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See the whole picture

Annual Fleet Market Pulse Report

Understanding the market trends and business priorities driving fleet management in 2024

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Introduction

The fielding of Element's annual Market Pulse Survey, fall 2023, coincided with both the apex of the United Auto Workers (UAW) strike and the traditional onset of annual planning for most organizations. At the same time, business professionals with fleet oversight were navigating the lingering effects of supply chain shortages. Yet, our findings point to industry leaders being cautiously optimistic for the year ahead – savvier and more confident in their resilience as the pandemic seemingly fades from the rearview.

Our 2024 Market Pulse Report spotlights key findings through the analysis of last year's survey. It also brings forward recommendations to position your fleet for success in the months ahead after consultation with our strategic advisory services group and other industry experts. Areas of focus include: increased emphasis on maintenance programs, maturation of electric vehicle (EV) pilots, and embracing technological adoption.

Day in the life – a snapshot of our respondents

87% still impacted by supply chain shortages

71% prioritize vehicle acquisition and replacement

69% consider cost management the most important key performance indicator (KPI) for fleet performance

63% operate within an organization with decarbonization goals

60% plan to stay the course with existing fleet strategies

> Insights from this year's survey underscore the dual-focus of business professionals as it relates to fleet. At once they must strengthen any operational vulnerabilities introduced through the supply chain challenges of recent years while accelerating progress of strategic initiatives. Identifying the right partners and technology to deliver on both is paramount.

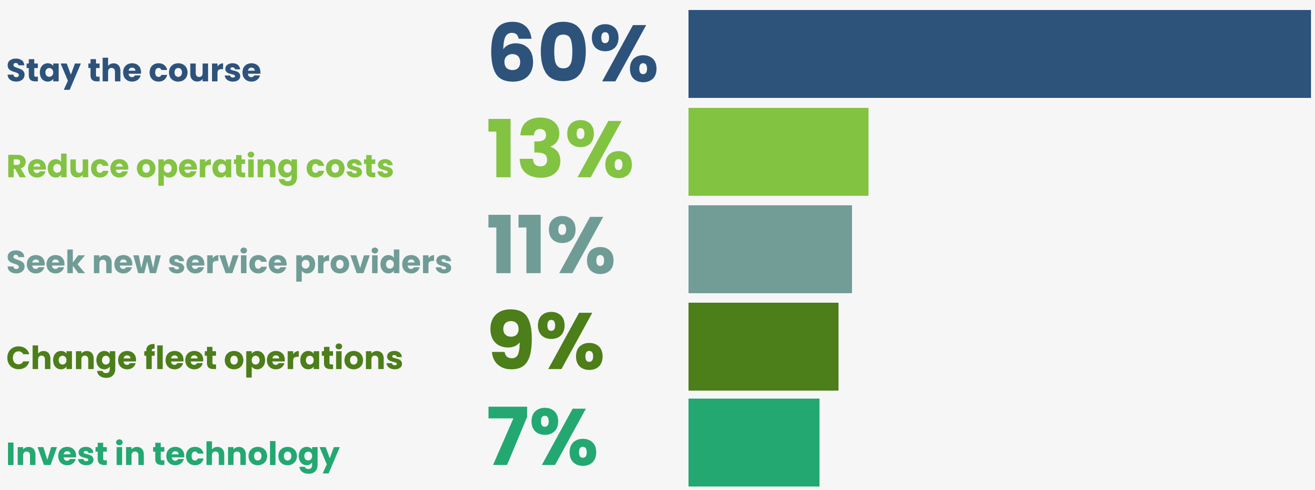
Steve Jastrow
Vice President, Advisory & Analytics
Element Fleet Management

MARKET OUTLOOK

Staying the course in the face of uncertainty

Whereas last year's onramp signaled a bias towards slashing expenses – with almost 30% of respondents planning cuts in operating costs – 2024 is marked by a preference for maintaining the current trajectory of existing program strategies. More than half of survey participants (60%) plan to stay course with their holistic fleet strategy in the new year. Only 13% of respondents plan to cut fleet costs. Measured confidence in both pandemic learnings that have since informed annual planning and the resiliency of the economy in recent months likely fuel this shift in mindset.

How does the current economic climate affect your fleet strategy?



