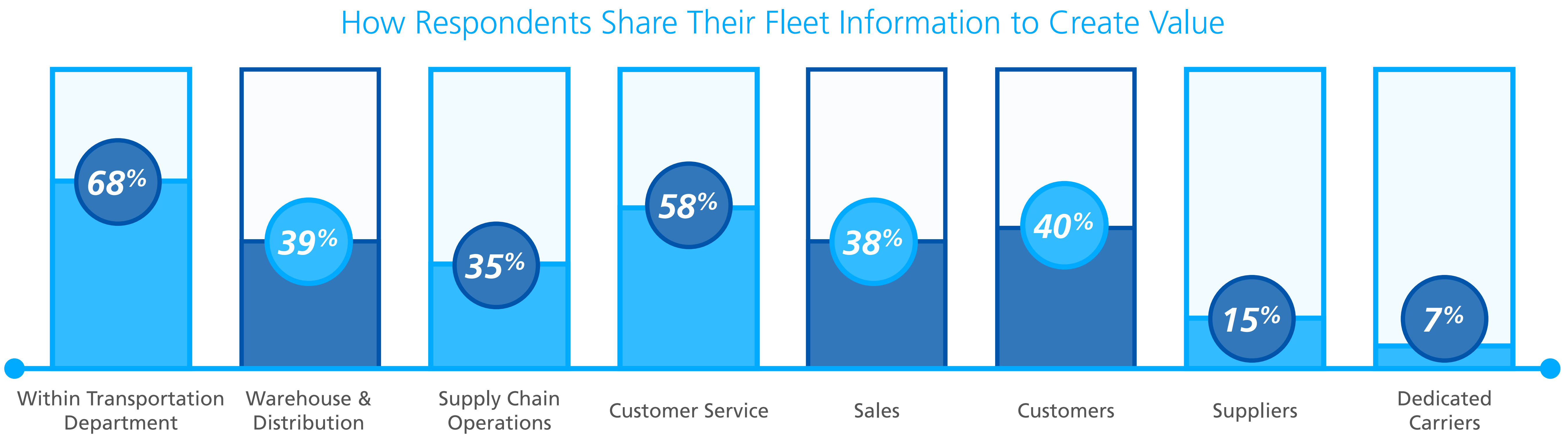
Sharing Fleet Information

▶ COLLABORATION PROVIDES OPPORTUNITY



Top performing competitors understand that in order to demonstrate how fleet management can create value, they must share data throughout the company and with customers and other trading partners.

When asked where they shared information about the fleet, respondents cited the transportation department (68%) and customer service (58%) as the top two areas. While this isn't surprising, there is still room to increase sharing with these two critical groups. There was no meaningful difference in responses between the various groups of fleet operators on this subject.

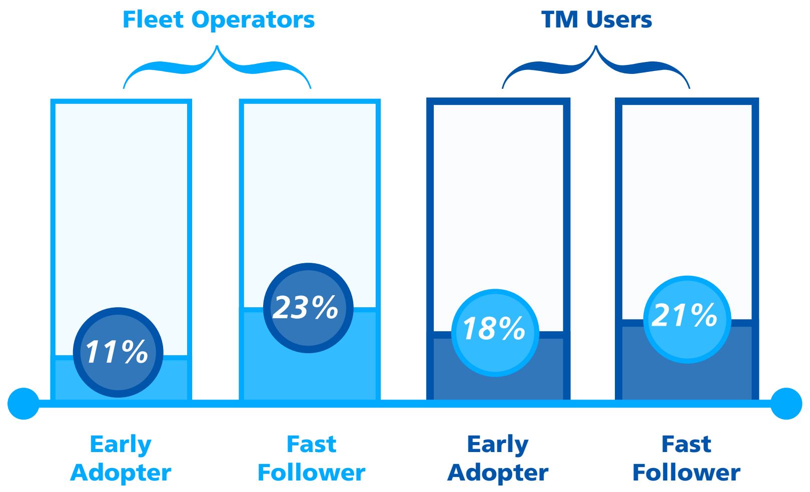
The most compelling insight is how few of respondents are sharing with customers or departments that have direct service impacts, specifically warehouse & distribution and sales. Based on the survey results, there is a definitely a missed opportunity to create value by enabling sales and engaging customers.

CHAPTERS

Top Performers Drive Adoption and Spend

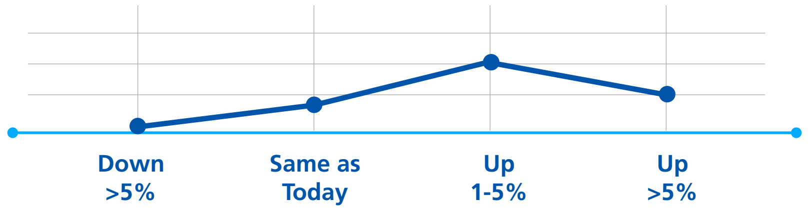
TECHNOLOGY ADOPTION

Early Adopters: Fleet Operators v. TMS Users



Survey respondents were asked to describe their company's strategy for technology adoption. On the whole, fleet operators are more technologically conservative than commercial Transportation Management users surveyed in our TM benchmark study. As expected, overall top performers are more likely to be early adopters (15%/16%). Companies that don't see the fleet's strategic value are the most technologically conservative with 34% identified as laggards.

