

Fuel Costs Are Rising: Are You Recovering Them?

Most companies react with temporary surcharges, but **the real opportunity is embedding cost recovery into long-term pricing and operating models**

Business Model	Primary Cost Impact	Temporary Response	Permanent Response	Implementation Tips
Service-Based	Trip charges, fuel, on-site visits, travel expenses	Introduce or increase trip charges or apply a temporary fuel charge	Roll cost into a broader labor rate adjustment	Communicate adjustments transparently and lead with fuel price trends
Distributor	Freight, delivery, fuel-intensive logistics	Add a freight surcharge or adjust shipping fees	Roll cost into freight policy or broader list price adjustment	List surcharges / fees as separate line item or roll into freight line
Manufacturer	Raw materials, inbound / outbound shipping	Adjust freight cost lines or apply temporary surcharges on shipments	Roll cost into differentiated price adjustment / model or freight policy	List surcharges / fees as separate line item or roll into freight line
All	Overall logistics and energy costs	Monitor total cost-to-serve and align surcharges with cost recovery goals	Review cadence to evaluate long-term feasibility of folding fuel costs into standard pricing	Consider a two-phased approach for pivoting from a temporary to a long-term response; Internal training on justification and timing

Additional Considerations:

- **Separate short-term vs. long-term actions:** Use surcharges to address immediate impact but define clear criteria and timing to transition into structural pricing changes.
- **Quantify impact at a granular level:** Assess cost exposure by region, customer segment, service line, and contract structure to ensure targeted and defensible actions.
- **Capture full cost-to-serve impact:** Oil affects more than transportation & fuel – it impacts energy, materials, and petroleum-based inputs (e.g., plastics, packaging).
- **Align recovery approach to customer expectations:** Decide whether to apply as a visible surcharge or embed within pricing based on market norms and competitive positioning.
- **Enable internal alignment and execution:** Equip sales and operations with clear messaging, guardrails, and tools to confidently communicate and implement changes.
- **Monitor, adjust, and communicate:** Track cost recovery vs. actual impact and revisit pricing regularly as market conditions evolve.



Critical Questions

Key questions to help identify and approach potential opportunities in your business.

Analytics & Visibility	<ul style="list-style-type: none">• Can you quantify the impact at a granular level to segment actions – cost exposure by region, customer segment, service line, or contract structure?• Can we run stress test scenarios for longer-term impacts – how sensitive are your margins to sustained higher fuel prices and supply challenges?• Can you track cost recovery vs. actual impact to monitor and adjust ongoing action and revisit as conditions evolve?• Where are we ok to take losses?
Market Intelligence	<ul style="list-style-type: none">• How receptive or sensitive are our current customers to price changes or surcharges – are they used to regular price adjustments?• What is our price elasticity threshold – at what point will we lose volume after raising prices and how much loss is acceptable?• What are your competitors doing – is the market shifting, or do you need to be more surgical with your response? (price leader vs. price follower; brand positioning & strength)
Pricing Strategy & Structure	<ul style="list-style-type: none">• What is the true cost of a service or item, inclusive of freight, trip charges, etc. – i.e., do we know the cost to serve?• Do we have a ‘pass-through’ trigger – are contracts equipped with clauses tied to indices?• How long does it take to update our pricing / quotes based on new cost – what is the lag costing us?• What else can we do to reduce the cost impact – reduce quantity, change service level, adjust freight policy, etc.?
Commercial Enablement	<ul style="list-style-type: none">• How equipped is your commercial team to implement and communicate pricing action?• What notifications do customers need – communication level, timeframe, etc.?• Are we selling the right things – should we pivot to focus on higher-margin products / services that can absorb the costs?• Have we added any value to our products or services that justify a new price point?

Contact us for a new pricing perspective.