Top three considerations for staying the course

- What reporting cadence have you implemented to limit vehicle downtime?
- Does your vehicle replacement strategy include contingency plans?
- How strong is your supplier network for maintenance programs?

Growing fleets as OEM production headwinds subside

Pragmatism persists as it relates to fleet growth in 2024. Almost 60% of respondents are focused on maintaining their existing fleet size – a practical goal given the experience of fleet operators during the past four years. Still, almost 40% of our respondents signaled an intent to grow their fleets in the months ahead.

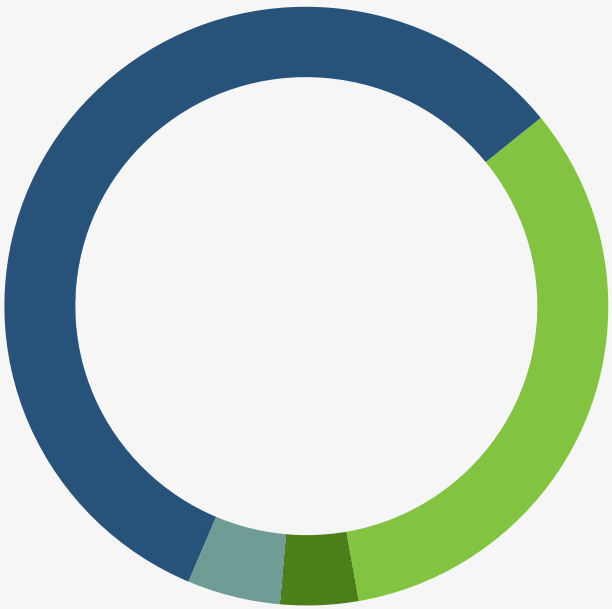
How do you expect your fleet size to change in 2024?

