



Europcar

moving *your* way

WHITEPAPER

Fit for Purpose:

Fleet management in a post-COVID world

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Foreword

There's no question the last 18 months have presented fleet managers with challenges they could hardly have expected. But undoubtedly the job of business mobility – whether it's people or goods – has been tackled with practical resilience, creativity and collaboration to keep the UK moving.

The challenges of COVID-19 have, however, thrown the spotlight on the overall veracity of fleet policies, from acquisition to duty of care. The need for business flexibility has never been so important as organisations continue to adapt to an unknown future where vehicle requirements, in particular, could change at the drop of a hat – whether that is scaling up or down at short notice.

In August and September 2020 we researched fleet managers across the UK to understand how they were tackling the challenges of the pandemic and how they planned to adjust and adapt for the on-going fluctuations in demand.

This report delves into the findings of the research to provide today's fleet managers with some useful insights, from how to build a flexible fleet that does not put cashflow or capital expenditure under pressure to preparing for the EV revolution.

If the insights provide useful food for thought for your business, please don't hesitate to talk to our Business Development Team to find out more about how Europcar Mobility Group UK can help you optimise your business fleet for the future.



Ron Santiago

Managing Director

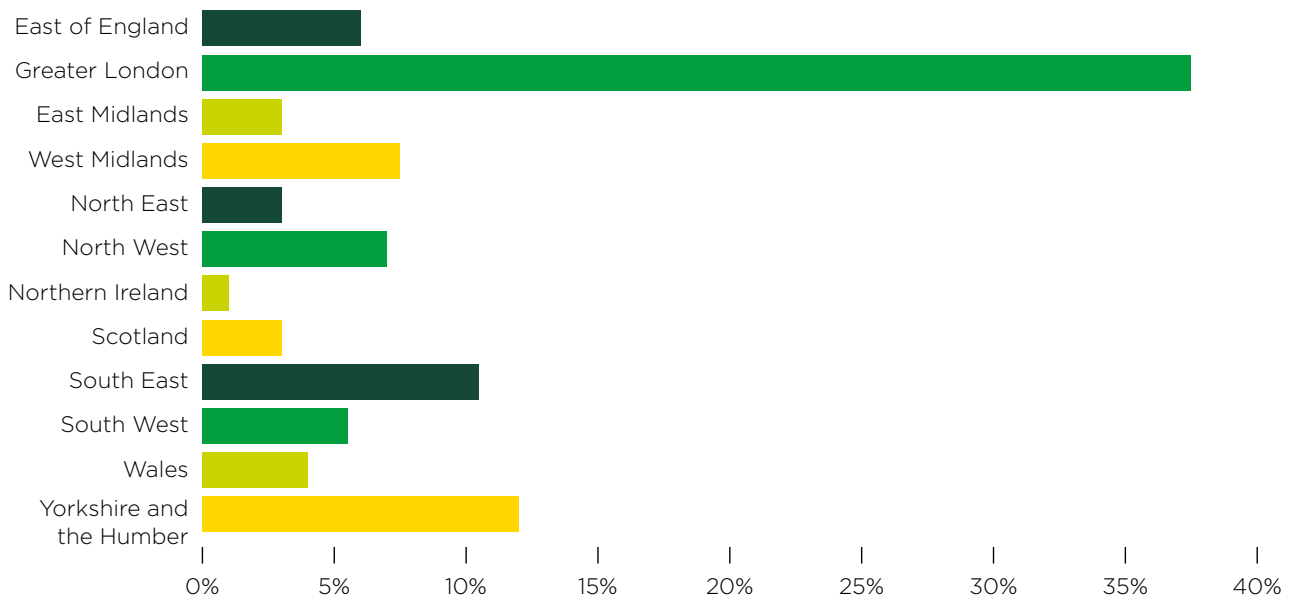
Europcar Mobility Group UK

CHAPTER 1

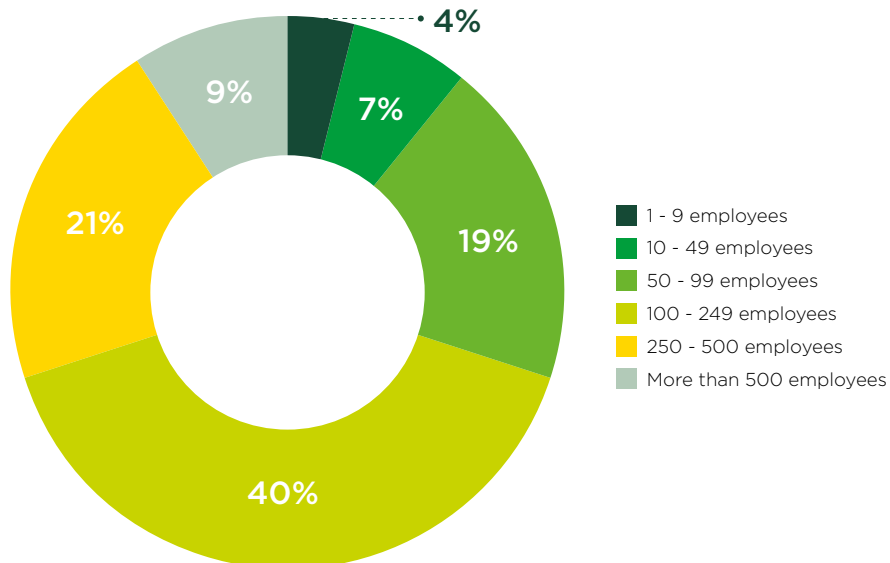
Research base

Over 200 individuals responsible for fleets at businesses of all sizes took part in the research in the midst of the pandemic in 2020, from all areas of England, Wales, Scotland and Northern Ireland.

RESPONDENTS BY REGION



BREAKDOWN OF COMPANY BY NUMBER OF EMPLOYEES



CHAPTER 2

Flexible fleets

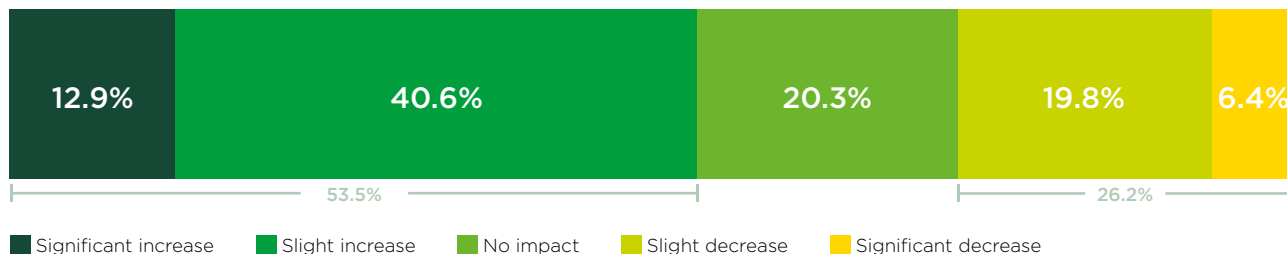
Improving fleet utilisation is one of the top three priorities in the next 12 months for more than half of UK fleet managers.

Making efficient and cost-effective use of a fleet has always been an important part of the fleet manager’s role. However, the past 18 months has shone a spotlight on the challenges and inflexibilities many fleets face.

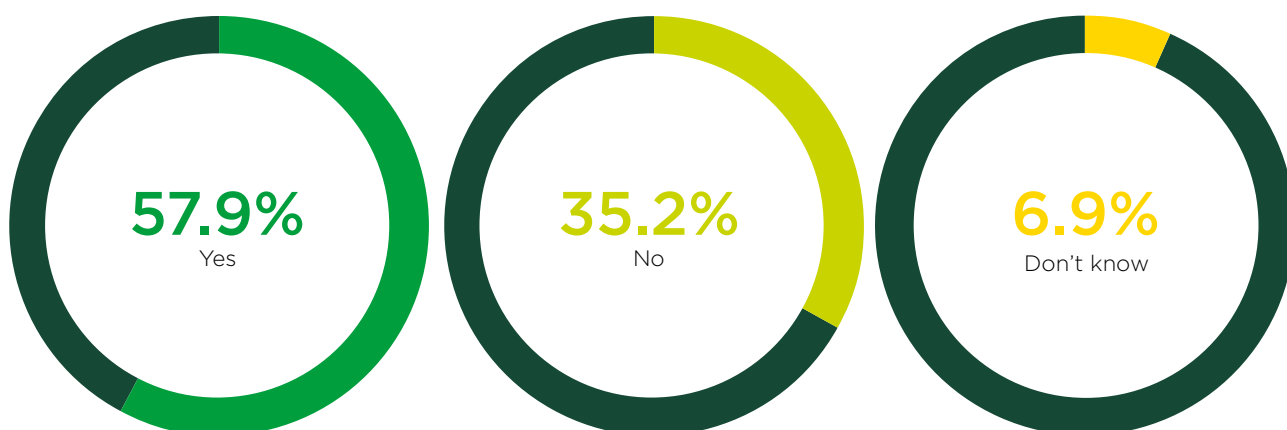
Lockdown, home working and furlough led to thousands of company cars and vans sitting idle on driveways or in business premises across the country – still appearing on the balance sheet thanks to tax, insurance and MOT, yet earning the business nothing in return. In contrast, many other companies responded to the pandemic by increasing delivery services, requiring an upsized fleet of either more vehicles or larger vehicles.

