

DESCARTES™

# *2019 Fleet Management Benchmark Survey*

*Gain insights and best practices from industry leaders on how to create more value from your fleet.*

See the Survey Results ▶



# Fleet Management Strategies of Top Performers

## ► INDUSTRY STUDY: KEY TRENDS & PRACTICES

The role of the fleet continues to evolve as market conditions and technology change at exponential rates. To stay competitive in today's dynamic market, fleet professionals are being challenged to demonstrate how the fleet creates value for the organization.

Some companies have made great strides by leveraging their fleet to change competitive positioning, grow revenue and positively impact the bottom line. However, others still struggle to make a difference for the organization. Is there a blueprint for more effective fleet management?

To answer that question we launched a benchmark study in 2018 to learn what top performers were doing differently to maximize the fleet's strategic value.

*Our 2019 survey explores what's driving the market today and offers the **latest insights on successful fleet management strategies, tactics and technology.***

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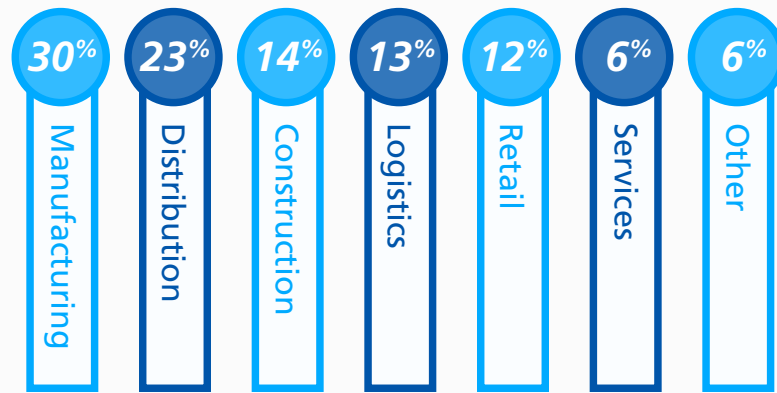
Descartes' Routing, Mobile & Telematics

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# Who We Surveyed

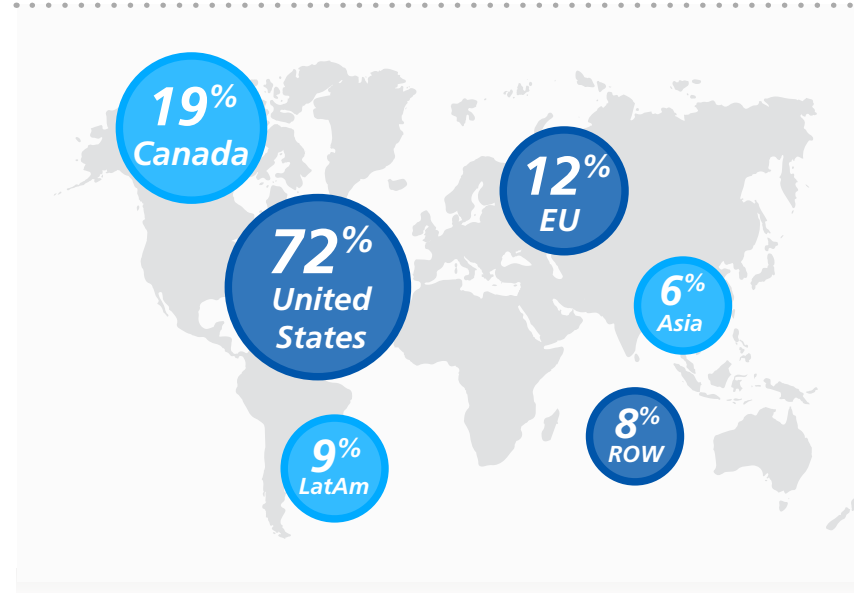
A group of 106 shippers and logistics service providers (LSPs) participated in our second annual fleet management survey. Here's a snapshot of the respondent demographics:

## A diverse range of industries were represented



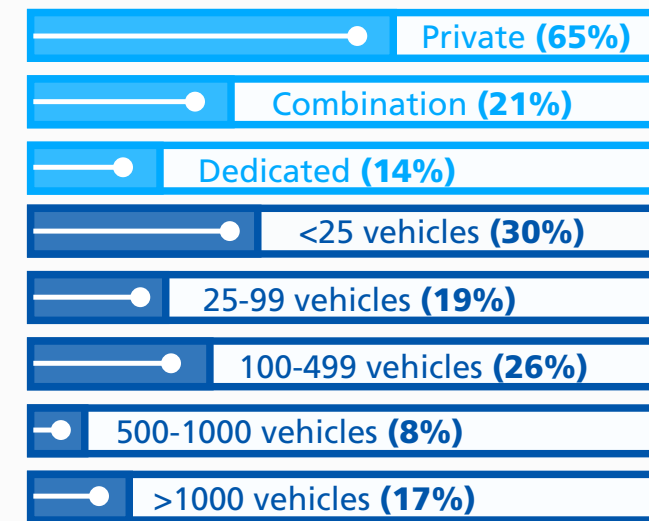
- More than half of the respondents work in manufacturing (30%) and distribution (23%).
- The percentage of participation within the construction, logistics & transportation, and retail segments were similar.
- No single industry dominated the survey

## A large majority of respondents' companies operate in North America



- While the survey included companies with a global footprint, the U.S. and Canada were cited as the top two locations for operations.
- The percentage of companies reporting U.S. operations increased 17% over the 2018 survey.

## The size and type of fleets represented skewed larger and more private than last year



- Over 25% of respondents manage fleets greater than 500 vehicles compared to 15% in 2018.
- More than 64% operate only private fleets -- a 16% increase in this category versus last year.