Maintain fleet size 58%

Add units slowly 33%

Grow fleets rapidly 5%

Consolidate units 4%

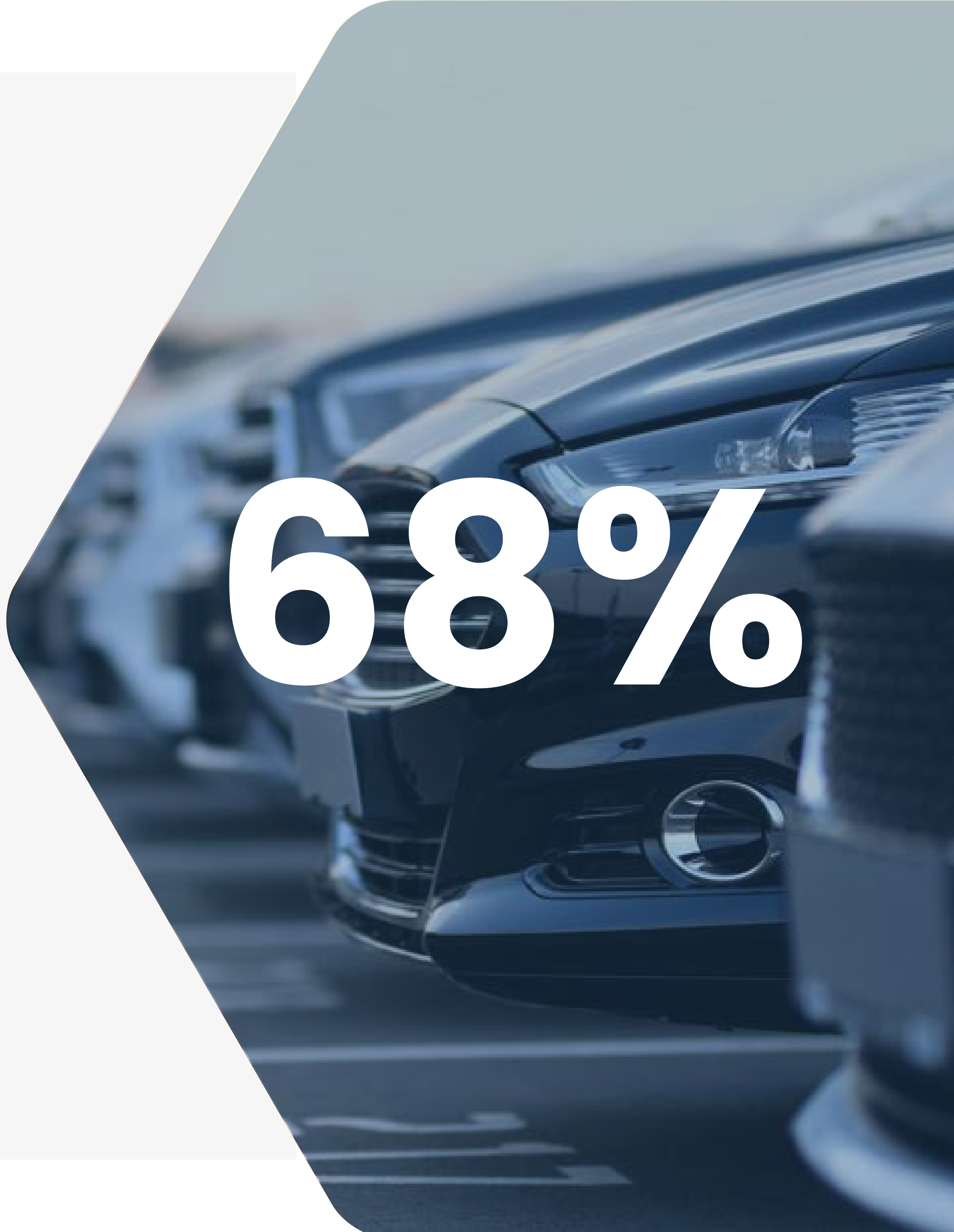


Q: How can I best maintain fleet size?

A: Maintaining fleet size requires a dual focus – a preventive maintenance program to reduce vehicle downtime and savviness in vehicle acquisition strategy – including exploration of non-traditional options like used vehicles and rentals.

Market Spotlight: Vehicle Remarketing

68% of survey participants rank cost management among their top three key performance indicators when evaluating their fleet programs. Organizations with underutilized vehicles, which can unnecessarily negatively impact operating expenses, have a unique opportunity to remarket or resell the units at a premium. Demand for used vehicles is expected to persist throughout 2024 despite improvements in OEM production schedules.

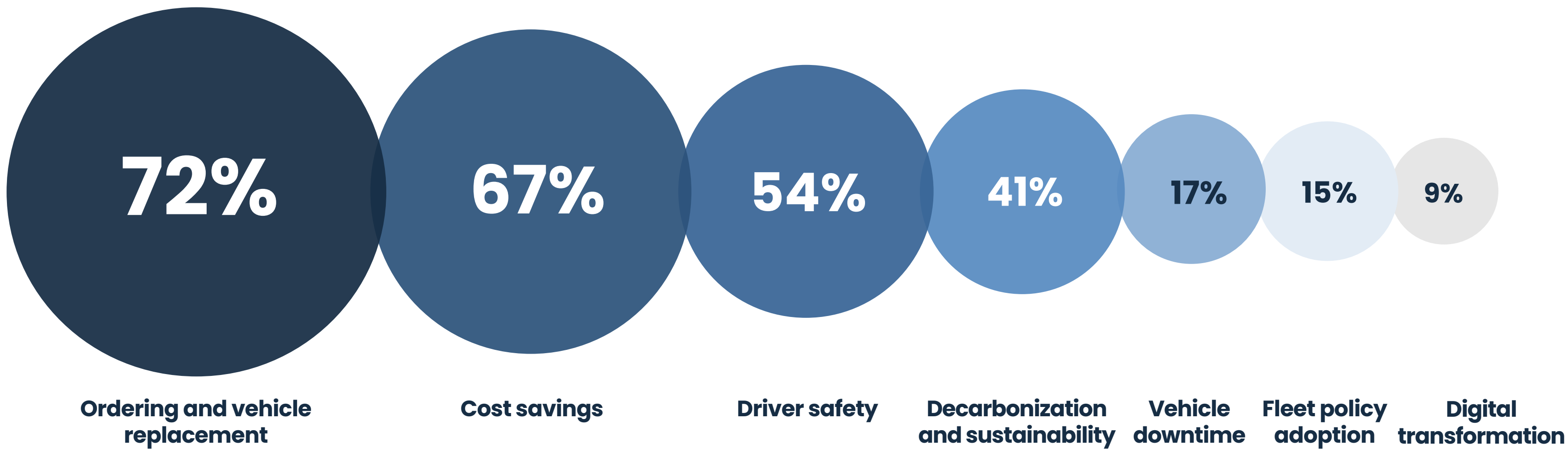


MARKET OUTLOOK

Focus on vehicle replacement and cost savings reinforce conservative mindset

When asked to identify the top priorities of their fleet programs for 2024, core operational considerations like vehicle replacement and driver safety outrank more strategic focus areas like digital transformation and driver adoption of fleet policies.

