



# 2023 Q4 Report

# TRENDS



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# Executive Summary

As we approach the end of 2023, North America has grappled with fluctuating inflation and rising interest rates. In the U.S. inflation peaked at a 40-year high of 9.1% in mid-2022, but has since slowed, leveling off at 3.7% in September 2023.<sup>1</sup> Similar trends have been observed in Canada and Mexico. The recent slowdown can provide some relief to fleet budgets as we enter 2024.

Supply chain disruptions remain a concern for fleet management. Unpredictable inventory levels are also impacting spare parts, adding complexity to the situation.<sup>2</sup> To overcome these challenges, fleet leaders must adopt robust strategies, including proactive planning and leveraging technology for improved visibility and control.

<sup>1</sup> [NBC News: Inflation](#)

<sup>2</sup> [Uncrunching Fleet Management in the Supply Chain Crisis](#)



# Here are the highlights of the macroeconomic trends for this quarter:

## **Resale:**

In the wholesale used vehicle market, prices fluctuated throughout the year. However, Q3 brought stability. We anticipate this trend will continue despite potential challenges in Q4. To navigate this landscape effectively, it's crucial to adhere to your optimal vehicle replacement strategy and closely monitor both new and used vehicle price trends.

## **Maintenance:**

In today's automotive landscape, surging auto part prices are a common challenge. This is due to pandemic-induced supply chain disruptions and advanced vehicle technology. However, businesses are adapting by using predictive maintenance to reduce downtime and transitioning towards leasing vehicles to ease the financial burden.

## **Safety:**

To make roads safer, it is vital to implement a strong safety program and identify high-risk drivers who are often responsible for fleet accidents. Utilizing vehicle connectivity and telematics to monitor risky behaviors, provide feedback, and reduce accidents are key measures to enhance road safety.



# Report Contents

# 01

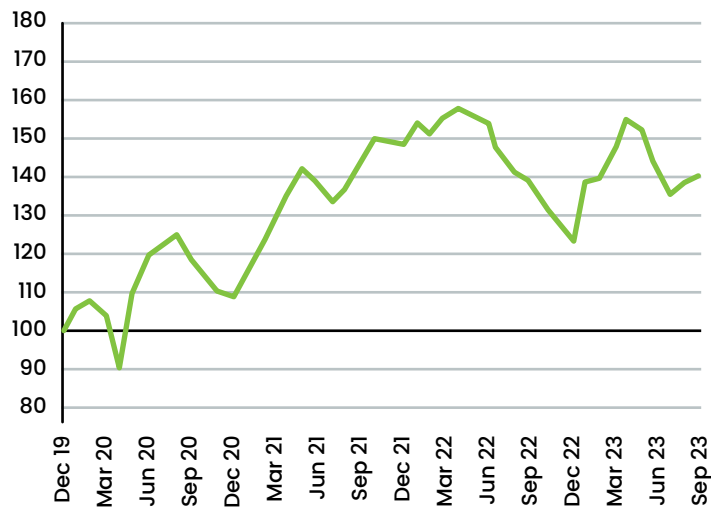
## Resale

Wholesale used vehicle prices fluctuated throughout the year. However, in Q3, the market stabilized. This progress is supported by improving supply levels. While Q4 may face macro-economic challenges, we expect the used vehicle market to remain steady.

# Key Trends

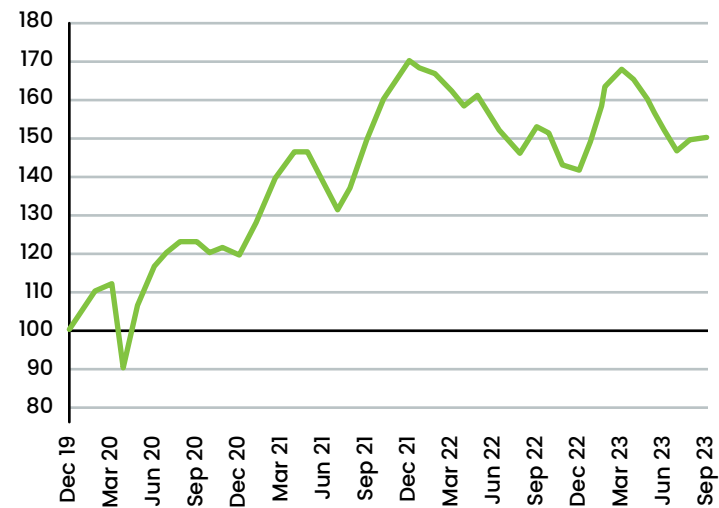
The wholesale used vehicle market has experienced a year of fluctuation, influenced by key factors. These factors include high interest rates, a decline in vehicle affordability, and reduced consumer sentiment.

