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Fleet Advantage Mines Data to Lease More Trucks, Burn Less Diesel

By Antone Gonsalves - Aug 8, 2011

In late 2009, [Fleet Advantage](#) beat three established truck-leasing companies in a bid to replace and manage the 1,500 trailers [Costco Wholesale \(COST\)](#) uses to carry food, electronics, and household goods to its more than 400 stores across the U.S. Fleet's winning pitch: competitive lease pricing and technology that tracks such essentials as fuel consumption and driver behavior to help customers drive down costs. "We're a penny business, so it really comes down to the numbers," says Sarah L. Mogk, vice-president for depot operations at Costco. "I haven't received anything from anyone else that's even close to what I'm getting from them."

The data are gathered from a small computer, called an electronic control module, installed in each tractor. It transmits truck-usage information to Fleet Advantage's computers, where the company turns the raw data into customized reports. The analysis Fleet provides separates the 18-employee company from larger rivals, such as [Penske Truck Leasing \(PAG\)](#) and [Ryder Systems \(R\)](#), says Justin Molavi, a trucking and energy analyst for [Santa Monica](#), (Calif.) market researcher IBISWorld. "[Detailed reporting is] definitely unusual, and it's the direction the industry has to go," says Molavi.

Anticipating that a push for efficiency would favor leasing over buying, John Flynn, a veteran of the trucking industry, launched the Fort Lauderdale company in 2008. Stricter emissions standards were driving up the price of new trucks, fuel costs were rising, and the Great Recession was making companies nervous about investing in new tractors and trailers that cost as much as \$150,000. He also noticed advancements in data-gathering and analytics that he could leverage to make his company stand out. "We understood the value and made an early investment in multiple technologies, and now it's really making a huge difference," says Flynn, 63.

Fleet Advantage's 10 clients, including supermarket chain Associated Food Stores, [BP \(BP\)](#), and explosives maker Dyno Nobel pay to use Fleet's 3,000 trucks to haul goods around the country. Flynn expects \$100 million in revenue this year, up from \$45 million in 2010, and projects a similar increase in 2012. The industry is growing as well: Spending on truck rental and leasing is expected to increase from \$17.9 billion this year to \$20.8 billion by 2016, according to IBISWorld.

Fleet Advantage targets Fortune 500 companies that rely on leasing companies to keep hundreds of trucks on the road delivering their goods.

HOW THE DATA HELP

Flynn says Fleet's biggest selling point for its clients is its ability to use data it gathers to show companies when holding on to an old big rig costs more than leasing a new one. After about three or four years, maintenance costs, coupled with increases in diesel prices, make leasing a newer, more fuel-efficient tractor cheaper, Flynn says. In addition, Fleet's monitoring of driver behavior can reduce fuel consumption, a fleet owner's largest expense. Diesel prices at \$3.95 per gallon in July were more than 25 percent higher than a year ago, Energy Information Administration data show. The trucking industry is expected to spend \$142.9 billion for [diesel fuel](#) this year, up from \$101.5 billion in 2010, according to the American Transportation Research Institute, an affiliate of the trade group the American Trucking Assns.

Fleet's tractor leases are for five- to seven-year terms for \$1,200 to \$1,400 a month, Flynn says. Maintenance is not included, and each truck carries a five-year, 500,000-mile warranty. Trailers are typically for seven- to eight-year terms for \$275 to \$300 a month. Fleet Advantage buys trucks from major manufacturers, including [Daimler Trucks North America \(DDAIF\)](#), [PACCAR \(PCAR\)](#), and [Volvo \(VOLVY\)](#). The company will replace a tractor after three years without penalty. When customers return trucks, Fleet Advantage sells them to regional truckers.

Flynn expects to double revenue each of the next two years by leasing its trucks to Fortune 500 companies and expanding into Canada and [Mexico](#), where he plans also to lease used equipment. In 2014 he wants to target smaller companies and start licensing Fleet's truck-tracking software to businesses that want to manage their own fleets. "The real magic sauce is slicing and dicing the information," Flynn says.

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