What are your fleet priorities for the upcoming year?



Did you know:

About one-third of survey respondents aim to follow a three to-four year vehicle replacement policy, while another quarter target replacement every five to six years. Compliance with either approach has faced challenges in recent years.

In recent years, our clients have seen the value in robust preventive maintenance programs. These programs effectively solve challenges of aging fleets which improves driver safety and mitigates long-term operational costs.

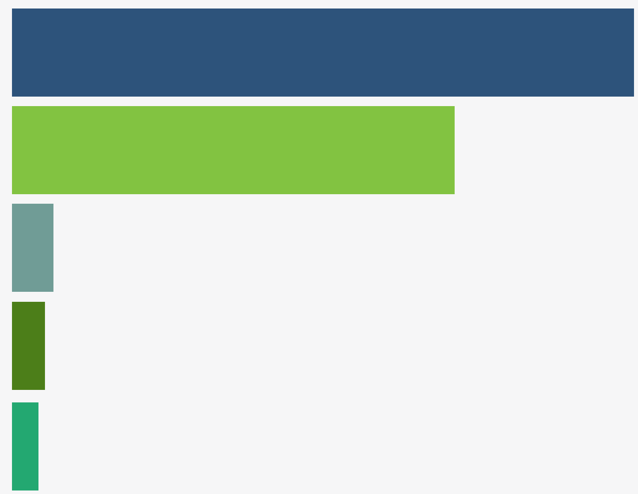
Nichole Benson
Managing Director, South
Element Fleet Management

Dependencies on effective maintenance programs are paramount

As organizations focus on meeting customer expectations while operating aging fleets, effective maintenance strategies have an elevated importance to safeguard forecasted revenue. Half of our respondents identify implementation of a robust preventive maintenance program as the most important factor for addressing the escalating costs of necessary repairs needed to deliver on service level agreements (SLAs).

What is most important to combat rising maintenance costs?

Robust maintenance program	51%
Replacement strategy as a continuous routine	33%
Using status tracking	8%
Driver training and education	5%
Purchase of higher quality parts	3%



Q: What is preventive maintenance?

A: The scope of preventive maintenance programs ranges across fleets and fleet management companies (FMCs). However, baseline components should include oil changes, tire rotations, brake inspections, and general safety inspections. Program considerations should also include a broad network of suppliers to enable compliance with program policies.

Finding the north star of optimal maintenance schedules

Minimizing vehicle downtime is a perennial concern for fleet operations. Unsurprisingly, respondents primarily look to manufacturers (36%) and FMCs (29%) for expert guidance to determine the cadence of their maintenance and repair schedules.

How do you manage preventive maintenance and repair schedules for your fleets?

OEM schedules 36%

FMC recommendations 29%

Internal mileage and time-based policies 22%

Ad hoc 13%

Did you know: Preventive maintenance compliance can be used as an indicator of fleet health and highlight corporate risk. Vehicles past due for routine maintenance introduce unnecessary risk to an organization – comprising driver safety and increasing the likelihood of litigation from third parties.

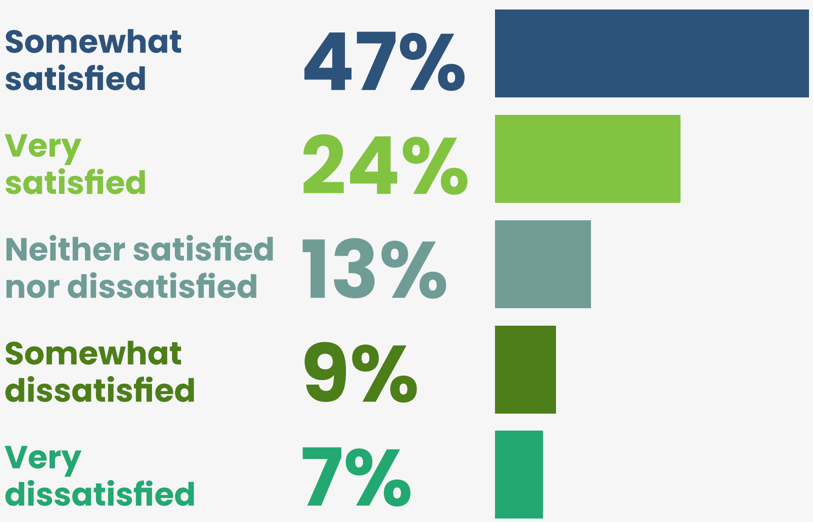
Data and analytics are a crucial puzzle piece for executing a successful fleet strategy, from ensuring optimal vehicle performance to driver safety and transforming your fleet to sustainable future.