**U.S. Monthly Auction Price Index**  
(Dec 2019 = 100)



Source: US vehicle auction data from AutoIMS

**Canadian Monthly Auction Price Index**  
(Dec 2019 = 100)



Source: Canadian vehicle auction data from JD Power (ALG)

# Key Trends

During the third quarter, the market achieved a sense of stability as both new and used vehicle inventories tightened. Despite potential macroeconomic challenges in the fourth quarter, the used vehicle market is expected to remain steady. Seasonal depreciation patterns are anticipated for the remainder of the year.

Although the availability of used vehicle inventory is relatively limited, supply levels are gradually improving. This improvement serves as a positive indication as we navigate through the final quarter of the year.

In Mexico, we have noticed a similar trend where used vehicle sales have experienced a 12% decline in comparison to the third quarter. This is despite the fact that sales of used vehicles have already rebounded to pre-pandemic levels.

01

## Resale

# Recommendations

01

Continue to adhere to your optimal vehicle replacement strategy.

02

Be vigilant when it comes to placing new vehicle orders, considering the timing of deliveries and potential delays.

03

Monitor price trends of new and used vehicles as you plan replacement schedules.





# 02

## Maintenance

Auto part prices in North America are rising due to supply chain disruptions and advancements in vehicle technology. The industry is also experiencing labor shortages of trained technicians. To overcome these challenges, there is increased investment in technology to automate routines and reduce reliance on manual labor. In this changing environment, embrace holistic solutions for value and sustainability.

# Key Trends

The surge in auto part prices is influenced by the ripple effects of the COVID-19 pandemic and advancements in vehicle technology. Supply chain disruptions due to the pandemic have caused critical parts shortages, driving up vehicle repair costs by up to 20% in the last year.<sup>3</sup> Modern vehicles are increasingly complex, with specialized parts that become less commonly produced over time, further impacting availability and cost.<sup>4</sup> Rising costs in industries like labor and transportation have also contributed to increased auto part prices.<sup>5</sup>

A significant labor shortage, particularly in trained technicians, stems from multiple factors. These include perceptions of the industry, limited educational opportunities, and the physically demanding nature of the work.<sup>6</sup> The industry is often seen as low-tech and dirty, deterring potential entrants. However, modern vehicles require advanced skills for maintenance and repair, highlighting the critical role of technicians. The lack of emphasis on vocational and technical training in schools has further contributed to fewer individuals pursuing careers in this sector.

Investments in technology that automate routines and identify daily workflow patterns of fleet operators<sup>7</sup> are revolutionizing operations, reducing dependence on manual labor, and mitigating the impact of technician shortages. Moreover, they facilitate predictive maintenance to proactively prevent costly repairs and enhance the longevity of fleet vehicles.

<sup>3</sup> CNBC: Repair costs are up almost 20%

<sup>4</sup> Canada Fleet Management Market Size, Share & Industry

<sup>6</sup> 2023 Fleet maintenance outlook & macro trends

<sup>7</sup> 3 key fleet management trends for 2023 by Wialon

# Recommendations

02

## Maintenance

01

Budget for more expensive repairs due to extended replacement cycles, continuing parts shortages, and high labor costs.

02

Provide telematics and fleet connectivity solution to help increase productivity and reduce downtime.

03

Leverage connectivity as future of maintenance will come from improved fleet analytics with maintenance alerts and predictive services.

04

Consider financing or leasing your fleet vehicles to reduce your financial burden and improve cashflow.

