

# Stop Fuel Volatility from Eroding Margins: 5 Strategies That Work

## EXECUTIVE SUMMARY

Fuel price volatility has become one of the most persistent - and least controlled - drivers of transportation performance. While widely acknowledged, few organizations have meaningfully adapted their strategies to manage it.

Instead, many continue operating with static fuel surcharge structures, fragmented shipment patterns, and limited alignment between transportation, procurement, and pricing. The result is not just elevated spend, but unpredictable cost swings, margin erosion, and reduced planning confidence.

Leading organizations are not attempting to predict fuel markets; they are engineering transportation strategies that perform regardless of where fuel moves.

### ① Recalibrate Fuel Surcharge Structures

Fuel surcharges are often viewed as neutral pass-throughs. In practice, they rarely behave that way. Most lag real-time market conditions, introducing distortion that quietly erodes margin and obscures true transportation cost.

Leading organizations approach surcharge structures differently. They treat them as active financial levers - continuously benchmarked against current market ranges, adjusted with greater frequency, and structured to account for volatility rather than react to it.

The result is not just cost alignment, but greater consistency, improved transparency, and stronger alignment with carrier partners.

### ② Redesign Shipment Patterns

Fuel volatility does not create inefficiency; it reveals it.

Fragmented shipment patterns, often shaped by internal processes rather than intentional network design, amplify fuel exposure and mask underlying cost leakage. More disciplined organizations address this at the structural level. They redesign freight flows through consolidation and delivery alignment, and implement network strategies such as multi-stop and pool distribution.

Even modest reductions in shipment frequency can meaningfully reduce miles, improve asset utilization, and dampen fuel-driven cost variability.

### 3 Rebalance Transportation and Inventory Decisions

Transportation and inventory are often managed in isolation, an approach that becomes increasingly costly in volatile fuel environments.

Speed-driven models may reduce inventory, but they increase shipment frequency and fuel exposure. More disciplined organizations take a total landed cost view, aligning inventory strategy with transportation efficiency.

In practice, relatively small adjustments to replenishment cadence or safety stock can reduce transportation spend and bring greater stability to overall cost performance.

### 4 Align Customer Pricing with Cost Reality

A significant source of margin erosion is the disconnect between transportation costs and customer pricing.

Legacy models - static agreements or fixed free freight thresholds - do not adjust with fuel volatility, leaving organizations to absorb the impact as costs rise.

More disciplined organizations are updating pricing structures to better reflect transportation dynamics, introducing flexible mechanisms that improve transparency while protecting margin.

### 5 Strengthen Carrier Strategy

Selecting carriers on rate alone introduces risk, particularly in volatile fuel environments.

Carriers differ meaningfully in operational efficiency, network design, and fuel management. More disciplined organizations prioritize partners that can deliver consistency as conditions shift, often those with stronger underlying efficiency.

A well-structured carrier network supports tighter cost control and strengthens overall resilience.



*“Fuel volatility isn’t the problem; static transportation strategies are.”*

#### CONCLUSION: DESIGN FOR VOLATILITY

Fuel volatility is not temporary; it is persistent.

Organizations that rely on static models and fragmented decision-making will continue to experience margin pressure. Those that align contracts, operations, pricing, and carrier strategy into a cohesive system operate with greater control and predictability.

The advantage is not better forecasting. It is building a transportation strategy designed to perform under any fuel condition - with minimal margin erosion.

#### Fuel Volatility Review

If you would like to understand how your transportation strategy performs under fuel volatility, we invite you to request a confidential Fuel Volatility Review.

This is a structured assessment of how fuel impacts your network, contracts, and overall cost performance—no sales presentation or obligation.

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