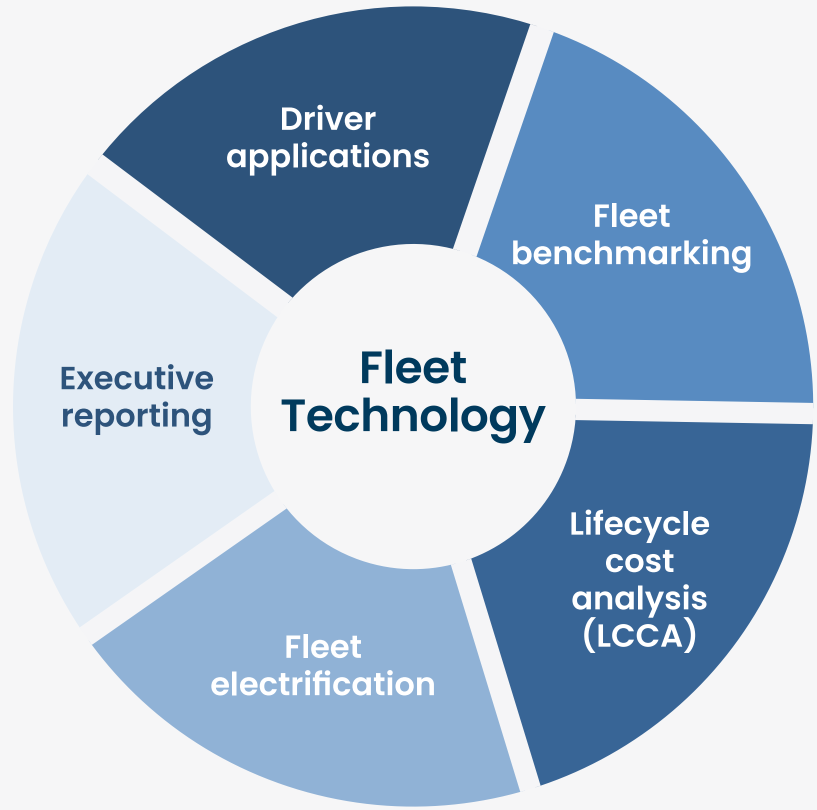
Onni Siu
Strategic Advisor
Element Fleet Management

A crossroads in digital transformation

Achieving full fleet digitization remains a complex but critical focus area for organizations. From driver safety to vehicle performance and fleet productivity, the impact of manual and disjointed processes on customer satisfaction and revenue growth cannot be understated. Given the high stakes involved, it's unsurprising to find only 24% of respondents consider themselves completely satisfied with their digital tools.

How satisfied are you with the digital tools currently used to manage your fleet?





Adoption of connectivity solutions will grow in 2024

The diversification and maturation of connectivity solution offerings in recent years has made them a more attractive investment as price points become more affordable and implementation less burdensome to fleet operations. In fact, at least one quarter of our respondents are considering adoption of telematics this year.

Do you currently use a fleet telematics or connected vehicle solution?

Yes, currently implemented 42%

No, this is not a current consideration 31%

No, but we are considering adoption within 12 months 25%

I'm not sure 2%

Did you know: Driver safety (74%), asset management and utilization (50%), and driver productivity (41%) rank as the top three most important values sought when investing in an integrated telematics program.

Market Spotlight: Telematics and Connectivity Solutions

50% of respondents invest in telematics and connectivity solutions to improve Return on Investment (ROI) through optimization of asset utilization. Timely access to driver and vehicle data can have a profound impact on the ability to deliver on service-level agreements. Successfully adopted programs often yield double-digit improvements in operational productivity and vehicle uptime.