# 03

## Safety

To improve fleet safety and minimize corporate risk, it's crucial to establish [an effective fleet safety program](#). Did you know that clients using Element's safety solution see a 21% drop in collision rates on average? By leveraging vehicle connectivity and advanced telematics, we can easily monitor driver behavior and provide timely coaching.

# Key Trends

When developing a fleet safety culture, it is crucial to identify high-risk drivers as they are statistically responsible for a significant portion of fleet crashes. On average, 10% of drivers are accountable for 40% of fleet accidents.<sup>8</sup> [Vehicle connectivity](#) offers improved visibility into driver performance, allowing for the tracking of risky driving behaviors. Real-time feedback and coaching can be provided to drivers through advanced telematics solutions. Additionally, connected solutions can offer predictive maintenance capabilities, reducing the likelihood of vehicle breakdowns and accidents.

<sup>8</sup> [The fleet imperative to identify high-risk drivers](#)

03

## Safety

# Recommendations

01

Continuously monitor new and existing driver's Motor Vehicle Records (MVRs) to identify risky behaviors early.

02

Provide driver training and regular communication to reinforce the safety message.

03

Implement telematics systems to monitor driver behavior and develop effective safety policies.

04

Utilize real-time feedback to educate drivers and provide immediate coaching.

# Case Study

## Corporate visibility and telematics partnership

Situation	Solution	Result
<ul style="list-style-type: none"><li>• Accident costs were rising for a company in the manufacturing industry, with increased corporate focus on cost and improving safety</li><li>• Client also needed solutions to offset rising fuel costs as larger vehicles were needed for job function</li></ul>	<ul style="list-style-type: none"><li>• Element consultant partnered with client to understand their needs</li><li>• Developed analysis correlating better fuel economy with safer driving practices and lower accident risk</li><li>• Analysis presented to client's leadership team highlighted cost avoidance for high/medium risk drivers correlating to fuel efficiency plus reduced idling</li></ul>	<ul style="list-style-type: none"><li>• Met corporate objectives: 55% improvement in company's risk score</li><li>• 16% reduction in idle time: estimated cost avoidance of U.S. \$50K</li><li>• Telematics "cost" offset by proven "benefits"</li><li>• Results re-energized engagement across all levels of organization</li></ul>

# Element's Strategic Consulting

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Element's strategic consulting team brings deep expertise to [help you realize greater productivity and reduced total cost of ownership](#). Leveraging the most robust benchmarking database in the industry with over 1 million vehicles under management, the team uses advanced analytics to mine data for actionable insights. In 2022, the team identified over \$1.2B in cost savings for clients across U.S. and Canada and over \$121.6M in Mexico.

Find out more about Element's [strategic consulting services](#) or [get in touch with us!](#)



## Steve Jastrow

Vice President, Strategic Consulting & Analytics

Steve is a client-focused executive leader with over 25 years of experience championing high performing finance, commercial consulting, data and analytics organizations within the General Electric Corporation and Element Fleet Management. At Element, he heads a team of over 40 experts with on average 13 years of industry experience. The team is focused on supporting clients' fleet goals including fleet cost savings, operational efficiencies and sustainability through financial modelling and advanced analytics.



## Javier Cabrera

Director of Strategic Consulting in Mexico

Javier leads the Strategic Consulting team in Mexico and has more than 15 years of experience in management consulting, strategic sourcing and automotive. He has worked on several strategy and operations projects in over 8 industries. He leads the team in Mexico to address the needs of over 120 strategic clients by building financial models, developing improvement analysis and ad-hoc optimization projects for cost savings. Javier holds a master's in business administration from the UVM Mexico City.



# Acknowledgements

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We acknowledge the contribution of the following individuals who assisted in the development of this report:

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## 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 – corporates, governments and not-for-profits – across North America, Australia and New Zealand. Element's services address every aspect of clients' fleet requirements, from vehicle acquisition, maintenance, accidents and remarketing, to integrating EVs and managing the complexity of gradual fleet electrification. Clients benefit from Element's expertise as the largest fleet solutions provider in its markets, offering unmatched economies of scale and insight used to reduce fleet operating costs and improve productivity and performance. For more information, visit [www.elementfleet.com](http://www.elementfleet.com).

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