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MANAGING COSTS IN LOGISTICS

Managing Costs in Logistics

Editor's note

Editor
Jack Turner

All business owners know that making every cent count is crucial for success. But, in recent years, many industries have felt the squeeze from a turbulent economy, and managing costs has become more important than ever.

This couldn't be truer in logistics, a sector that has seen more chop and change than most, with tariffs, spiraling equipment costs, and fuel all putting increased pressure on owners and eating into their profits.

As for where money is being spent, our data has shown that, month after month, the top priority for companies is preventive maintenance. Large repairs are expensive – even more so in the case of new trucks. This means that carrying out regular and small repairs makes financial sense in order to lengthen the life of a fleet.

You might think that other cost concerns, such as fuel prices, are out of the industry's hands. However, with the use of logistics-aligned tech, such as route optimization software, companies are able to ensure that each drop of fuel is used as efficiently as possible.

In our report, you'll discover the main cost concerns in the industry, and the actions being taken to mitigate them.

Vehicle Upkeep is Main Cost Consideration

Vehicle upkeep is the biggest cost consideration for logistics industry professionals across the United States, our latest surveys reveal. Across four of the last five months, about 20% of logistics pros listed vehicle upkeep as the priority they were most focused on during that fiscal quarter. No other answer consistently remained as highly cited across the same time period.

That makes sense. Vehicle maintenance offers long-term benefits that are crucial to a financially troubled sector like logistics. For example, if the correct preventative maintenance keeps a semi truck running for 15 years instead of 10 years, that would constitute a 50% increase in the lifetime value that was acquired back when that vehicle was first purchased.

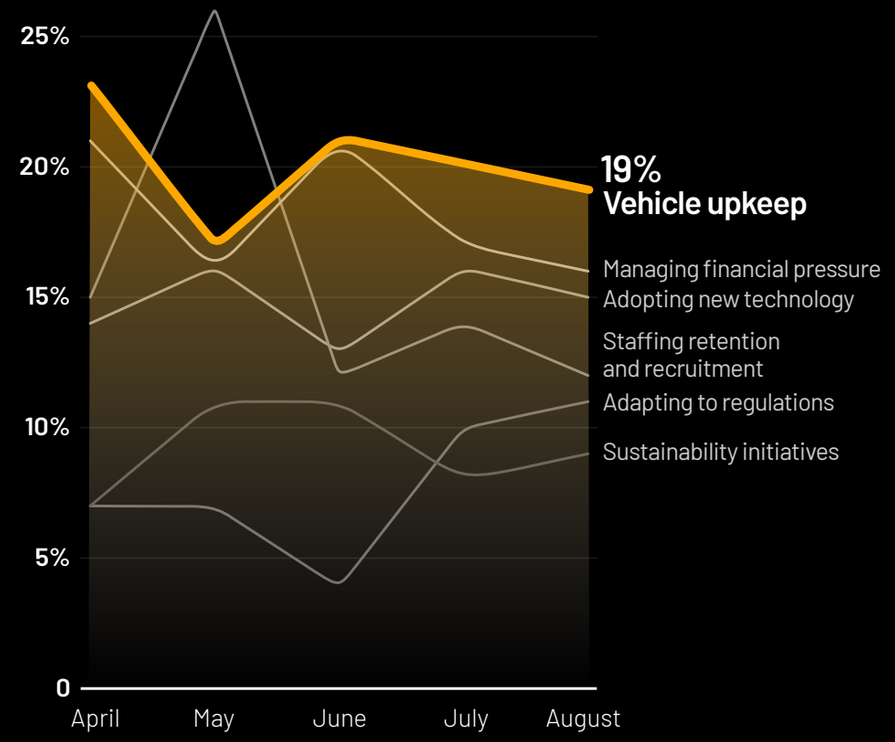
The same careful maintenance process delivers immediate short-term benefits in addition to long-term ones. Every year that a company can safely and responsibly avoid replacing a vehicle is a year that it won't need to add an additional high one-time expense to its annual budget.

Logistics and transportation companies can't expect any cash infusions in 2025. Between the economic constraints of tariffs, extreme weather events, and rising inflation, every cent saved adds up. Vehicle maintenance is one of the best ways to keep tightening the budgetary belt.

> *By managing the fleet holistically - operators can reduce fuel waste, cut repair costs, and keep vehicles available for service more days of the year. This kind of visibility also supports wider goals, such as reducing emissions.*

Bob Bradley, Vice President, Data Science & AI Engineering at Geotab

Which priority are you focusing on most this quarter?