Technology adoption is a logical pathway to combating fraudulent activities

An often-overlooked aspect of fleet technology, beyond tracking of driver productivity or vehicle uptime, is its cost-effective ability to monitor theft or fraudulent activity. However, most respondents either don't know how they are tracking fraud or rely on some form of manual intervention.

How do you primarily monitor theft or fraudulent activities within your fleet?

I'm not sure	30%
Periodic auditing	26%
Standard monthly reviews	20%
Adoption of fleet technology	19%
Rigid purchase limits	5%

Did you know:

Canada saw 34,861 vehicles reported stolen in the first half of 2023 alone. In the United States, approximately 500,000 vehicles were reported stolen during the same period – an increase of more than two percent versus the prior year.

Source: Equite – First Half of 2023: Auto Theft Trend Report, National Insurance Crime Bureau

It's an exciting time to be at the forefront of fleet electrification. Many of our clients are moving past pilots as market conditions improve around availability and cost. Infrastructure to support their vehicles remains the largest challenge.

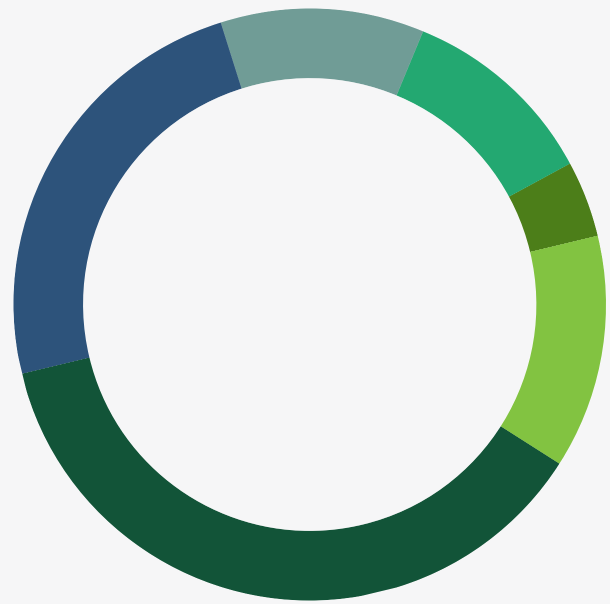
Avninder Buttar
Vice President, Strategy
Element Fleet Management

Beyond early adopters and preparing for an early majority

Approximately 37% of respondents have either begun transitioning units to electric or plan to do so in 2024. This aligns with last year's findings and signals fleet operators, much like adopters of other breakthrough technology, expect suppliers to take the learnings from early adopters as they aspire towards engaging an early majority.

Have you started transitioning any of your fleet vehicles to electric?

Yes, executing program	24%
Yes, planning for transition	13%
Yes, researching for transition	11%
Yes, launching program	4%
No, upcoming priority	11%
No, not a current priority	37%

