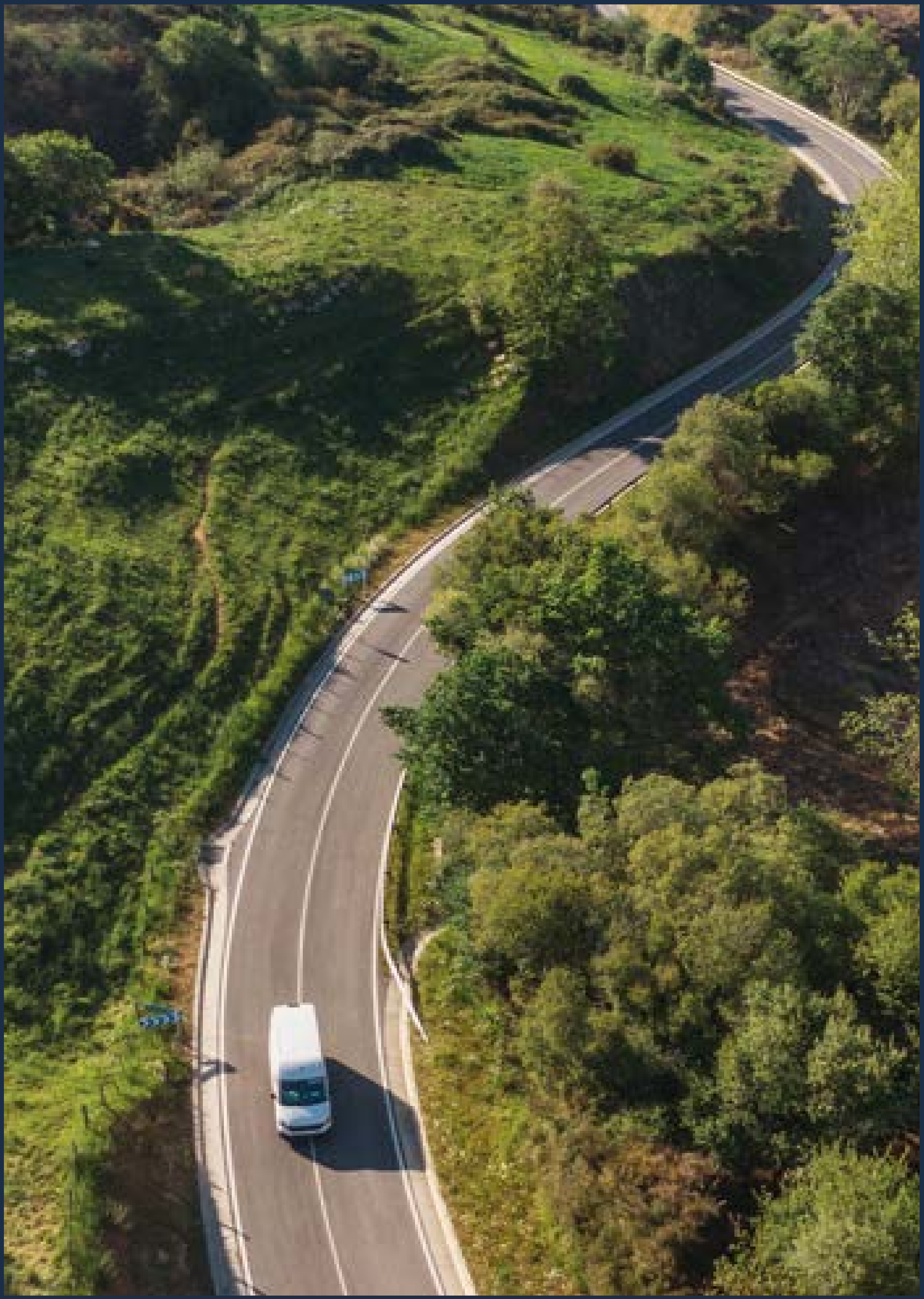
element

See the whole picture

2023 Market Pulse Report

A holistic view of the top fleet concerns, emerging trends, and peer insights.



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SUMMARY

Uncovering new growth pathways

Element's annual market pulse survey was fielded in the fourth quarter of 2022. This was a time when professionals tasked with fleet oversight were still navigating pandemic-driven challenges and the threat of a recession tempered economic forecasts globally. These dual headwinds created a great sense of urgency to drive fleet management investments to mitigate operational risks and enable revenue growth.