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# Respondent Perspectives

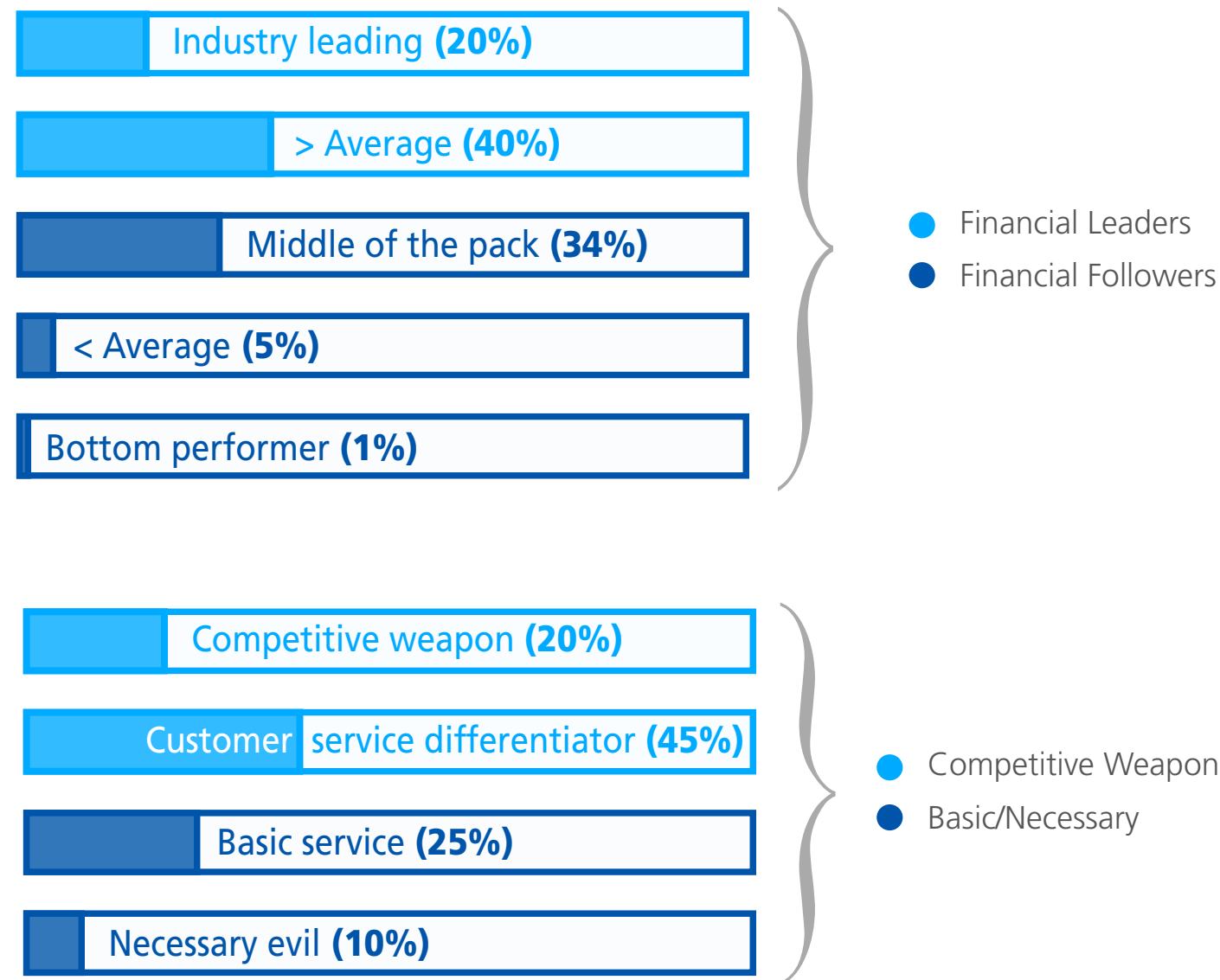
To determine how top performers think and act differently, we asked respondents to rate their companies from two aspects: overall financial performance and management's strategic view of the fleet. Results were consolidated to identify two groups in each category that could be used for more detailed analysis.



*First, we asked respondents to rate how well financially their company is doing today?*



*Then, we asked them how strategically is their fleet viewed by senior management?*



The impact of each group's perspective on transportation management strategies, tactics, technology, and business performance was further analyzed and the findings were compared to answer two hypothetical questions:

- Is management's perception of the fleet's strategic value a self-fulfilling prophecy?
- Is financial performance a factor or a result?

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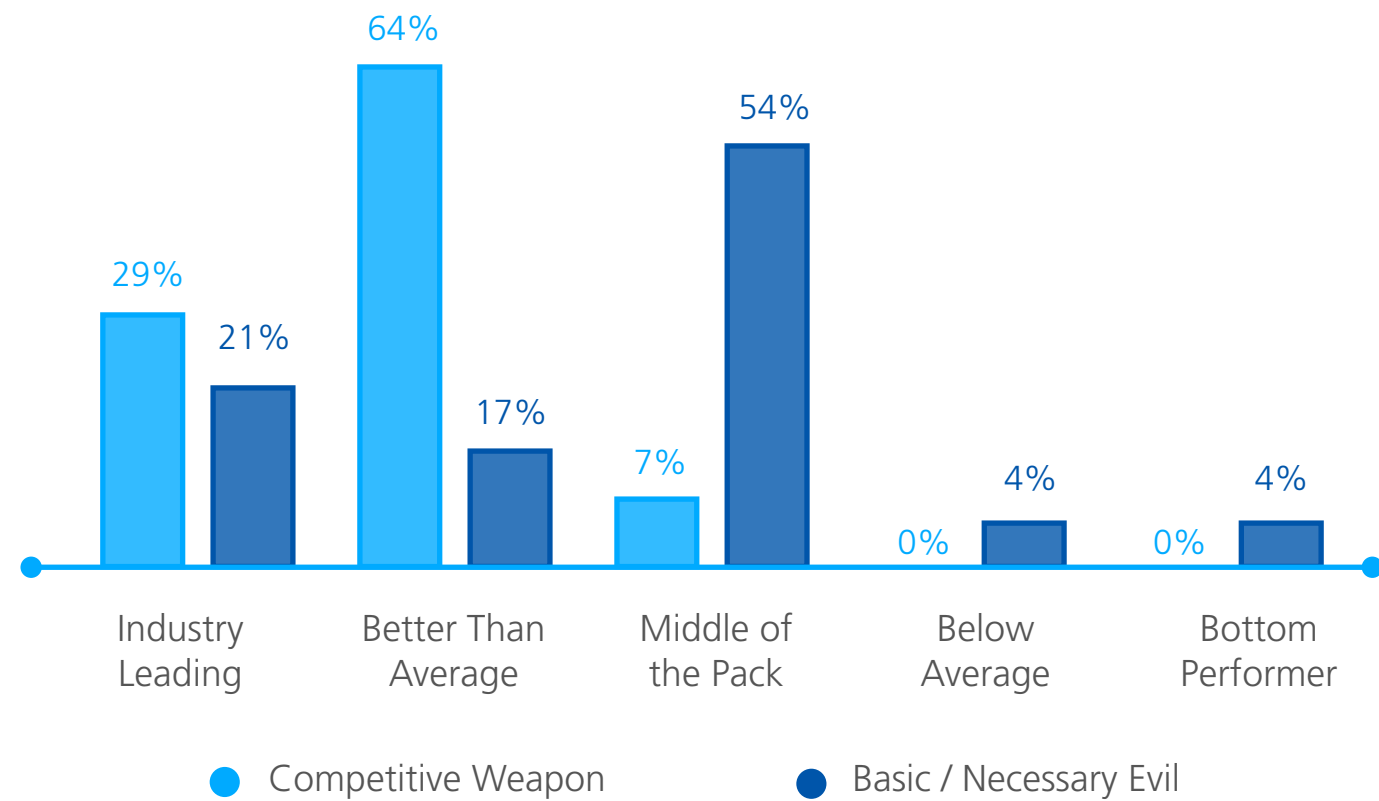
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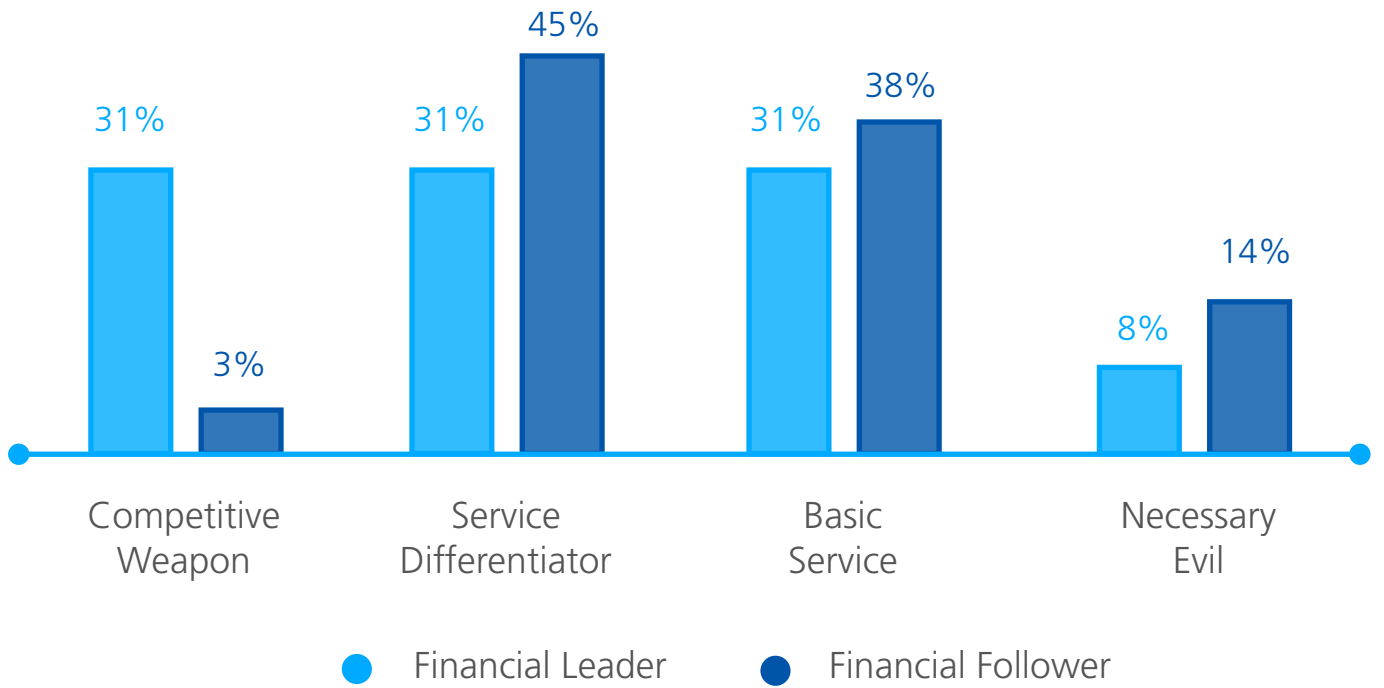
# Examining Financial Performance & Fleet Strategy

