

# Fleet trends for 2017

By [Dr David Molapo](#)

9 Jan 2017

Dr David Molapo, the head of fleet management at Standard Bank, shares his 2017 fleet trends and offers fleet managers some advice.



Dr David Molapo

## 1. Fuel price fluctuations

The market has indicated clearly that 2017 will not be any easier than 2016. The prices of vehicles are on the increase all the time. Managing the cost of running a cost-effective fleet is essential. Fuel prices are likely to continue to fluctuate and with the significant impact of fuel expenses on the running cost of any fleet, fleet managers will remain focused on managing this closely in any possible manner.

## 2. Safety

Safety was always an issue for fleets, but in recent times there has been closer scrutiny. Increasingly, measures are being taken to reduce collisions and improve legal compliance. Moreover, safety and sustainability, in terms of adopting safer driving styles, is also impacting on the cost to operate a fleet, resulting in increased focus on this. The RTMS (Road and Traffic Management System) is gaining momentum in South Africa and will contribute towards a safer fleet.

## 3. Connected Vehicles

Technology has already proved to be a real game-changer for fleets; empowering them with access to data and metrics, helping to direct the

important changes and inform decision-making. This trend is going to continue in the next years with more and more connected vehicles.

## 4. Disruption and Innovation

The fleet industry is perhaps not the most innovative industry, compared to the IT, technology, and telecommunication sectors, but is known for being an early adopter of new solutions that might bring added value in the longer term. This includes outsourcing of management and vehicle leasing, telematics, reporting tools to manage fleet costs, consideration of hybrid and electric vehicles in fleets, and now mobility options, such as Uber for company staff to move between destinations. The industry didn't necessarily invent these products or services, but was at the forefront of testing and implementing them.

In the future, the industry will be confronted more often with new services and suppliers offering solutions in terms of professional employee mobility. Fleet managers will have to be ready and willing to embrace new solutions and to adopt solutions that will push our businesses towards even greater efficiency.

But the solutions that will have the most chance of being successfully adopted and implemented are those that are not only disruptive but also innovative. With the arrival of the Y-generation into corporates and the fleet management business, we can be sure that innovation will become one of the keywords for future success.

## 5. IFRS16

The new lease accounting standard that will come into play on 1 January 2019 and defines that all lease assets will appear on the balance sheet of the lessee, will impact the vehicle fleet business. The main impact will not be related to a substantial decrease in popularity of operating leasing (for which the leased assets are currently 'off balance sheet' for the lessee) but will effect accountancy complexity, financial reporting, and process management. Businesses will still have a need for leasing as an option due to the advantages but will have to start preparations for this accounting standard.

### Advice

- Spend time investigating what your fleet service provider and bank can offer, thereby improving the way you operate.
- Build a relationship with your fleet service provider and banker to ensure that you are kept up to date with any development.
- Focus on the running costs of the fleet, as this is a big expense in any concern. This is and has always been a priority for any fleet manager.
- Fleet managers need to watch every expense item and really consider their vehicle expenses. Total Cost of Ownership is vital in order to evaluate if a vehicle should be kept or replaced. Companies are keeping vehicles until they fall apart, however, they miss the fact that these vehicles exceed the fuel consumption averages by almost 150%, use copious amounts of oil, cost a fortune to repair and maintain, and downtime of vehicles is also not considered.

### ABOUT THE AUTHOR

Dr David Mlapo, Head of Fleet Management at Standard Bank

For more, visit: <https://www.bizcommunity.com>