Our 2023 Market Pulse Report synthesizes findings from last year's survey and shares best practices for decision makers and fleet professionals for the year ahead. This includes key focus areas of fleet management such as operational productivity and driver safety, while also highlighting the prioritization of strategic initiatives like electrification, digital transformation, and supplier diversity across fleets.

Expectations from our respondents for 2023

88% are concerned with rising prices and inflationary pressures

59% have begun their fleet electrification journey

47% expect to grow their fleet size

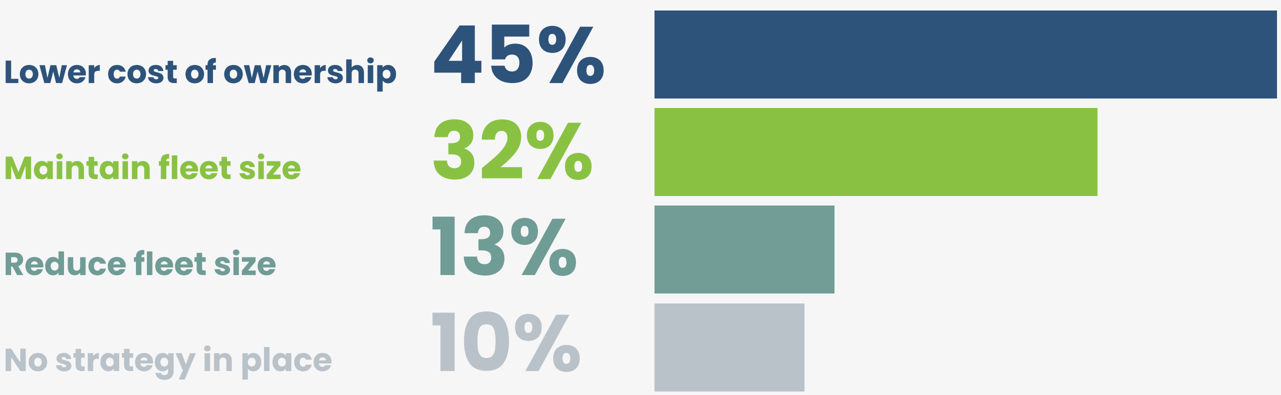
45% are looking for ways to lower their total cost of ownership

43% are experiencing challenges retaining and recruiting drivers

Business leaders focus on mitigating recession risks

Beyond the topline number of 88% of survey respondents concerned with rising prices and inflationary pressure is the need to determine avenues to mitigate those risks. The resounding focus appears to be a desire to find ways to lower total cost of fleet ownership while also uncovering pathways to increase revenue.

How are you most likely to mitigate price inflation and other recession-related risks in 2023?



Did you know:

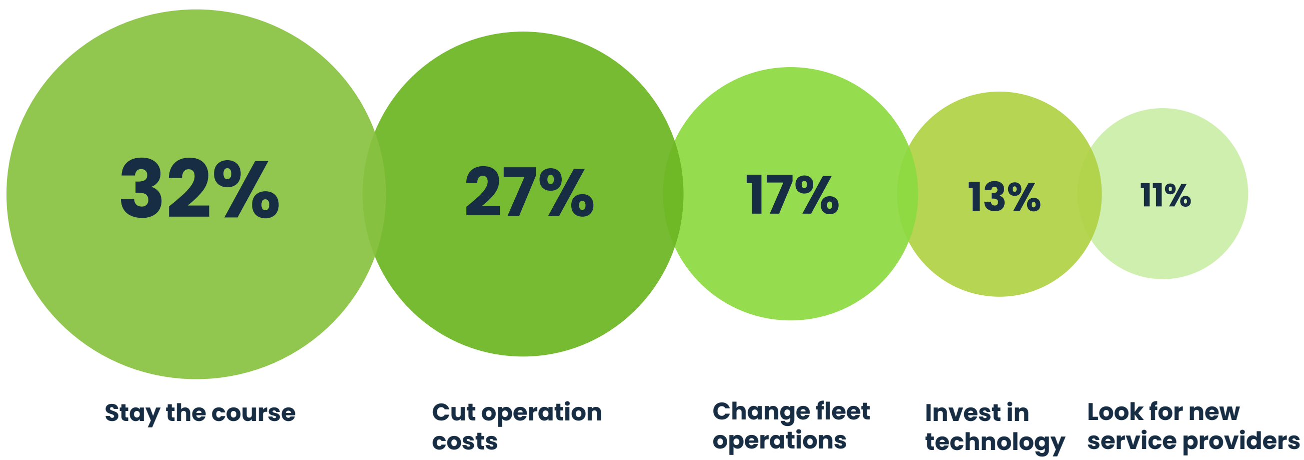
In general, the total cost of ownership (TCO), which includes net depreciation, fuel, and maintenance typically makes up over 80% of fleet expenditure.

