

A belt-tightening year ahead for fleet managers

South African fleet managers are set to continue in belt-tightening mode through the coming year, with economic relief unlikely anytime soon, which will bring relentless pressure to reduce costs and squeeze value out of their vehicles before replacing them.



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The most obvious characteristic of 2016 from a fleet management point of view will, therefore, be slow new-vehicle purchases and fleet expansion in line with weak economic growth, predicts Dr David Molapo, Head of Standard Bank Fleet Management. This will apply especially to the sectors hit hardest by the economic downturn, namely manufacturing, mining, and agriculture.

Turning every penny slows down implementation of efficiency systems

The only certainty seems to be continued uncertainty about all the major economic factors that bear down on fleet management - the price of fuel, inflation, the exchange rate, the interest rate and the growth rate. "The resultant lack of confidence among companies to invest in fleet is likely to bring a contradiction of sorts to the fore in the coming year," says Dr Molapo.

One would expect that in such difficult conditions, fleet managers would eagerly embrace the many tools that are now available to increase fleet efficiency and reduce costs - telematics, managed maintenance, full maintenance leasing and value-added products and services linked to fleet cards. Yet the uptake of these cost-saving tools is subject to the very same budget constraints as those pertaining to the replacement of vehicles. Even though these systems will certainly decrease costs of any fleet using them, companies balk at the upfront costs to implement and install them.

Many are considering the adoption of fleet management tools, but under current conditions, every decision is made very slowly and cautiously as businesses turn over every penny before spending it. Ironically, therefore, the prediction is that the take-up of efficiency systems will only start picking up once the economy returns to health again.

Fleet management services to educate the market

But Dr Molapo believes that the slow take-up of fleet-efficiency systems goes beyond financial considerations. "How many companies out there actually know that these products and services exist and what they can do to reduce costs? In large

companies with dedicated fleet managers, sure, they use these tools, but it would appear that a number of SMEs (small and medium enterprises) and smaller fleets either simply don't know about them or have other cash flow priorities."

The coming year, therefore, provides ample opportunity for fleet management services to educate the market further. What may help this process in 2016 is the further conversion of value-added fleet services into single, holistic management platforms.

The information technology revolution has led to the development of several disparate information streams for fleet managers, with telematics generating huge amounts of data from the road and fleet cards from service stations. Service providers such as banks and telematics operators are increasingly exploring opportunities to cooperate to provide fleet managers integrated systems such as a single web portal to collect and crunch all the information they need for precision management of their fleets.

Safety a top worry

Safety is likely to remain a top worry for fleet managers in the year ahead, says Dr Molapo. Economic uncertainty amplifies the seriousness of every incident, as companies are less able to absorb setbacks. Concerns include road safety as well as crime, especially around truck hijackings which showed an eye-watering 29% increase in the most recent release of official crime statistics, with car hijackings increasing by 14%. However, a look at the real numbers - a total of about 1,300 truck hijackings per year - shows that the scourge remains below previous peaks.

The carbon tax which is set to kick in next year, on the other hand, does not seem to keep fleet managers awake at night. Dr Molapo says all indications are that the carbon tax is simply seen as an additional tax by the industry, and will do little to pique interest or change vehicle preferences. This may only change one day when government starts introducing carbon levies based on actual vehicle performance, in line with some European practices.

Perhaps the most optimistic aspect of the coming year is the continued rise in the status of fleet management itself. "A new generation of fleet managers are increasingly making their presence felt. They tend to be tech-savvy and unencumbered by traditions that inhibit the take-up of economically sensible practices such as full maintenance leasing. At the same time, they are entering an industry where fleet management is increasingly seen as a professional specialty in its own right, rather than an administrative side-line. This is evident in a growing number of fleet-management courses available," says Dr Molapo.

Fleet management itself is in good shape, even though managing a fleet in 2016 is going to be challenging.