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The Cost Issue for Smaller Companies

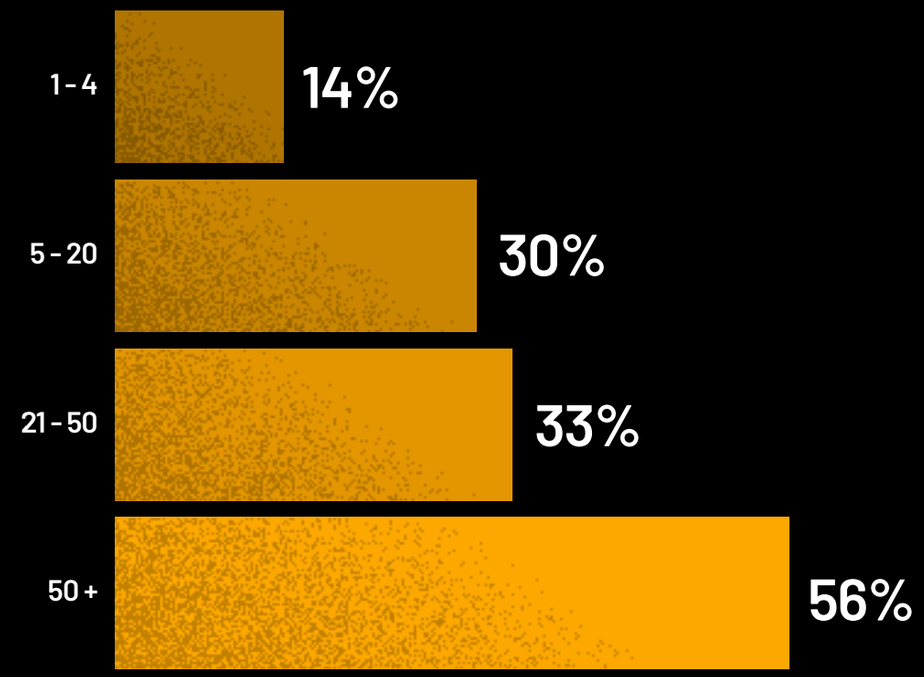
Smaller logistics operations can be the most fragile segment of the wider industry. For these businesses, the cost of vehicle maintenance can be make-or-break.

Companies without deep pockets simply cannot afford to invest in vehicle upkeep to the same extent as larger firms. Eventually, this failure to invest in their fleet adds up, and small companies risk falling behind.

The issue goes beyond physical upkeep alone. Investing in fleet maintenance software can be an effective preventative measure.

Maintenance software telematics can pinpoint relatively small mechanical needs, helping managers catch them before they escalate into major expenses or operational disruptions. This software can also track fuel consumption, a concern that overlaps with maintenance.

Fleet Maintenance Software Tech Adoption (split by fleet size)



As logistics businesses get larger, they're far more likely to invest in fleet maintenance software to stay ahead of the pressures to upkeep their vehicles. Fleets with over 50 vehicles show the highest adoption rate of this type of software, at 56%, while the figure is less than half of this – just 24% – for fleets with fewer than 50 vehicles. The difference is starkest for the smallest operators: fleets with up to four vehicles show the lowest adoption rate, at just 14%.

For businesses that need to keep track of dozens of vehicles, or huge fleets of over 50 trucks, this kind of software can offer a real advantage. However, even smaller fleets can benefit from the efficiencies such software can bring.

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The Impact of the Rising Cost of Fuel

Fuel costs are up. In fact, more than half (52%) of surveyed industry professionals said their companies were spending more than one-fifth of their monthly operating budget on fuel as of July.

There's a direct link between the need for truck maintenance and gas price sticker shock, too. Among the companies we surveyed that prioritized fleet maintenance, nearly one in four (23%) said that rising diesel prices constituted their main priority.

This puts concerns over diesel fuel above all other top worries, including "major unforeseen disruptions" such as weather incidents or infrastructure failures (22%), workforce shortages (18%), problems with working conditions (10%), or government regulations (9%).

In other words, preventative maintenance isn't just about vehicle dependability. It's also a lever that companies can pull to mitigate the financial impact of fuel price volatility.

In fact, a substantial portion of logistics professionals who stated that vehicle maintenance is a top priority, told us as much: as many as 45% of respondents said "improving fuel efficiency through maintenance" was a strategic focus over our five-month survey period.

Nearly 1 in 4
companies prioritizing vehicle maintenance claim rising diesel prices are their biggest issue

> *The cost of fuel is baked into the cost of service. If those costs change, so does the cost of the job. With diesel volatility, driver wages rising, and parts costs climbing, carriers are tightening fuel efficiency targets, locking in bulk fuel agreements, and using real-time telematics to spot maintenance issues before they become service disruptions.*

Robert Robert Khachatryan ,
CEO at Frieght Right Global Logistics

The Role of Tech in Cost Management

For many fleets, their first taste of new software upgrades came about because of the requirements to meet regulatory compliance. Many of the millions of commercial vehicles in the US today already had electronic logging devices (ELDs) prior to 2019.

Still, when the FMCSA's ELD mandate fully took effect that year, all of them needed the software. Fleet management solutions (FMS) have been increasingly popular in the years since.

These systems all offer ELD functionality, which is itself a cost-saving feature, since it lets drivers pass roadside inspections that would otherwise put them out-of-service. However, the best FMS is a one-stop-shop for dispatching and tracking fleets, so it saves costs in many more ways.