While fuel price fluctuations, interest rates, and material shortages are uncontrollable variables within these categories, understanding the different factors affecting your TCO expenditure can boost cost management.

Business leaders will assert a steady hand and stay the course with fleet strategies

Concerns with inflation aside, respondents to our survey aren't expecting to take any big swings this year. Almost one third plan to stay the course with their existing fleet strategies. Most are focused on reducing cost (27%) and finding operational efficiencies (17%).

How does the current economic climate affect your fleet strategy?



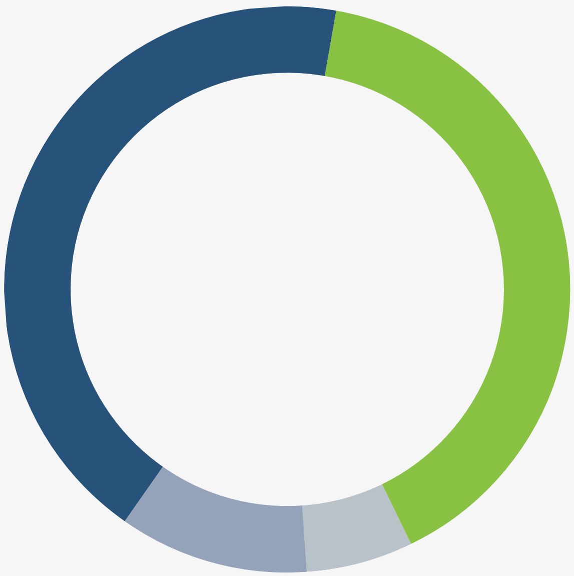
FLEET EXPECTATIONS

Maintaining and growing fleets as OEM production stabilizes

Perhaps the strongest sign of confidence in OEM messaging was in the last quarter of 2022. Almost half of our respondents expect to grow their fleets in 2023 – albeit gradually for most. Another 43% expected to maintain their existing fleet size.

How do you expect fleet size to change in 2023?

Maintain fleet size	43%
Add units slowly	40%
Consolidate units	11%
Grow fleets rapidly	6%



Q: How can I grow my fleet?

A: While OEM production is up, clients are advised to take a proactive approach by placing orders early and expanding your network of OEM representatives as part of your contingency plan.

Starting with the right strategy is a key to success, but how do you know you have the right strategy? Selecting the right partners with access to the relevant technological capabilities and domain expertise across driver, fleet manager, and executive considerations is paramount for transforming your operation into a best-in-class fleet.