As in last year's survey, 2019 results indicate a compelling correlation between how well a company performs financially and the strategic importance management places on the fleet.

## FINANCIAL PERFORMANCE BY STRATEGIC IMPORTANCE



## STRATEGIC IMPORTANCE BY FINANCIAL PERFORMANCE



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# Examining Financial Performance & Fleet Strategy

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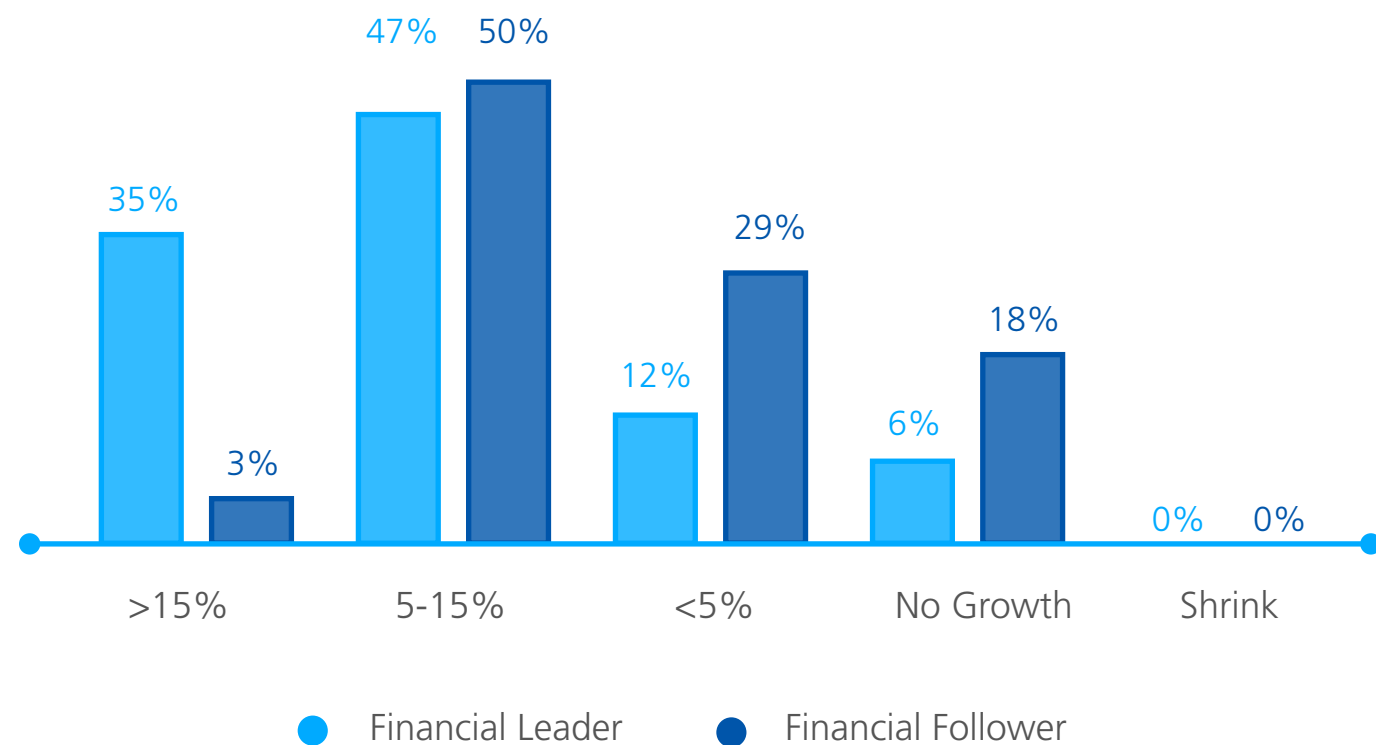
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### BASED ON CURRENT ECONOMIC CLIMATE, WHAT DO YOU EXPECT YOUR BUSINESS' ANNUAL GROWTH TO BE OVER THE NEXT 2-3 YEARS



### ► SURVEY INSIGHTS

- *The correlation is even stronger this year with Competitive Weapon respondents 2.5 times more likely to have better than average or industry leading performance.*
- *Respondents further supported this insight when asked about expected annual growth over the next 2-3 years. Competitive Weapon respondents (29%) are significantly more likely than Basic/Necessary Evil respondents (11%) to be the fastest growing companies.*
- *Financial Leaders are over 11 times more likely than Financial Followers to expect the greatest growth (15%).*
- *93% of those who cited the fleet as strategically important indicated they had better-than-average to industry leading financial performance.*
- *Strong economic growth puts tremendous pressure on fleet productivity and service performance.*

# Key Trends & Practices

*We asked respondents to select two macroeconomic, regulatory or industry changes that will have the greatest impact on fleet operations over the next 5 years?*

## Shaping Future Fleet Strategies, Tactics and Trends

It's not surprising that respondents once again cited the driver shortage as having the greatest impact on fleet operations in the near future. It was ranked the #1 factor by over 64% of respondents, almost doubling the response of the closest alternative.

