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Competing with Fleet Giants

How Small and Mid-Size Businesses Can Future Proof Their Fleets

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Overview

Anybody following the trucking industry knows that the 2020s have been a struggle for fleets both big and small. The global pandemic put more pressure on an already low-margin, high-risk business, causing thousands of bankruptcies in the U.S. from 2020 through 2022. Now, well into 2023, the industry is still trying to rebound. Small- and medium-sized operators are getting hit particularly hard, as spot and contract rates continue to fall, and the driver shortage remains a persistent problem. Many of the SMBs that entered the market in 2020 are getting pushed out of business.

Clearly, SMB truckers face big challenges going forward. Not only do they need to push for more business — they need to be more efficient, and more cost conscious. They need to adopt new technology and adapt old processes to move forward in a competitive environment.

Are SMB operators positioned to make these moves? What kinds of pressures are they feeling? What technologies are they prepared to invest in? Can they successfully future proof their operations with the right tech stack?

Given this backdrop, Solera reached out to 300 small- and medium-sized fleet owners, operators and drivers to see how they're feeling about their industry and their opportunity going forward. Here is what they said.

Biggest Obstacles to Growth

62% Inflation

48% Driver shortage

29% Unexpected supply chain disruption

28% Driver retention

26% Ability to manage costs

11% Unsure what technology to invest in

9% Fraud / double brokering

9% Not sure where to look for new business

Pain Points

As expected, SMB fleet owners' biggest concerns revolve around the economy and their work forces. Both issues have been high on their agendas for years.

Asked to list the biggest obstacles to growth, inflation topped the list at 62%. While actual inflation rates have dropped following a peak in early 2023, it's clear that costs – particularly fuel and labor costs – remain a big worry. This is underscored by the fact that 26% also identified keeping costs under control as a top concern. The latter report comes as no surprise. According to a **report by ATRI Research**, trucking's costs per mile rose 34% since 2021, crossing $2 for the first time ever.

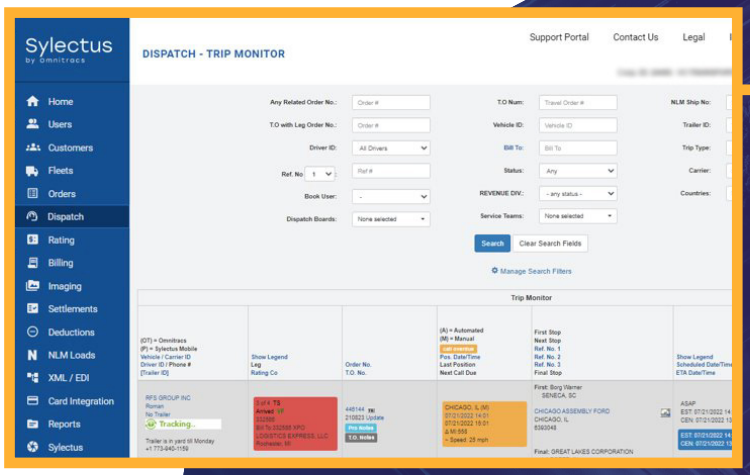
Labor issues are also a continuing struggle – for small and large trucking operators. The American Trucking Association estimates that the shortage of drivers, which was around 80,000 in 2023, will likely double by 2031. In 2023, 48% of SMBs surveyed said they were concerned with the driver shortage overall, and another 28% worried about driver retention. The driver shortage is particularly big news in the Midwest, home to a large number of independent trucking operators.

Future Proofing Fleets

While costs and hiring will likely be issues for years, SMBs can take steps to position their operations to compete well in the future. Technology is playing an important role today helping SMBs improve efficiencies and streamline once mundane processes.

Transportation Management System (TMS) platforms and safety-based technologies topped SMBs lists for technology investment priorities for the coming year. Overall, 47% put each at the top of their lists, followed by maintenance at 43%.

The emphasis on TMS is no surprise. These logistics platforms help trucking firms plan, execute, and optimize shipments, making sure the shipment is compliant and properly documented. TMS logistics optimizes loads and delivery routes, and track freight from end to end throughout the delivery system. Driver safety systems include smart cameras, advanced driver-assistance systems (ADAS) and alert systems that prevent accidents caused by driver fatigue.



Technology Investment Priorities for the Next Year

47% Transportation Management System (TMS)

47% Safety-based technology (cameras, ADAS, alerts)

43% Maintenance

37% Mobile app capabilities to streamline driver operations

Three Out of Five SMB Fleets are Looking into AI

Integrated AI

Although AI is far from being a new concept, it is establishing itself as one of the hottest topics of conversation across industries in 2023. Rollouts of natural language chatbot programs have focused business leaders' attention on how to integrate AI into their operations.