IT SPEND OUTLOOK



74% of fleet operators plan to increase their IT spend over the next two years, which is slightly greater than their TM counterparts. Leading companies indicate that they will spend slightly more than laggard companies, while just under 3% of all respondents project a spending decrease.

INVESTMENT OBSTACLES

More than a third of respondents (36%) reported they encounter no obstacles to IT investment in the organization, making it the overall top response.

It's clear that financial performance and management perspective are important to successfully justifying IT projects, as almost half of all respondents (46%) cited questionable payback or executive priorities as investment obstacles.

SURVEY INSIGHTS

How fleet operators approach technology adoption and IT spend aligns primarily with how their company performs financially and values the fleet.

- It's likely that top performers will embrace technology earlier, while laggards are the most technologically conservative.
- The large percentage of respondents who reported that IT investment isn't a priority or that its payback isn't readily apparent suggests that there is an opportunity to educate executives about potential value the fleet can deliver.

CHAPTERS

Aligning Key Capabilities and Investment

▶ CAPABILITIES FOR EFFECTIVE OPERATIONS

Respondents ranked routing planning (44%) and dispatch & tracking (30%) as the two most important capabilities needed for effective fleet management. As a group, top performers placed the highest priority on route planning. Delivery scheduling received its highest ranking from companies that place less value on the fleet.

Less than 10% of respondents selected mobile route management, reducing commercial paperwork, vehicle diagnostics, route exception management, and BI dashboards as top capabilities.

▶ FUTURE IT INVESTMENT

Fleet management capabilities and IT investment for the next two years are not totally aligned. The largest percentage of respondents (38%) plan to invest in dispatch & tracking, yet ranked it as the second most important capability needed. IT investment for route planning, the most sought after capability, is anticipated by only 25% of respondents.

Capabilities rounding out the top six areas for future IT investment are HOS compliance, delivery appointment booking/scheduling, mobile route management and reducing commercial paperwork.

TOP 5 FLEET MANAGEMENT CAPABILITIES

1	*Route Planning*
2	*Dispatch and Tracking*
3	*Delivery Appointment Booking*
4	*Driver Performance*
5	*Delivery Notifications & Proof of Delivery*

TOP 5 IT INVESTMENT NEXT 2 YEARS

1	*Dispatch and Tracking*
2	*Route Planning*
3	*HOS Compliance*
4	*Delivery Appointment Booking*
5	*Mobile Route Management*

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Key Survey Takeaways

There is a **strong relationship** between management's strategic value of the fleet and a company's financial performance.

Placing higher strategic value on the fleet results in faster growth and ultimately, **better financial performance**.

While cost reduction is the greatest challenge facing fleet operators today, **driver shortage** looms as the biggest threat over the next 5 years.

Improving productivity of the fleet is key to meeting both challenges.

Investing in technology and changing fleet operations strategy are the top ways management is preparing for major change in the future.

Top performing companies are less focused on justifying fleet IT spend and will spend more than laggards, potentially **creating a competitive gap** over time.

Over the next two years, the most investment will occur in **Route Planning and Dispatch & Tracking**, cited as the most important capabilities for effective fleet management.

Descartes' Routing, Mobile & Telematics Suite

UNIFYING CRITICAL FLEET MANAGEMENT PROCESSES

If you operate a commercial fleet or manage mobile workers in the field, you're tasked with improving the productivity, performance and safety of your operations. With integrated route planning, route execution, mobile applications and vehicle telematics, Descartes offers the industry's most comprehensive fleet and mobile resource management solutions.

The single-integrated platform for Descartes' Routing, Mobile & Telematics suite provides true command of operations. It supports the end-to-end processes that fleet operators use to:

- Create delivery appointments and plans that best serve customers while minimizing costs;
- Reduce miles driven and fuel, labor and vehicle costs;
- Ensure plans are being executed in the field and address changes in real time;
- Instantly capture and distribute customer data from the field;
- Track the performance of vehicles and related equipment; and
- Meet Electronic Logging Device (ELD)-based reporting requirements

LEARN MORE

To learn more about Descartes' routing, mobile and telematics solutions for fleet management, **click here**.

About Descartes

Descartes (Nasdaq:DSGX) (TSX:DSG) is the global leader in providing on-demand, software-as-a-service solutions focused on improving the productivity, performance and security of logistics-intensive businesses.

Customers use our modular, software-as-a-service solutions to route, schedule, track and measure delivery resources; plan, allocate and execute shipments; rate, audit and pay transportation invoices; access global trade data; file customs and security documents for imports and exports; and complete numerous other logistics processes by participating in the world's largest, collaborative multimodal logistics community.

Our headquarters are in Waterloo, Ontario, Canada and we have offices and partners around the world.

Learn more at **www.descartes.com**, and connect with us on **LinkedIn** and **Twitter**.

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