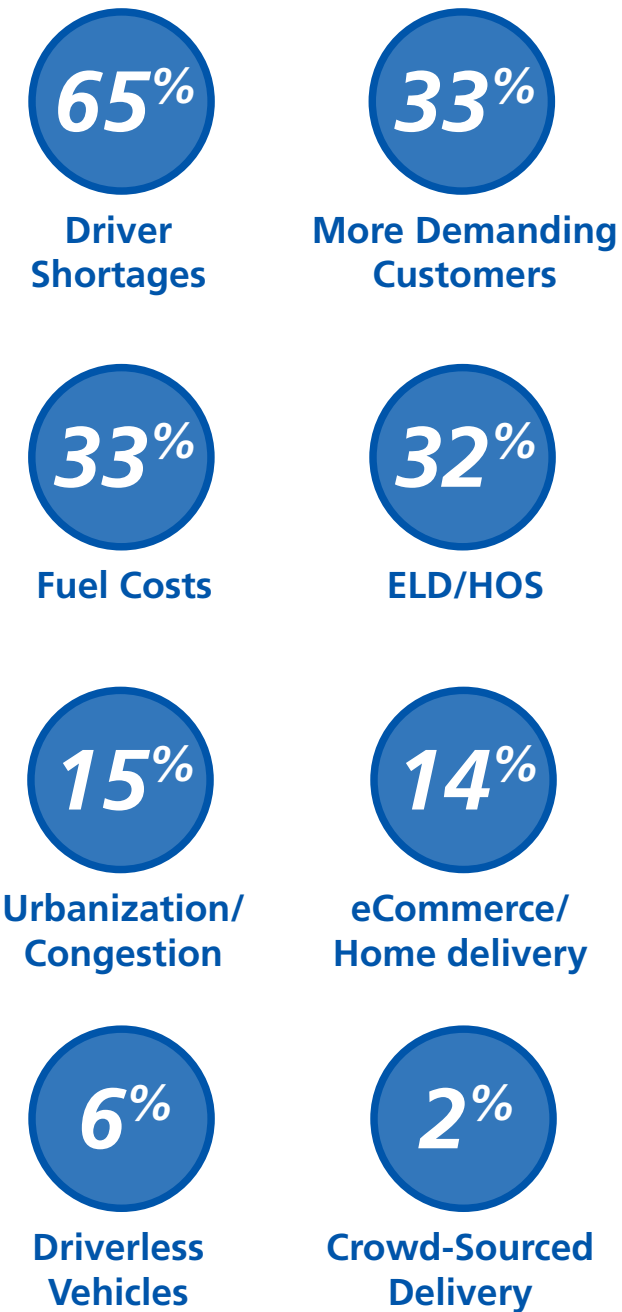
More Demanding Customers retained second place for impact, with Fuel Costs (33%) replacing Ecommerce/Home delivery (14%) as the #3 overall trend in 2019.

## Operational Challenges Faced by Respondents (Graph on next page)

Reducing Costs retained the #1 spot with 78% of survey respondents citing it as the largest challenge they are currently facing. This is an 11% increase over the 2018 survey, which may reflect greater concerns with capacity and fuel costs.

While the top 3 responses remained the same as last year, Reducing Delivery Time (42%) moved up a spot to #4, replacing Eliminating Paper-based Processes. This is another indicator that operators are feeling the pressure to improve performance and productivity.

## THE FINDINGS Ranked by Selection Percentage



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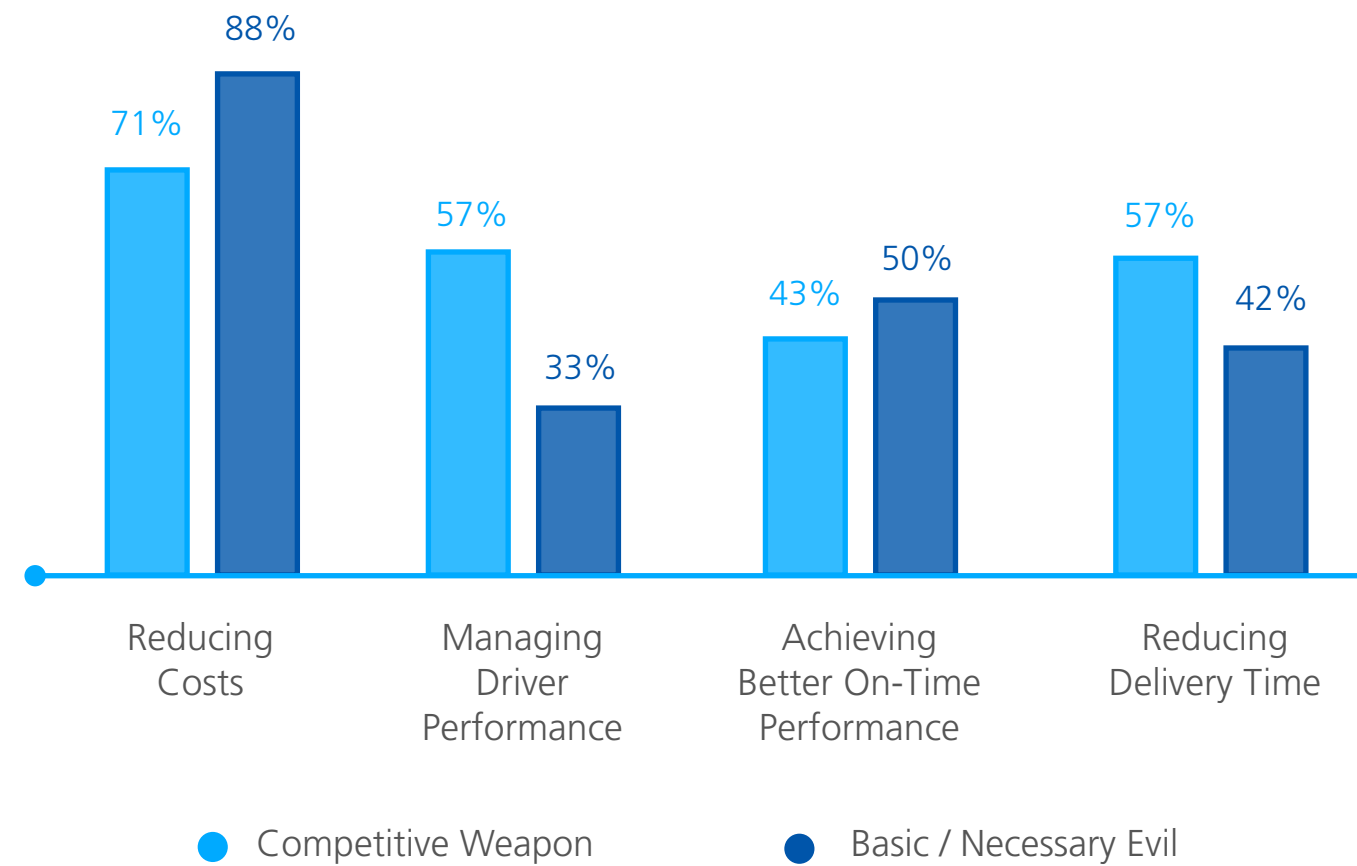
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# Key Trends & Practices

