BLENDED FLEETS

MANAGING FUEL COSTS

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There can be no argument that the trucking industry is the lifeblood of the U.S. economy.

Depending on whom you ask, between 70 and 80 percent of all the freight tonnage moved in the country is transported by trucks of all sizes.

Imagine what would happen if for one day there were no trucks on the highways or on city streets?
The four-wheelers might shout hooray, but they would be singing some sour notes when they went to the grocery store and found no bread or milk, or pulled up to the pump and found a "no gas available" sign covering the nozzle. Just like most businesses, trucking companies found themselves in a downward spiral during the downturn of the early 2000s when the dot com bubble burst.

Things began to look up in late 2003 as the country began to overcome the bursting of the bubble. "Growth in demand for goods and services means growth in demand for haulage services and that's good news for the economy," an official of the respected Brookings Institute said in late 2003.

One of the best barometers of the health of trucking is Class 8 new truck sales, as sales in other classes tend to follow suit. There were 211,517 new Class 8 trucks sold in the United States in 2000, but that number dropped to 139,576 in 2001 and was only at 141,964 in 2003.

But true to the Brookings forecast, a great demand ensued and new trucking companies sprung up all over the country. After all, it was easy to form a trucking company. Buy a truck, get a DOT number and put the word out. There was plenty of freight available.

By 2006, new Class 8 truck sales had zoomed to an all-time record high of 284,008 units, only to be brought crashing back to earth the next year as the country entered into an economic downturn that has been called the Great Depression.

New truck sales fell to a little more than 94,000 in 2009. Over 4,000 trucking companies, roughly 10 percent of the total in the United States, went bankrupt. For those companies that remained — especially the mid- to small-sized fleets and owner-operators — the already small profit margins shrank even more. Cost containment and cost reduction became common phrases among industry executives. The call to reduce costs typically came from the very top of the company hierarchy, but it fell to fleet managers to make reductions a reality.

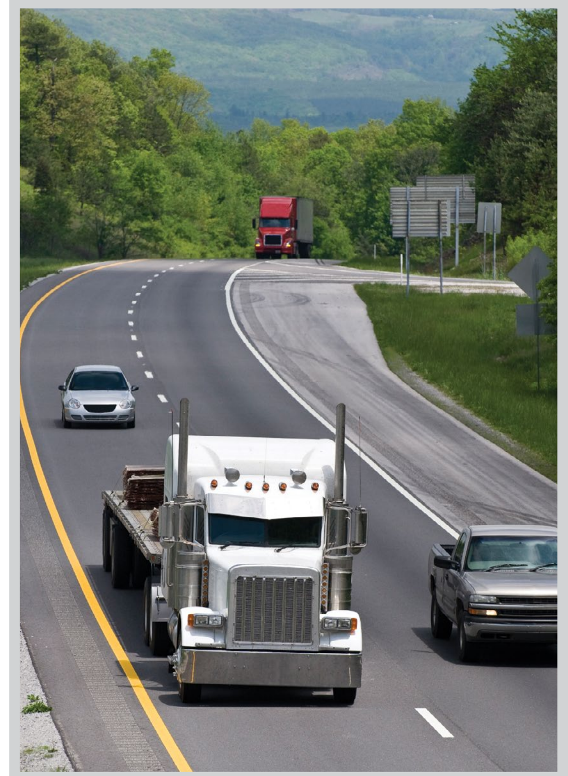
Of course, the higher fuel prices were a result of the price of oil, which — in recent years — has been falling victim to geo-political events and natural disasters such as conflicts in the Middle East, threats of nuclear aggression in Iran and Hurricane Katrina.

By July 2008, the cost of a barrel of oil had hit $147 and correspondingly, the average on-highway price of a gallon of diesel had ballooned to an unbelievable $4.764.

Suddenly, fuel replaced driver pay as the biggest operational expense. And although the price of diesel has settled in recent months to the $3.90 to $4 range, there appears to be little hope it will go much lower. Managing fuel costs has become the No. 1 challenge for all commercial fleets and is likely to remain so for many years to come.

And nowhere are fuel cost saving strategies likely to be more complex than among blended fleets, those trucking companies that have multiple business units — long haul, regional and local — and are likely to have some passenger vans and vehicles as well.

With vehicles running anywhere from over-the-road to local businesses to residential areas, fleets have found themselves fueling at anywhere from truck stops along the interstates to the mom-and-pop convenience stores in residential neighborhoods.



And that means two types of fuel cards — one for over-the-road and one for local — and, of course, separate accounts.

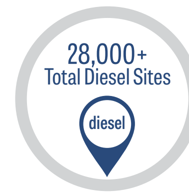
With two accounts, fleets have found themselves jumping back and forth between databases as they sought to carefully analyze fuel consumption, monitor driving patterns, track vehicle and driver performances and ultimately put data in an analytical and visual form that could help them make the best decisions about fuel management.

In short, fleets have found themselves dealing with two acceptance networks — one that is very truck stop-specific for the over-the-road and regional hauls and one that serves local hauls.

As they seek to manage fuel and the associated operating costs, fleets have faced such inconveniences as being able to establish truck stop discounts on one card account, but not being able to get discounts on the other. But managing two separate fuel accounts is simply not cost effective. There could be a lot of money saved, if they could aggregate volume at select merchant partners and get discounts.

It would be nice to have one card that would combine the networks and remove the hassle of tracking two accounts. That's just what WEX Fleet One has done with the new All Roads fuel card.

Another challenge for blended fleets is point-of-access. A driver for a blended fleet might find it convenient to sometimes fuel at a truck stop, but not have the option. So he or she might have to drive miles out of the way to find a network member where they could use the single-purpose card.



It would be cheaper and more convenient to use a single card such as the WEX Fleet One All Roads Fuel Card that could provide dual access to both truck stops (over 7,000 sites) and local convenience stores and pumpers (about 65,000 sites). The WEX Fleet One All Roads Fuel Card allows cardholders to take advantage of diesel discounts across the breadth of their fleet with a single card.

After all, more fueling locations mean a fleet has the buying power to leverage more discounts. Then there is the issue of payment terms, which for an over-the-road card and a local card are typically different, one much shorter than the other. Shippers frequently take 30 days or longer to pay carriers to move their freight, so fleets were in essence dipping into cash reserves to pay for some fuel costs.

It would be better and more cost-effective to have a card that offers extended billing for qualified fleets, one that is as effective for a regional/local truck operator as it is a for-hire long-haul carrier.

Another challenge for fleets that doesn't necessarily relate to fuel, but certainly falls within the realm of fleet management and cost containment, is that of managing service calls on the road. For that purpose, many fleets have a third card, which adds even more administrative costs and burdens. After all — it seems that a majority of maintenance issues happen far from the nearest terminal.

A single card, like the WEX Fleet One All Roads Fuel Card, can cover such items as service, maintenance, parts and even natural gas and propane at accepting merchants.

There is absolutely no question that in this day and age when fleets are more cost conscious than ever before, a one-card solution is the best way to meet the key challenges of blended fleets looking for enhanced purchase control, security, savings and convenience.

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RESOURCES

WEX FLEET ONE FleetOne.com
PARTNERS IN BUSINESS: http://goo.gl/k7BZR
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