Steve Jastrow
Vice President, Consulting & Analytics
Element Fleet Management

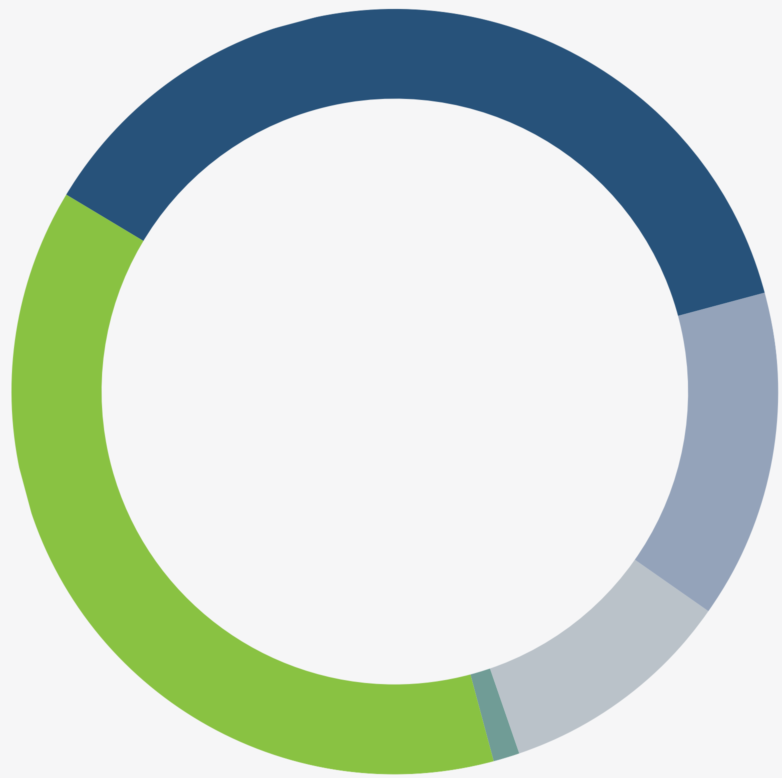
FLEET PRODUCTIVITY

Driver impact to fleet productivity has never been more important

With 43% of respondents experiencing issues with driver retention and recruitment, it's not surprising to see 89% of respondents flag driver satisfaction as important or critically important to their company priorities.

How important is driver satisfaction to your company?

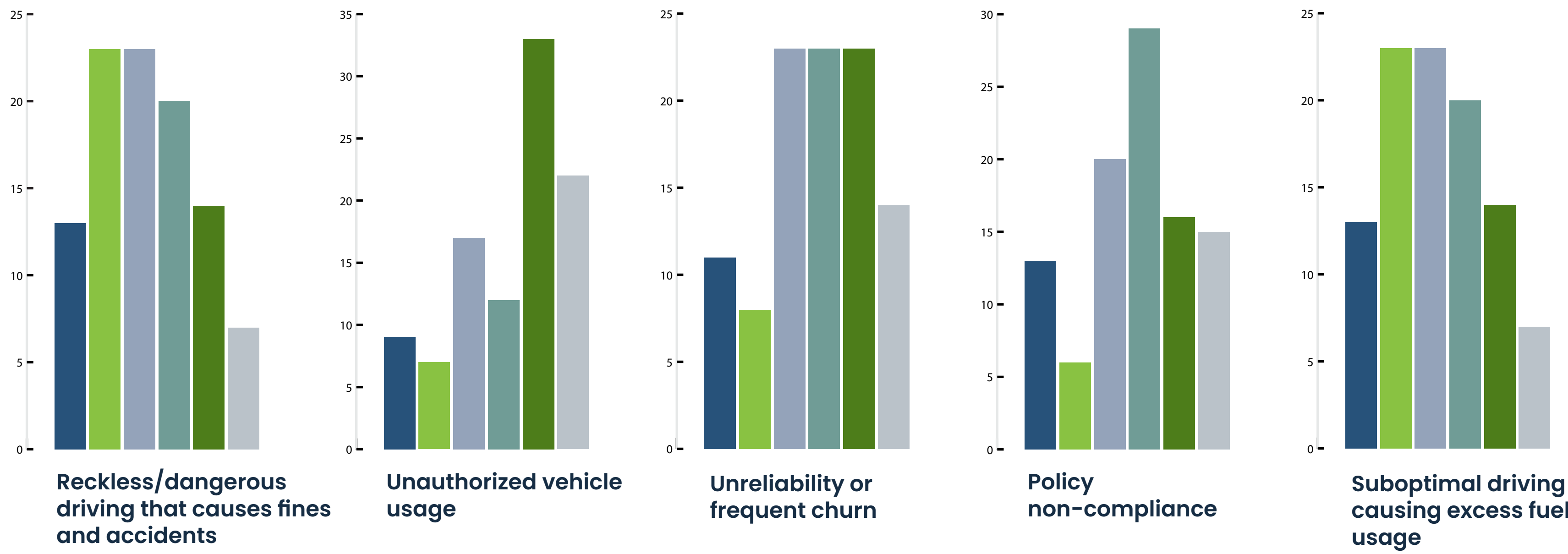
Very important	38%
Important	37%
Critical	14%
Somewhat important	10%
Irrelevant	1%



FLEET PRODUCTIVITY

Despite the need to retain and recruit drivers, a critical component of every fleet is identifying those drivers who either need additional training and support to be compliant with policy or those who need to be managed out. Reckless driving has a significant impact not only to profitability and productivity but also reputational risk for organizations of all sizes.

Rate the importance of the following challenges you encounter with your drivers.