## ► SURVEY INSIGHTS

- *Driver-related issues (including the shortage (65%) and ELD/HOS (31%)) again dominated the responses, underscoring the ongoing difficulty fleet management has finding and retaining drivers.*
- *Financial leaders feel the impact of the driver shortage the most (85%) as they expect the greatest growth over the next 2-3 years.*
- *Fuel costs are 3.5 times more impactful in the future for those who view the fleet as a Basic/Necessary Evil versus those who consider it a Competitive Weapon.*
- *Fleet professionals expect issues in the media spotlight such as driverless vehicles and crowd-sourced logistics to have little impact in the near future.*
- *While reducing costs is still the #1 challenge for the fleet, how management decides to achieve this objective will impact long-term performance.*

### WHAT ARE THE BIGGEST OPERATIONAL CHALLENGES YOU ARE FACING TODAY?



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# Key Trends & Practices

## WHAT FLEET STRATEGIES OR TACTICS ARE THE COMPETITION USING THAT ARE THE GREATEST CONCERN TO YOU?

|                                 | Competitive Weapon | Basic / Necessary Evil |
|---------------------------------|--------------------|------------------------|
| 1. Faster Deliveries            | 57%                | 42%                    |
| 2. Low cost / Free Shipping     | 43%                | 38%                    |
| 3. Provide Shipment Visibility  | 29%                | 46%                    |
| 4. Provide Value-added Services | 29%                | 33%                    |
| 5. Don't Know                   | 14%                | 33%                    |
| 6. Disruptive Technologies      | 29%                | 08%                    |

### Competitive Outlook

Overall, respondents once again cited Low Cost/Free Shipping (47%) and Faster Deliveries (41%) as the top two most concerning competitive strategies. These strategies align with the ongoing concerns expressed by respondents regarding the impact of changing customer expectations.

Financial Followers were the least informed about their competitors with 45% acknowledging that they don't know which competitive threats are most concerning. Basic/Necessary Evil companies (who place lower value on the fleet) were also much more likely to be unaware of their competitors than the Competitive Weapon respondents (33% vs. 14%).

### HOW FLEET VALUE IS MEASURED

82% of all respondents said their companies measure the value of the fleet based on cost effectiveness, making it the #1 response once again. Measuring value based on Customer Service decreased significantly from 2018, dropping from 75% to 40%.

Companies that place higher strategic value on the fleet do a much better job capturing the high-value measurement metrics of contribution to revenue growth and competitive differentiation.

## ► SURVEY INSIGHTS

- *Rising operational pressures driven by increasing customer demands are shaping competitive concerns facing fleet operators.*
- *It's not surprising that Competitive Weapon respondents and Financial Leaders (top performers) are the most aware of their competitors' strategies and tactics.*
- *The competitive impact of Shipment Visibility, which has become an industry requirement, is more concerning for Basic/Necessary Evil respondents (46%) versus Competitive Weapon respondents (29%).*
- *Better measurement of the fleet's value in the most important areas to the C-suite: contribution to revenue growth and competitive differentiation is critical to demonstrating the real impact that the fleet can have on enterprise performance.*

|                                    | Competitive Weapon | Basic / Necessary Evil |
|------------------------------------|--------------------|------------------------|
| 1. Cost Effectiveness              | 86%                | 88%                    |
| 2. Contribution to Revenue Growth  | 57%                | 25%                    |
| 3. Customer Service                | 36%                | 46%                    |
| 4. Contribution to Differentiation | 50%                | 08%                    |

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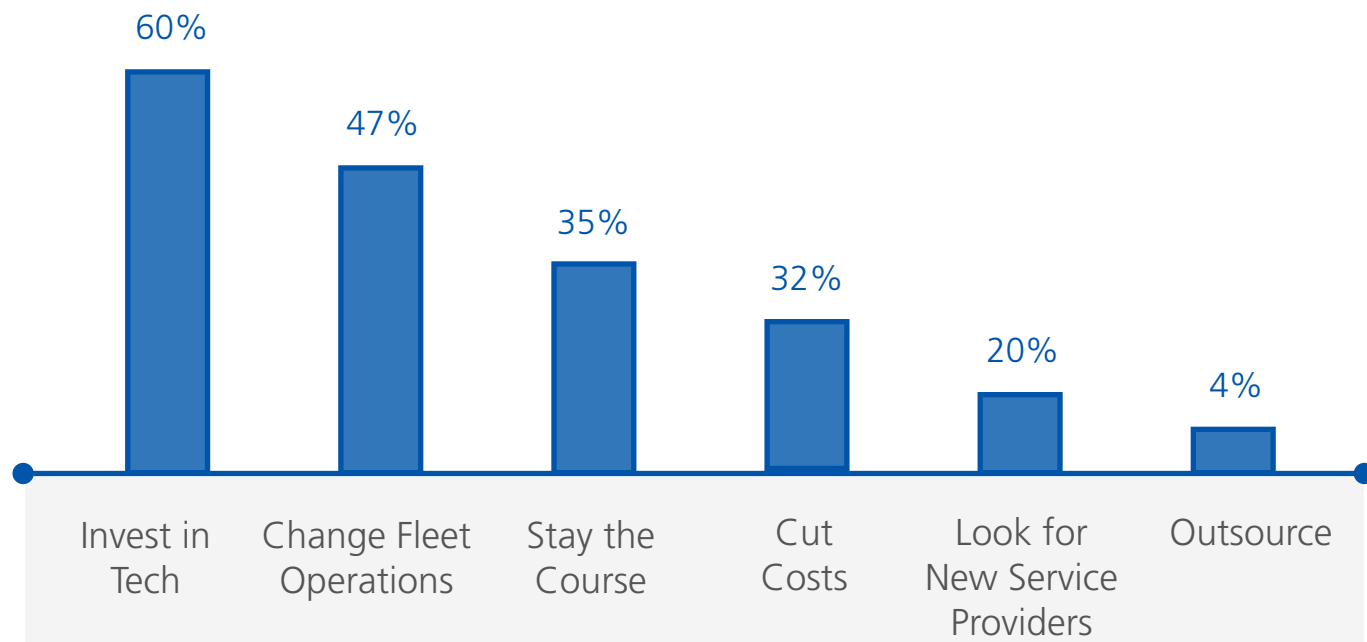
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# Strategies & Tactics