AI's influence is growing in the trucking industry. In the SMB Fleet Survey, 8% of respondents said they were already using AI, and 51% were either considering plans to add AI or actively exploring ways to tap the technology's potential. Interestingly, smaller fleet operators may be ahead of their larger counterparts. A total of 57% percent said they are at least considering adding AI applications.

At the same time, some SMB operators appear to be confused about how large a role AI already plays in modern-day fleet operations. A total of 23% said they were considering plans to add AI but weren't sure where to start. Chances are, many are already using AI. Current use cases involving AI include autonomous trucks, predictive maintenance, enhanced route optimization, improved communication and collaboration between drivers and dispatchers, automated billing and invoicing for faster payments, and streamlined regulatory compliance with automated forms filing.

29%

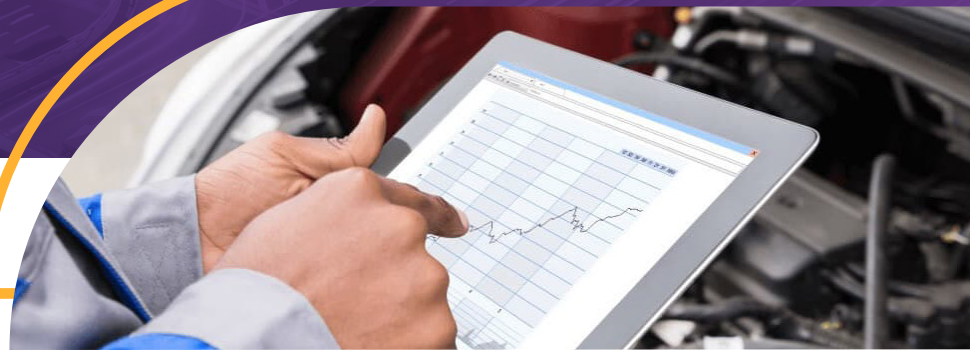
Considering plans, but not sure where to start

28%

Exploring tangible ways business can incorporate AI

8%

Already incorporating AI into our operations



AI Use Cases

Those that are considering AI are looking at it to solve several issues. Two of the top current and potential use cases identified by SMB leaders include streamlining maintenance schedules and capturing risks using video.

AI is particularly effective when being used for predictive maintenance. Using fuel data, telematics and engine diagnostics, AI can predict what type of maintenance a truck needs and when it will need to be brought into the shop. Video telematics systems also use AI and machine learning to spot and avoid risks. AI trains cameras to identify patterns and inconsistencies during a ride.

Dash cams can be pointed at the road or at the driver to capture live streaming video of the road conditions, traffic or a separate vehicle involved in an accident.

AI also plays a role in speeding up driver workflows and matching jobs with drivers. By analyzing large pools of data taken from the trips of all the trucks in a fleet, AI can optimize route planning and streamline driver scheduling. AI also can be used to identify which drivers are not meeting safety protocols and recommend that those drivers receive additional instruction.

Current and Potential AI Use Cases

40% Capture risks via video solutions

40% Streamline maintenance schedules

39% Speed up driver workflows

37% Match jobs with drivers

30% Help with repair estimates

22% Definitely not considering using AI for fleet operations

Going Electric

Electric vehicles (EVs) appear to be a part of trucking's future, as well. A number of global enterprises, including FedEx and Amazon, have committed to the electrification of parcel pickup and delivery fleets as part of larger plans to meet carbon-neutral operational targets.

SMB operators in the Solera survey are getting started with EV plans. While just 3% reported that they've gone fully electric, nearly three out of four said they're at least looking at EVs to join their vehicle fleets. A total of 21% said they're considering their options but aren't sure which vehicles or how large a percentage they'll adopt.

- 3% Fleets are already fully electric
- 13% Planning to replace all fleet vehicles with EVs in the next 5 years
- 15% Taking a modular approach, incorporating EVs in batches
- 20% Slowly incorporating EVs into fleets as older vehicles cycle out
- 21% Looking into EV options, but not sure yet
- 28% No plans to go electric

Barriers for EV Adoption

While EVs have landed on SMBs' agendas, some fleet operators are taking it slow. Four in five said they are either hesitant to add electric vehicles or dead set against the practice. The biggest concern? Based on the survey, three stood out: the need to charge the vehicles, costs related to repairs, and the up-front costs of the vehicles.

Clearly there are pros and cons to electric vehicles in trucking. On the negative side, EVs cost more up front, take time to charge up for trips and, depending on the battery life, will limit drivers in the number of miles they can cover before needing to recharge. But the positives likely will outweigh the negatives. EVs, of course, are eco-friendly; an electric truck can generate as little as 20% of the emissions as gas-powered alternatives. EVs over time also likely will save money in fuel costs and require less maintenance.