Five ways to retain and boost the quality of your drivers:

1. Offer fair and competitive compensation along with benefits
2. Continuously monitor new and existing drivers with a Motor Vehicle Report (MVR) while promoting safe driving policies
3. Maintain and replace your vehicles at their optimal cycle
4. Conduct a driver engagement survey
5. Provide telematics and fleet connectivity solutions

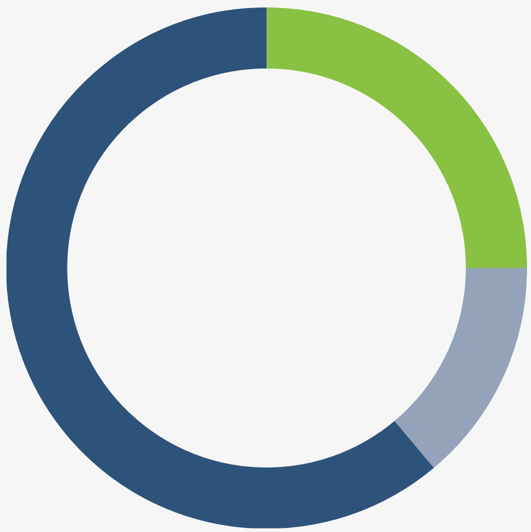
Embracing technology to drive operational efficiencies and driver safety

Telematics and fleet connectivity solutions reflect just one realm of technology available to streamline fleet operations. However, their ability to improve driver safety and influence the bottom line continue to accelerate. It's therefore not surprising to see 75% of respondents either using telematics or considering adoption for their fleet.

Further, respondents identified improved asset management and utilization, increased driver safety, and increased fuel efficiency as the top three outcomes desired through telematics adoption.

Do you currently use a telematics solution?

Yes	61%
No - not a priority for my fleet	25%
No - ongoing consideration for my fleet	14%



Most important outcomes when selecting a telematics solution

1. Improved asset management and utilization
2. Increased driver safety and security
3. Increased fuel efficiency while lowering CO_2 emissions
4. Visibility into negligent driver behaviors
5. Ability to better forecast and schedule preventive maintenance

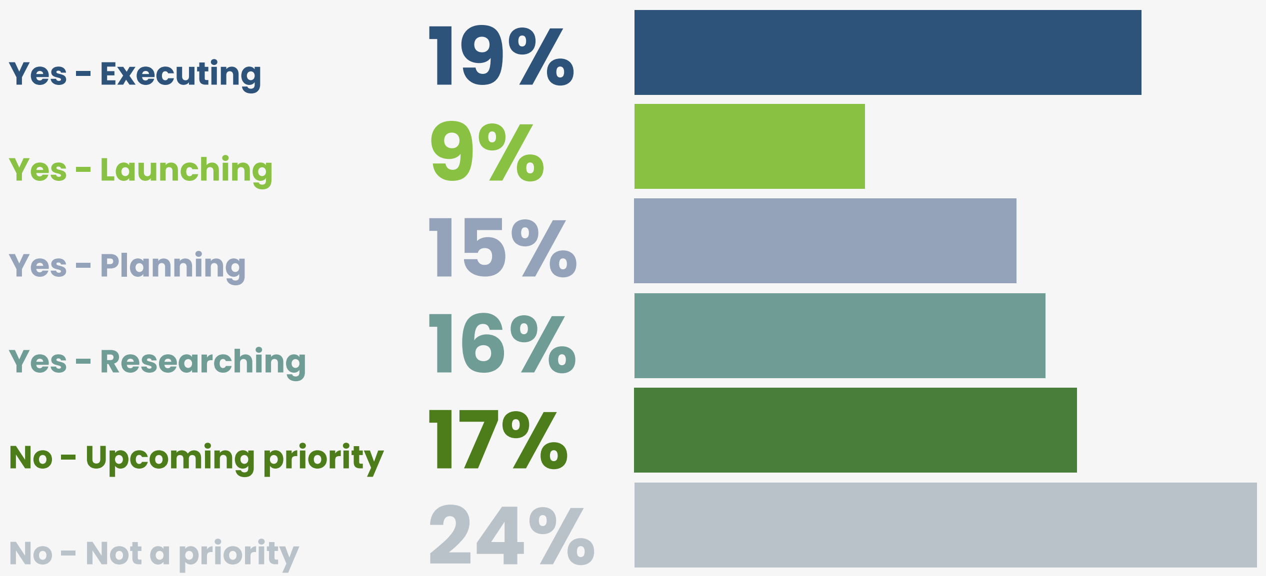
Did you know: Telematics provides insights such as distance driven, charging time, and location to support the development of a fleet electrification strategy.