## PREPARING FOR CHANGE

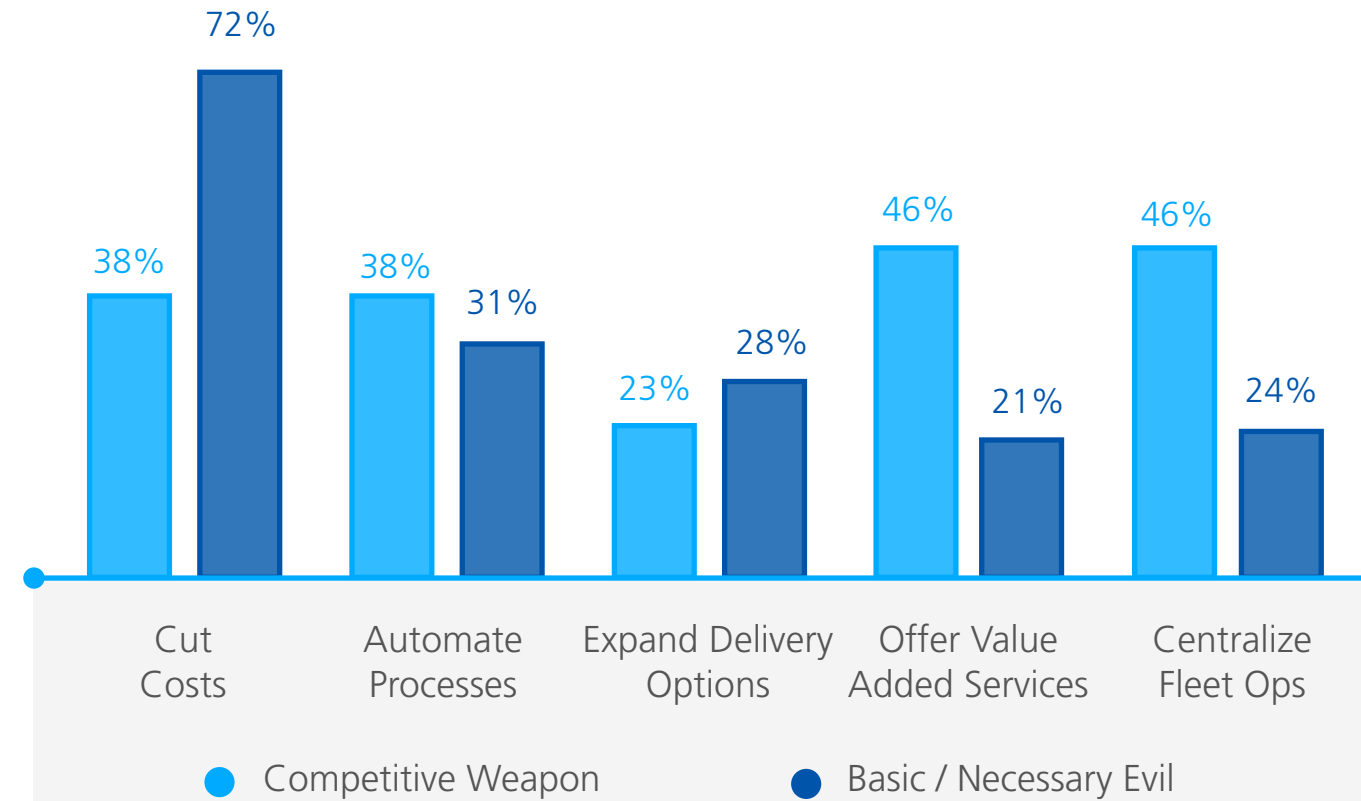
How are you preparing for the macroeconomic, industry and regulatory changes?



This year, 60% of respondents selected Invest in Technology as the top overall response when asked about planning for future change compared to 63% in 2018. While Change Fleet Operations Strategy remained the #2 response, Stay the Course (35%) and Cut Costs (32%) changed positions vs. 2018 with Cut Costs declining by 10%.

## IMPROVING FLEET VALUE

What are the most important strategies or tactics you are using to improve the value of the fleet to your company?



When questioned about the most important strategies being used to improve the value of the fleet, Cut Costs (61%) dominated overall responses again in 2019, followed by Automation (37%). However, Financial Leaders were considerably less interested in cutting costs (38%), instead focusing on Value-Added Services (46%) and Fleet Centralization (46%). There was little differentiation between Competitive Advantage and Basic/Necessary Evil respondents.

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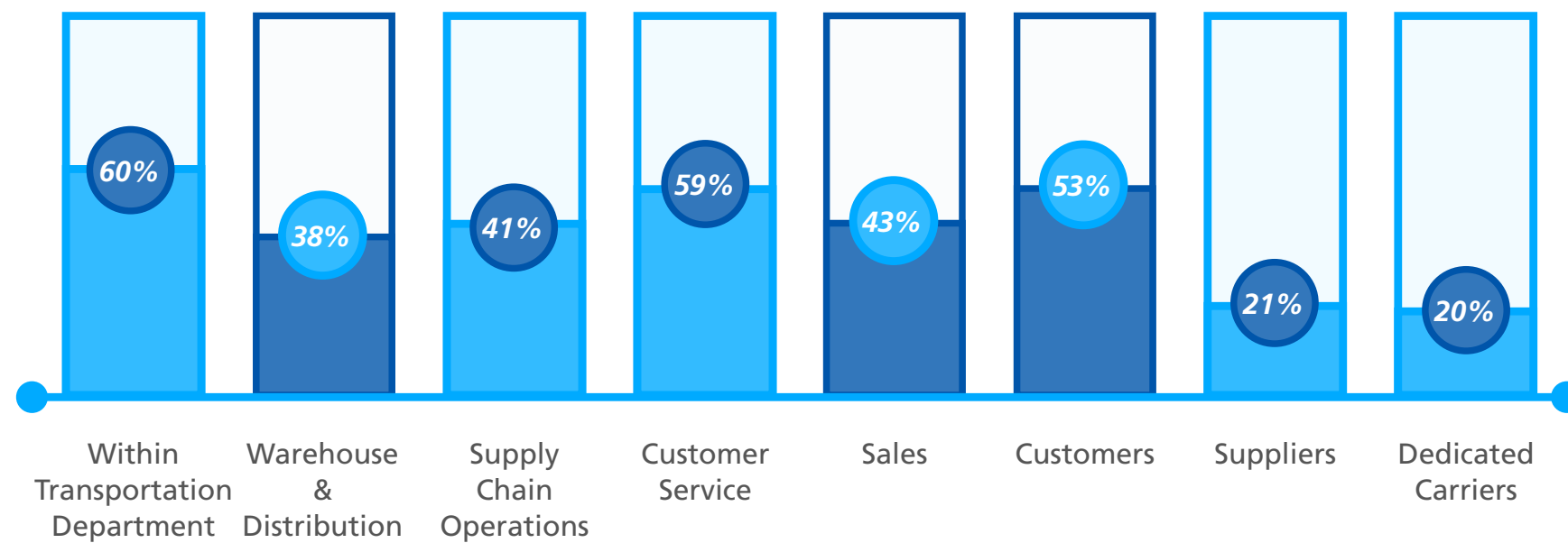
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# Strategies & Tactics

## ▶ SHARING FLEET INFORMATION

How Respondents Share Their Fleet Information to Create Value



Responses about sharing fleet information were very similar to 2018, with Fleet Operations (60%), Customer Service (58%) and Customer (52%) cited as the top three areas. The higher incidence of sharing fleet data with customer service and customers is particularly encouraging.