This Europcar Mobility Group research, conducted in August and September 2020, found that more than half of businesses had already had to increase utilisation of their fleets due to COVID-19, whilst 26% had seen a decrease in utilisation. 43% of businesses said that delivering fleet efficiencies through pro-active management will be one of their top three priorities in the next 12 months.

WHAT IMPACT, IF ANY, HAS THE COVID-19 PANDEMIC HAD ON THE UTILISATION OF YOUR FLEET?



IN VIEW OF AN INCREASE IN HOME WORKING, DO YOU THINK YOUR BUSINESS WILL HAVE A REDUCED NEED FOR COMPANY CARS IN THE NEXT 12 MONTHS?





1 in 3 businesses cannot quickly change their fleet to meet fluctuating demand.

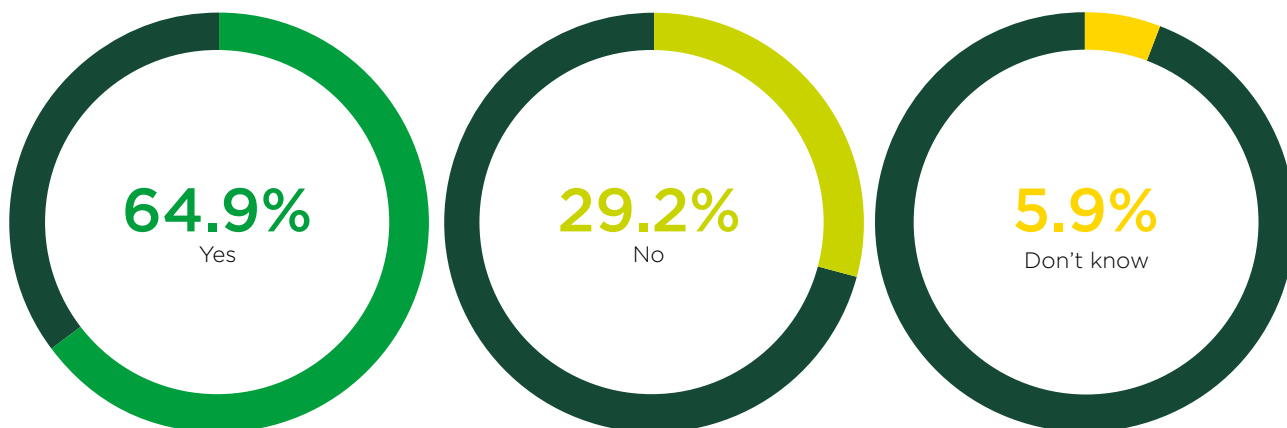
With businesses under increased pressure in all areas, and uncertainty remaining over customer demand and changing restrictions, fleet costs and requirements have been an uncomfortable and unnecessary burden. An optimised fleet that can be changed quickly and easily as requirements fluctuate can help businesses of all sizes to run a more efficient and valuable fleet.

On average, 52% of those surveyed said they are looking at increasing the number of vehicles in their fleet. Scottish businesses are the most likely to be upsizing their fleet (86%), followed by 73% in the South West and 71% in the North East. 61% of the largest businesses – those with more than 500 employees – plan to grow their fleets, compared with 33% of the smallest businesses – those with less than ten employees.

29% of all respondents said they do not currently have the flexibility to upsize or downsize their fleet at short notice.

For companies looking for fleet flexibility, long term rental can be a cost-effective alternative to buying or leasing vehicles. With hourly, daily, medium- and long-term rental options available, vehicles can be brought in and returned as and when demand increases and decreases, at short notice. No vehicle need sit idle, eating into a business' profits, and the grey-fleet headache is also removed. Fleet managers can be assured that employees are driving a safe, reliable and up-to-date vehicle that help meet environmental impact targets, without the threat of termination fees for lease contracts.

CURRENTLY, DO YOU FEEL THAT YOU HAVE THE FLEXIBILITY TO 'UPFLEET' OR 'DOWNFLEET' AT SHORT NOTICE (LESS THAN 1 MONTH) AS BUSINESS DEMANDS DICTATE?



CHAPTER 3

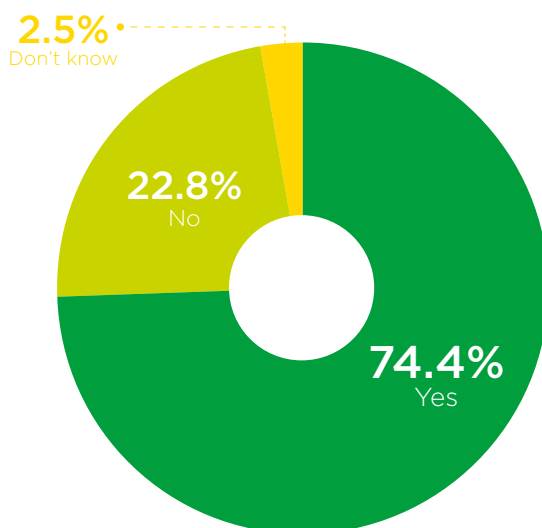
Building an optimised fleet

COVID-19 led three quarters of businesses to review fleet acquisition policies.