Real commitments to reduce the carbon footprint of organizations continue to grow

Most executive teams are no longer discussing if fleets should move towards electrification. The question is when – and they are setting actual dates to realize this critical Environmental, Social, and Governance (ESG) commitment. Our market pulse survey found 19% of respondents implementing EV strategies. This was true across fleet sizes and represents a 10% increase compared to 2021.

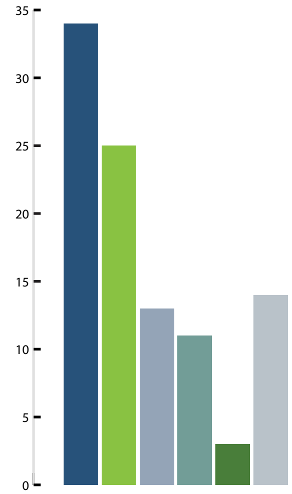
In terms of what most inhibits the decision to move forward with electrification, three considerations are most persistent – inadequate charging infrastructure, vehicle performance and reliability, and confidence in battery life.

Have you started transiting your fleet vehicles to electric?

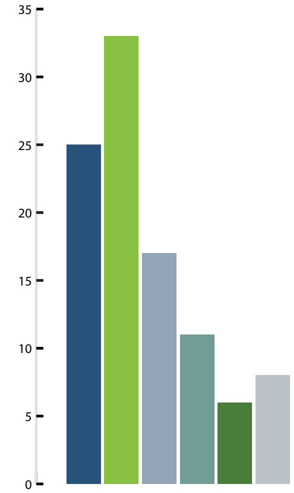


How significantly do the following factors influence your fleet electrification decision-making?

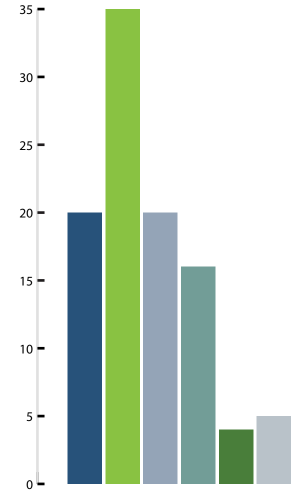
- Very large impact
- Large impact
- Moderate impact
- Some impact
- Minimal impact
- No impact



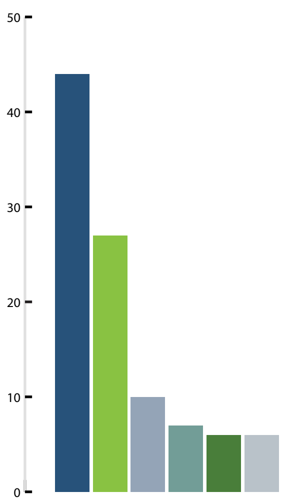
Financing initial program costs



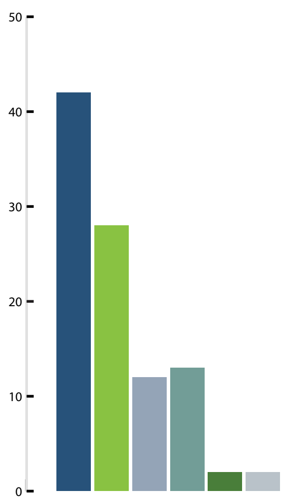
Ability to lower TCO



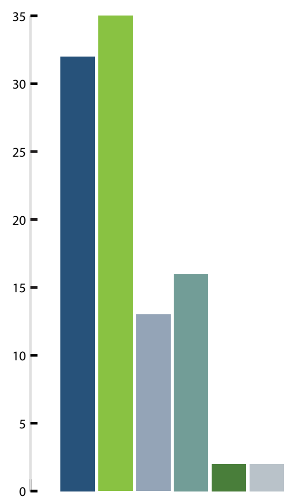
Lower upfront cost of charging equipment