## ▶ SURVEY INSIGHTS

- *Technology investment continues to be the core enabling theme for fleet operators looking to reduce costs or improve service.*
- *Cost cutting dominates but should be considered a basic requirement. Top performers however, are not stuck in that rut and have extended to services that deliver higher value to the enterprise and customers.*
- *There continues to be a tremendous “opportunity” to leverage the value of the fleet across the rest of the enterprise, customers and suppliers.*

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# Technology Implications



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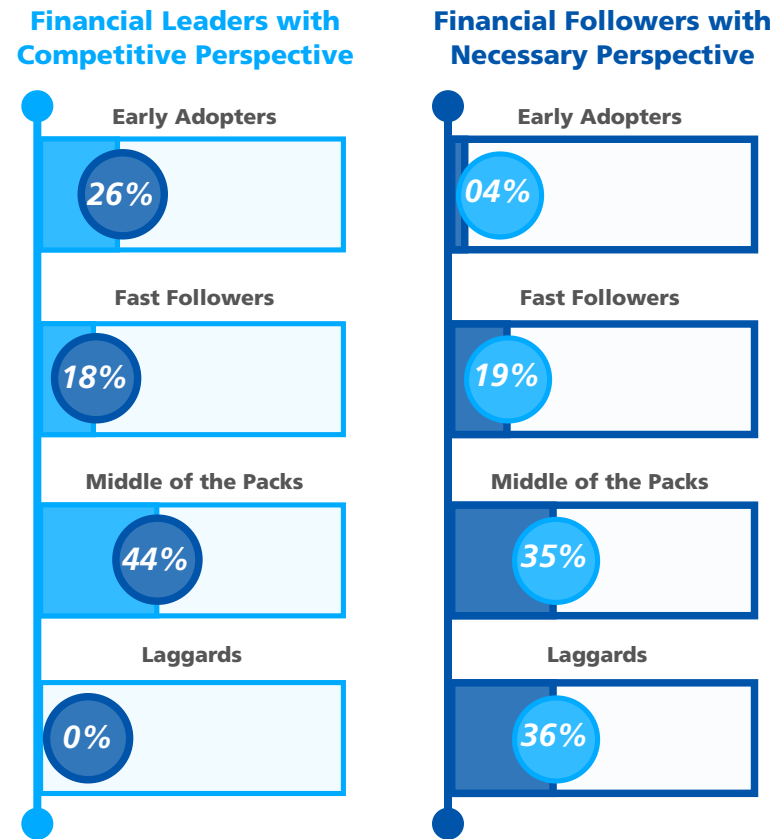
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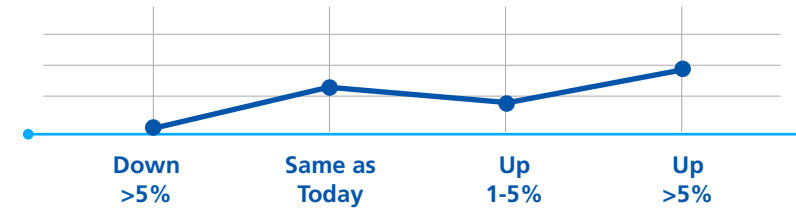
### ▶ TECH ADOPTION STRATEGY



In the technology adoption arena, the overall percentage of both Early Adopters (19%) and Laggards (22%) increased compared to 2018, with Early Adopters posting a 7% increase and Laggards inching up 3%.

As expected, Early Adopters are primarily more strategic and better financial performers, while Laggards were dominated by less strategic and poorer financial performers.

### ▶ IT SPEND OUTLOOK



The percentage of fleet operators planning to spend more aggressively (greater than 5%) over the next two years increased by 8% over 2018. This group is led by Financial Leaders (54%), who are nearly two times as likely as Financial Followers (28%) to surpass the 5% spending threshold. No one responded that their company's future IT spend will be less.

### ▶ INVESTMENT OBSTACLES

38% of respondents reported they foresee no obstacles to IT investment in the organization, making it the #1 overall response and similar to 2018.

The leading potential obstacle was Organization Readiness (26%) in contrast to last year's top response of Payback Questionable (30%).

### ▶ SURVEY INSIGHTS

- *How companies perform financially and manage value of the fleet tends to align with how fleet operators approach technology adoption and IT spend.*
- *Financial Followers are the most technologically conservative with 41% identified as Laggards and none in the Early Adopters category.*
- *Little differentiation was indicated between the three fleet management technologies (route planning, mobile & telematics) when considering potential obstacles to investment.*
- *Continued under investment by Financial Followers and Basic/ Necessary Evil respondents could put them at competitive risk over the long term as so many fleet capabilities are now technologically driven.*

# Aligning Key Capabilities and Investment

## ▶ MOST EFFECTIVE MANAGEMENT CAPABILITIES

The top four most effective fleet management capabilities chosen in 2018 retained their rankings while increasing in importance.

Respondents again ranked Routing Planning (54%) and Dispatch & Tracking (51%) as the two most important capabilities needed for effective fleet management, increasing 10% and 21% respectively over last year's results. Delivery Appointment Scheduling also increased as more customers demand tighter window time frames.

## TOP 4 FOCUS AREAS TO IMPROVE FLEET

- 1 *Route Planning*
- 2 *Dispatch and Tracking*
- 3 *Delivery Appointment Booking*
- 4 *Driver Performance*

## TOP 6 EXISTING CAPABILITIES

- 1 *GPS-based Dispatch & Tracking*
- 2 *Route Planning*
- 3 *Delivery Appointment Scheduling*
- 4 *Telematics*
- 5 *Mobile Apps for POD*
- 6 *Customer Portals and Notifications*

## ▶ SOLUTIONS CURRENTLY DEPLOYED

GPS-based Dispatch and Tracking (64%) was the highest-ranked routing, mobile and telematics solution currently used by survey respondents. Route Planning (55%), Delivery Appointment Scheduling (39%) and Telematics (39%) completed the top four solutions deployed today.

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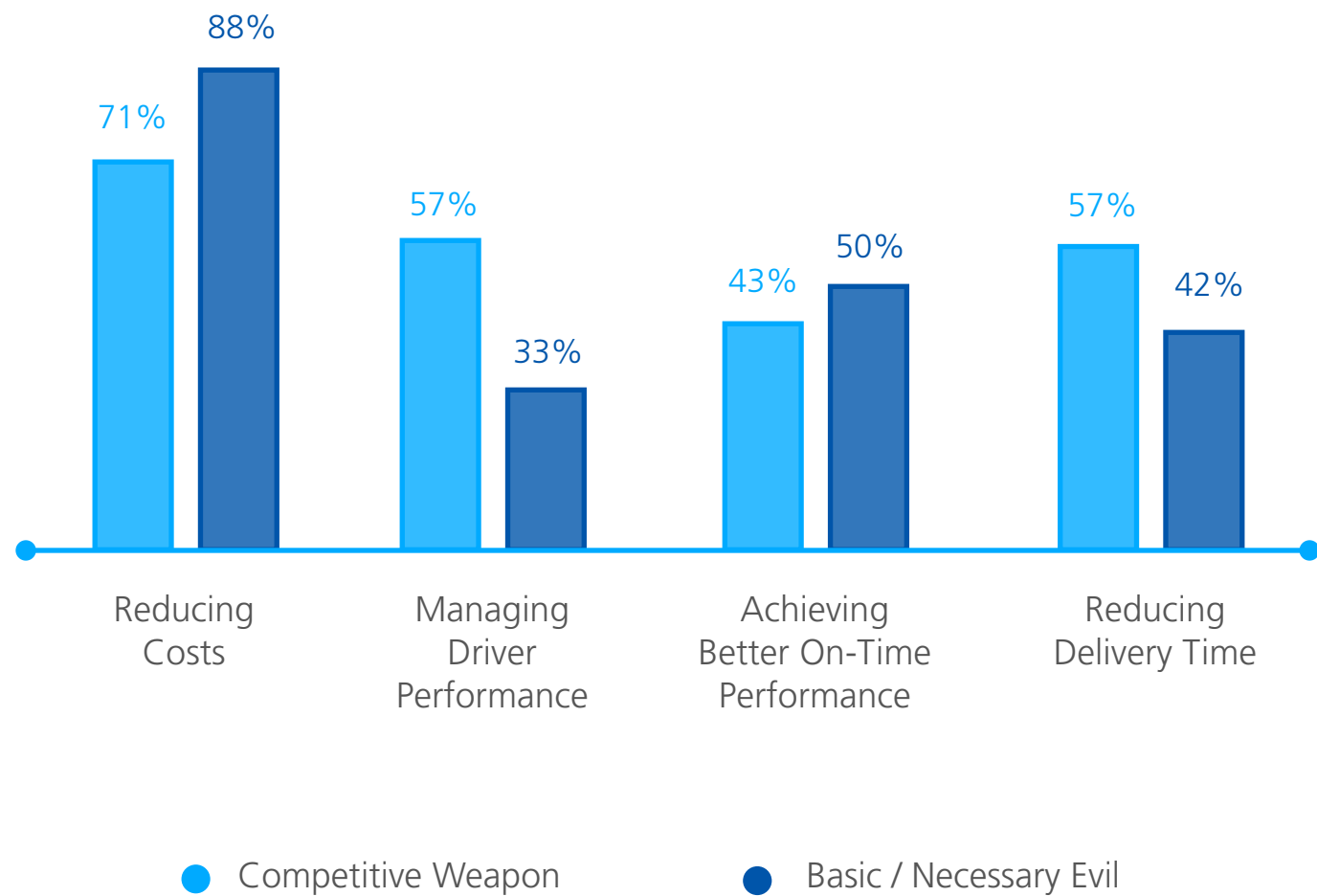
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# Aligning Key Capabilities and Investment