Hesitant about EVs

80%
YES: Some hesitancies

20%
NO: No hesitancies at all

Primary Concerns

44%
Up-front cost of the vehicles

42%
Costs related to repairs

34%
Maintenance

21%
Quality of the build

50%
Charging of the vehicles

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Looking Ahead: Next-Gen Thinking

As the next generation enters the trucking industry, technology will continue to play a bigger role in the day-to-day operations of fleets. Overall, 29% of Gen Z respondents say they are planning to replace all fleet vehicles with EVs in the next 5 years. That's 11 percentage points higher than the next highest group and 16 points higher than the average.

On another question, 47% of Gen Z respondents said they would explore ways business can incorporate AI. That's nearly double the average (28%) and 11 points higher than the next highest group – the 56- to 65-year-olds.

55% of 26- to 35-year-old respondents also noted they'd be willing to use technology to manage compliance tasks that are currently done manually. That's 21 points above the survey average.

As small fleets look to upgrade systems and compete with larger companies, the adoption of new technologies will be increasingly seen as an area where they can differentiate themselves. Younger trucking professionals appear ready to consider out-of-the-box solutions to stay competitive.

Gen Z: Willing to Make Bold Moves

		26-35	36-45	46-55	56-65
Replace all fleet vehicles with EVs by 2028	**29%** 18-25 (Gen Z)	18%	12%	9%	9%
Considering integrating AI in business operations	**47%** 18-25 (Gen Z)	31%	27%	19%	36%
Willing to consider converting from manual to technology-based compliance	**47%** 18-25 (Gen Z)	31%	27%	19%	36%

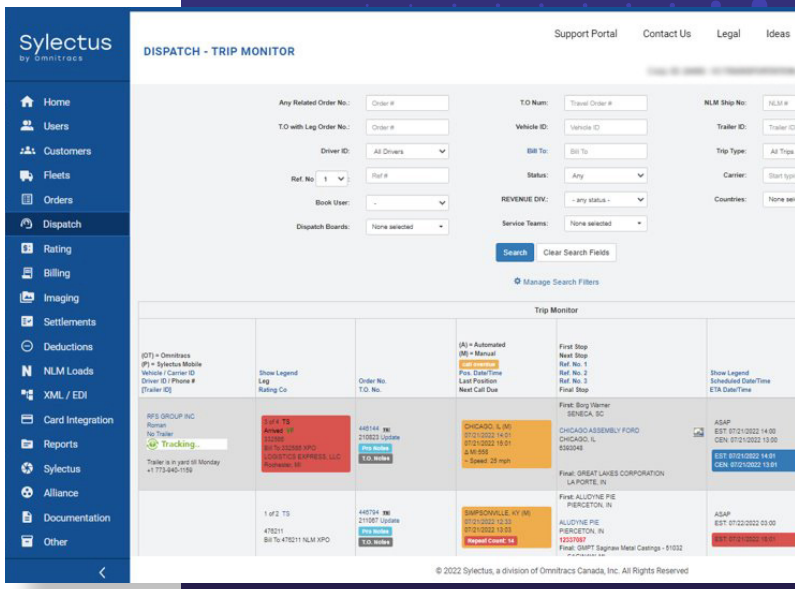
The Future of Fleet

As the trucking industry adapts and evolves with the changing landscape, Solera is committed to leading the way with innovation. Through its suite of Fleet Management Solutions, Solera is working toward a future where fleet management is both simplified and powerful, always supporting the rapid transformation of fleets.

> **By bringing together industry leaders Omnitracs, Sylectus, SmartDrive, Spireon, SuperVision and eDriving, Solera's unparalleled fleet solutions address the major pain points identified by SMBs including identifying unsafe driving, managing fleet operations, tracking loads, and more.**

Solera's AI-enabled technologies apply proprietary algorithms on the most robust collection of vehicle, repair, performance, and telematics data in the industry to deliver actionable insights and streamlined workflows that accelerate business outcomes. By empowering businesses to make data-driven decisions, Solera Fleet Solutions plays a crucial role in transforming how organizations manage and maintain their vehicle fleets.

With a roster of leading brands in the vehicle lifecycle ecosystem, Solera caters to fleets big and small with over 300,000 global customers and partners in over 100 countries. **Learn more about Solera's full suite of Fleet Solutions here.**



About the Survey

The Solera 2023 SMB Fleet Survey is based on a June 2023 survey conducted by Dynata on behalf of Solera of 300 US-based small- and medium-sized fleet owners, operators and drivers. Dynata is the world's largest first-party data company, with a global reach of more than 62 million consumers and business professionals, fully permissioned with billons of verified data points. Dynata uses a variety of online sample sources and recruitment measures to invite its respondents and panelists for survey research participation.