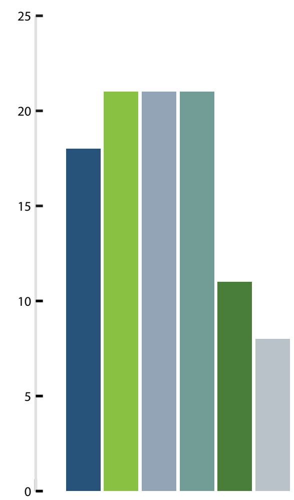
Inadequate charging infrastructure



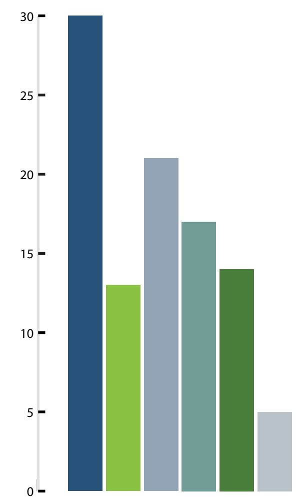
Confidence in battery life



Unfamiliarity with EV models/vehicles



No disruption to current operating model



Uncertaintity of EV performance and reliability

As more vehicle types become readily available while expected costs decline and certainty around vehicle range and capabilities increase, clients are taking a proactive approach by launching pilots and preparing for fleet electrification.

Avninder Buttar
Vice President, Strategy
Element Fleet Management

SUPPLIER DIVERSITY

Focus on supplier diversity experiences significantly increase

Increasing supply chain diversity, particularly with women and minority owned businesses, continues to be a growing area of interest for those chartered with fleet oversight. In fact, 60% of respondents flagged supplier diversity as an important to critical area of focus heading into 2023. This represents a rise of almost double compared to last year's research.

How important is supplier diversity to your organization?

Criticaly important	28%
Very important	26%
Important	17%
Somewhat important	14%
Not important	9%
I'm not sure	6%

SUPPLIER DIVERSITY

Further, one third of respondents are either currently executing strategies to attain diverse supply chain goals or in the planning phase of launching a related diversity program. Larger fleets (2,000+ vehicles) are ahead of their peers with 62% either planning or executing strategies to increase supplier diversity.

Does your fleet strategy include a supplier diversity goal?

Yes – Currently executing	48%
Yes – Early planning	30%
Not at this time	13%
Unsure	9%

Why does supplier diversity matter?

The value of supply chain diversity has been well documented – from promoting innovation that expands market relevance to lowering production costs that improve margins. However, the desired outcome for most remains being a meaningful steward and conduit of thriving local communities.

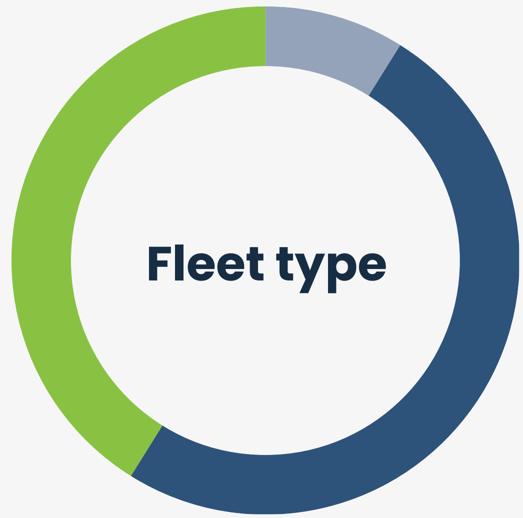
"Doing business with small and diverse suppliers is mutually beneficial. Not only does it provide opportunities for the diverse businesses, but it also diversifies our supply chain, supports our clients' goals, and strengthens our local communities.

Sheri McGrath
Vice President, Environmental, Social and Governance
Element Fleet Management

Get to know our respondents

Element's 2023 Market Pulse Report was fielded over a two-month period with 153 participants from Canada and the United States.

Operations | Fleet	54%
Finance | Treasury	16%
Sourcing | Procurement	14%
Human Resources	5%
Safety | Risk	2%
Other	9%



Fleet Management Company (outsourced)	50%
Self-Managed (inhouse)	41%
Reimbursement	9%

Why Element?

1.4 million vehicles under management

2,500+ employees

$1.4 billion in client savings identified annually

4,800+ diverse suppliers

$1.7 billion spent with diverse suppliers

About Element Fleet Management

Element Fleet Management (TSX: EFN) is the largest pure-play automotive fleet manager in the world, providing the full range of fleet services and solutions to a growing base of loyal, world-class clients across North America, Australia, and New Zealand. Element's suite of services span the total fleet lifecycle, from acquisition and financing to program management and remarketing – helping clients optimize performance and improve productivity.

To learn more, visit elementfleet.com or contact your local Element representative.