## ▶ FUTURE FLEET INVESTMENTS

### WHAT ARE THE BIGGEST OPERATIONAL CHALLENGES YOU ARE FACING TODAY?



Fleet management capabilities and IT investment for the next two years are aligned with the largest percentage of respondents planning to invest in Route Planning, which ranked as the most important capability needed.

In 2019, overall investment focus increased by 12% for Route Planning and 19% for Dispatch and Tracking. 71% of companies with a more strategic view of the fleet expect to invest in Route Planning, a 37% increase compared to 2018.

## ▶ SURVEY INSIGHTS

- *Given the number of mobile applications being used in the market to improve customer experience, it was very surprising that only 31% of respondents acknowledged having a mobile technology solution in place.*
- *There is a gap in the solutions companies have deployed and the capabilities they believe are important, namely Route Planning, which enables better booking and maximizes utilization of the fleet.*
- *While Proof of Delivery garnered the third highest ranking for future investment, it was only rated as the sixth most important management capability.*

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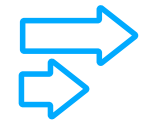
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# Key Survey Takeaways



The outlook for 2019 is very similar to 2018. Last year's market-driving factors such as driver capacity and more demanding customers are still relevant.



There continues to be a strong correlation between management's perception of the strategic importance of the fleet and performance. Placing higher strategic value on the fleet results in faster growth and better financial performance.



Cost reduction will always be top of mind and is a base expectation for fleet professionals as fleets are expensive to operate. Management's perception of strategic importance is directly related to the role and funding that the fleet has in the organization.



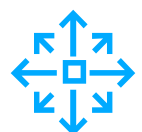
Driver shortage continues to be cited as the greatest threat over the next five years, with top-performing/high-growth companies feeling the greatest impact.



Investing in technology and changing fleet operations strategy are still the top areas of focus for improvement, which is intuitive as they go hand-in-hand and enable one another to give the company a competitive advantage.



Once again, route planning and dispatch & tracking are the areas cited as providing the greatest value, and where the most investment will occur over the next two years.



Companies clearly have room to improve how broadly they share fleet information across the organization in order to maximize the strategic value of the fleet.

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# Descartes' Routing, Mobile & Telematics Suite

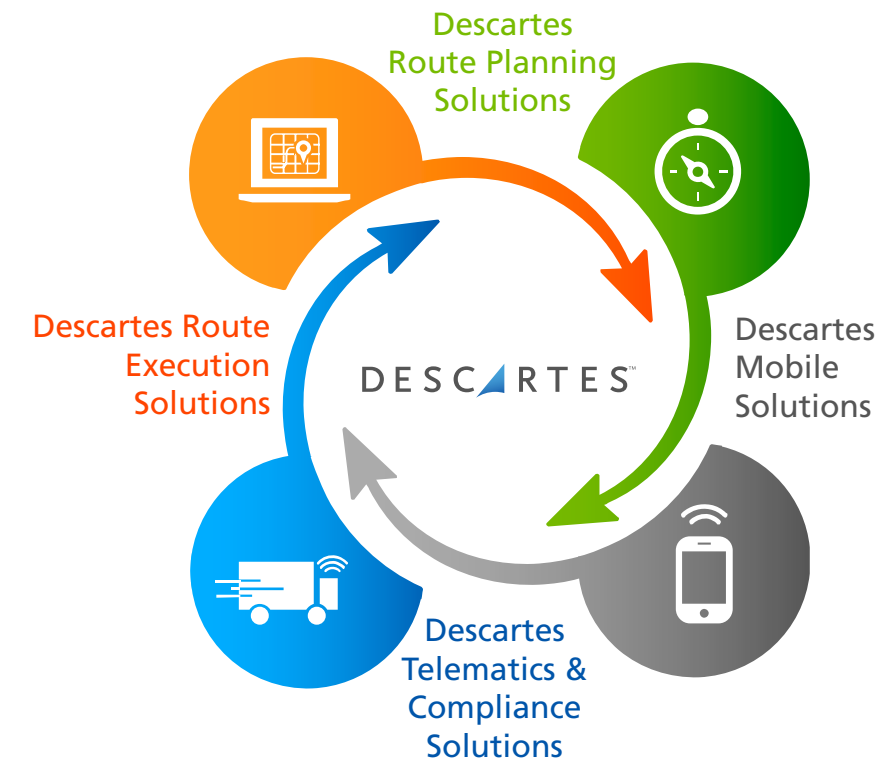
## ► UNIFYING CRITICAL FLEET MANAGEMENT PROCESSES

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 unifies and supports the critical end-to-end processes that help fleet operators:

- Maximize fleet and mobile resource utilization and efficiency to decrease costs, improve service, increase productivity, and reduce your fleet's environmental impact.
- Combine planned and actual performance with the latest GPS technology to adjust and respond to day-to-day realities.
- Interact with drivers and field personnel in real-time to monitor assets in the field for planned vs. actual performance.
- Improve driver productivity with optimized route plans delivered efficiently to a broad range of mobile devices.
- Provide real-time status updates and information on key indicators (capacity usage, stop analysis, customer time window violations, route profitability, etc.).
- Better monitor and manage driver behavior (speeding, excessive idling, hard braking, etc.) and vehicles (operating hours, maintenance, engine temperature, etc.).

## ► LEARN MORE



To learn more about Descartes' routing, mobile and telematics solutions for fleet management, [click here](#).

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# About Descartes

Descartes is the global leader in providing cloud-based solutions focused on improving the productivity, performance and security of logistics-intensive businesses.

Descartes Logistics Technology Platform helps shippers and LSPs manage their operations through a combination of network, application, data and community services. As part of Descartes' Logistics Technology Platform, Descartes' Routing, Mobile and Telematics suite, is our integrated platform of technology solutions for managing fleet operations.

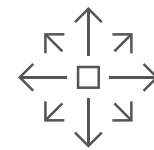
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