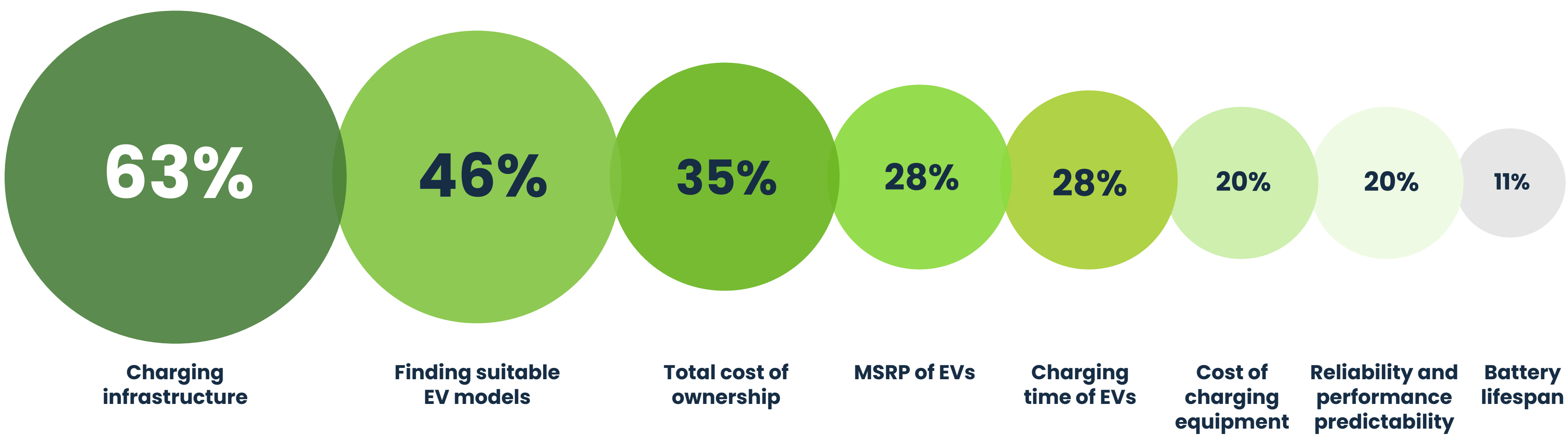


Did you know: Almost two thirds of market pulse survey respondents operating within an organization have stated or planned long-term decarbonization targets. Beyond EVs, fleet professionals have a unique ability to materially influence attaining these goals throughout the fleet lifecycle.

Charging infrastructure and asset use case continue to temper EV adoption

When asked to identify the top three factors influencing their EV strategy, respondents overwhelmingly pointed to charging infrastructure followed by identifying suitable models for fleet use case and total cost of ownership.

Which of the following factors most impact your vehicle electrification strategy?



Did you know: Telematics adoption improves EV driver experience and optimizes vehicle performance – covering aspects from charging stations, battery life, and preventive maintenance.

Assessing your supply chain's impact goes beyond direct diverse vendor relationships. It's crucial to understand how these vendors affect communities and their value creation. Your greatest value lies in maximizing direct spend with partners whom support these local communities.

Darin Ficenec
Vice President, Strategic Alliances
Element Fleet Management

Focus on supply chain diversity persists across fleets

Proving its long-term strategic importance within business operations, particularly for larger organizations and public entities, more than one third of respondents stated their fleet strategy includes a supplier diversity or Diversity, Equity and Inclusion (DEI) goal.

Does your fleet strategy include a supplier diversity or DEI goal?

No, not at this time	64%
Yes, already executing	21%
Yes, early planning	25%

Did you know: A thorough assessment of supply chain diversity involves examining both your immediate vendors and the subcontractors within their network.

Market Spotlight: Driver Safety

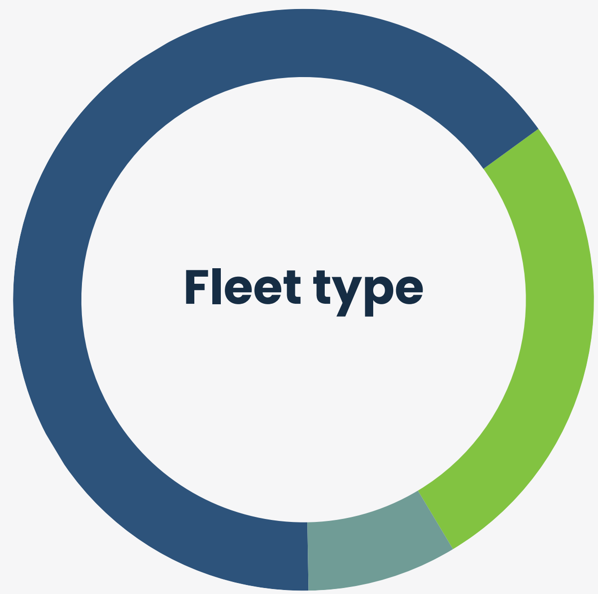
74% of respondents incorporate annual motor vehicle record (MVR) audits to ensure their drivers meet minimum requirements for safe driving. Recurring and consistent driver trainings

SURVEY METHODOLOGY

Get to know our respondents

Element's 2024 Market Pulse Survey was fielded over a two-month period with 84 respondents from Canada and the United States.

Operations	68%
Finance	23%
Human Resources	4%
Other	5%



FMC partnered	70%
Self-Managed (inhouse)	28%
Reimbursed	2%

Why Element?

$1.7 billion in annual client savings

1.4 million vehicles under management

20+ year average client tenure

4,800+ 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.