These management systems offer automated maintenance tracking and alerts, helping managers address vehicle upkeep. They also have fuel management software and fuel card integrations, ensuring that International Fuel Tax Agreement information is automatically logged and fuel use is optimized.

Other money-saving FMS benefits include faster routing across multiple locations, taking into account real-time changes in traffic or weather, and driver behavior monitoring to promote safer habits and avoid costly collisions.

Driver monitoring and coaching platforms are also consistently popular, our surveys have found, and can help train new drivers in correct safety techniques. This is particularly helpful for any fleets suffering from the workforce shortages that can leave large operations without enough drivers to operate at maximum capacity.

Other software solutions are worth considering as well. Route optimization software can help speed up deliveries for fleets that opt to skip installing a full fleet management system, while fuel or energy reduction tech can help fleets that only need to save fuel costs.

52%

of companies were spending more than one-fifth of their monthly operating budget on fuel as of July

In time, technologies that require much more significant monetary investment – such as warehouse robotics or self-driving vehicles – may well prove their worth.

For now, though, the most popular tech advancements are FMS systems and similar software. They come at a relatively low cost, address key problem areas, and can be installed in existing vehicles within minutes.

Summary

Today's freight companies are doing all they can to fight rising cost pressures like inflation and fuel price volatility. The biggest impact? A deeper integration of technology into fleet operations.

While past tech adoption, such as ELDs and telematics, was largely motivated by regulatory compliance, today's financial challenges are prompting a different kind of investment: vehicle maintenance software. These systems keep fleets in prime condition for as long as possible and offer fuel cost mitigation to address ever increasing diesel prices.

Additional challenges include weather incidents and driver shortages, both of which further limit logistics companies' revenues and drive greater technological adaptation in response.

The most cost-effective approach to navigating these challenges requires a meaningful tech investment. As a result of this, smaller fleets are less likely to commit to adopting fleet maintenance software. Those with the resources to do so, however, are reaping the benefits.

We anticipate this trend will accelerate the adoption of maintenance management software, especially among fleets with 21 or more vehicles, where operational complexity and the need for efficiency increase significantly.

For these companies, the focus is shifting from basic tracking to proactive, data-driven management. One expert we spoke with noted their goals to "track fuel efficiency for every vehicle" and use telematics to "spot maintenance issues before they become service disruptions".

In the future, the gap between small and large fleets may widen even more. Challenges posed by higher tariffs are set to continue for the near future, further increasing financial pressures for freight companies that don't already have tech solutions installed. The fleets that continue to control costs closely will continue to survive.

We anticipate that rising operational costs will drive further adoption of vehicle maintenance management software

Methodology

To capture the key dynamics of this sector, we used a multi-faceted approach that combines quantitative data from large-scale surveys with qualitative insights from industry experts. This approach allows us to not only understand 'the what' but also 'the why' behind the latest industry trends.

Our Data Sources

Our findings are based on a combination of surveys and expert interviews, collected over a five-month period. This dual-pronged strategy ensures that our insights are both broad and deep, capturing a wide range of opinions and informed perspectives.

1. The Pulse Tracker Survey

To understand the key priorities, challenges, and attitudes within the industry, we use our monthly Pulse tracker survey. This ongoing survey has been collecting responses since April, with a minimum of 250 responses each month, totaling 1,582 responses. We intentionally cast a wide net to hear from a broad range of professionals—from ground-level staff to senior management. To ensure we capture this holistic view, we partner with a third-party panel provider to source a diverse group of respondents, whom we then verify using a series of screening questions related to their role and industry.

2. The BenchmarkMe Survey

To explore the technology landscape, we rely on our BenchmarkMe survey, which focuses specifically on the technology purchasing habits of freight companies. We've gathered insights from 840 purchase-decision makers to understand which technologies are being prioritized and by whom. The respondents for this survey were sourced directly by our team and verified through the submission of information about their company's operations.

3. Expert Interviews

To provide crucial context and add an extra layer of depth to our findings, we conducted direct interviews with a range of industry leaders and topic specialists. These conversations allowed us to gain a deeper perspective on the forces and factors that are driving the industry forward, enriching the quantitative data with real-world context.

About Tech.co

Tech.co started life in 2006, as a networking platform for companies working out of the Chicago area, playing host to tech visionaries and startups that would go on to dominate the industry. Since those early days, Tech.co has transformed into a fully-fledged media company with readers around the world.

We aim to translate our passion for technology into insightful news and analysis, helpful buyers' guides and practical resources, so SMBs across the US can grow their revenues, work smarter, and secure their success.

Each year, Tech.co carries out thousands of hours of independent product testing and market analyses to support professionals learning more about technology and needing to make the right purchasing decisions. We cover the logistics sector extensively through our reviews of industry tools, as well as our original research, and have appeared in publications such as World Cargo News, Supply Chain Brain and Fleet Owner, as well as many more.

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