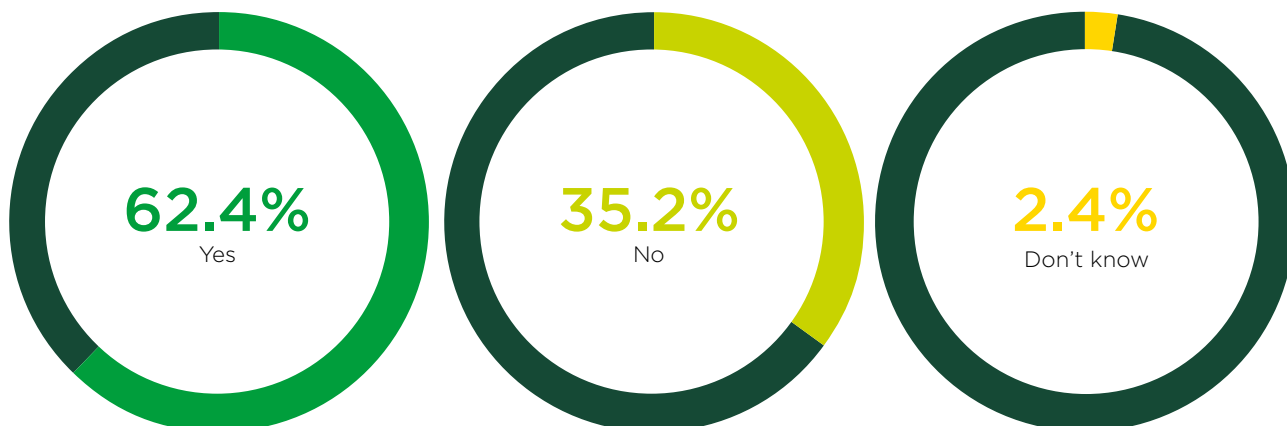
For businesses seeking to run a flexible fleet that increases efficiency and productivity, yet cuts costs, downtime, and environmental impact, fleet managers are assessing their acquisition and funding options. During 2020 over half had to pay increased termination fees and nearly two thirds extended existing contracts due to issues with supply of new and replacement vehicles.

75% of fleets surveyed say they had to review their fleet acquisition policy because of the pandemic. Businesses are faced with the challenge of optimising their fleet in a way which does not severely impact their balance sheet.

HAS THE COVID-19 PANDEMIC REQUIRED YOU TO REVIEW YOUR ORGANISATION'S FLEET ACQUISITION POLICY?



HAVE YOU HAD TO EXTEND EXISTING CONTRACTS DUE TO ISSUES WITH SUPPLY OF NEW OR REPLACEMENT VEHICLES?



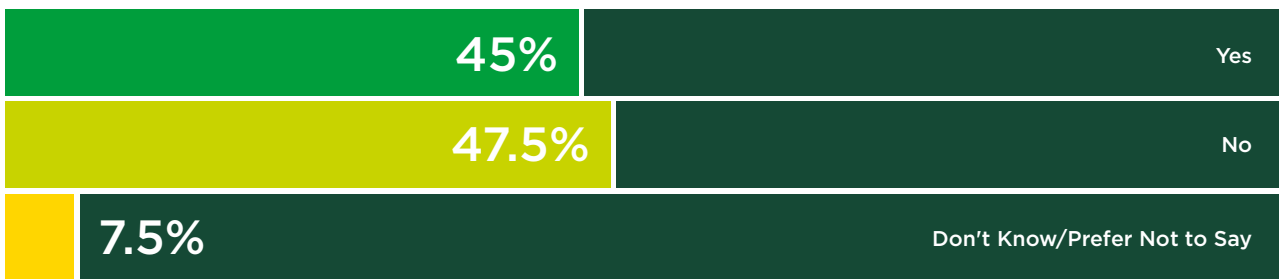
45% of businesses purchase their fleet vehicles with cash; 41% of the average fleet is more than three years old.

The research found that outright purchase remains the most popular fleet acquisition solution, with more than a quarter of fleets sourced this way, followed by leasing at just below a quarter. Businesses expect both of these options to become less common in the coming 12 months, with outright purchases expected to fall by almost 3%. Hourly rental through a car club is the only source expected to increase in the coming year. On average, 15% of fleet run vehicles are on long term rental agreements.

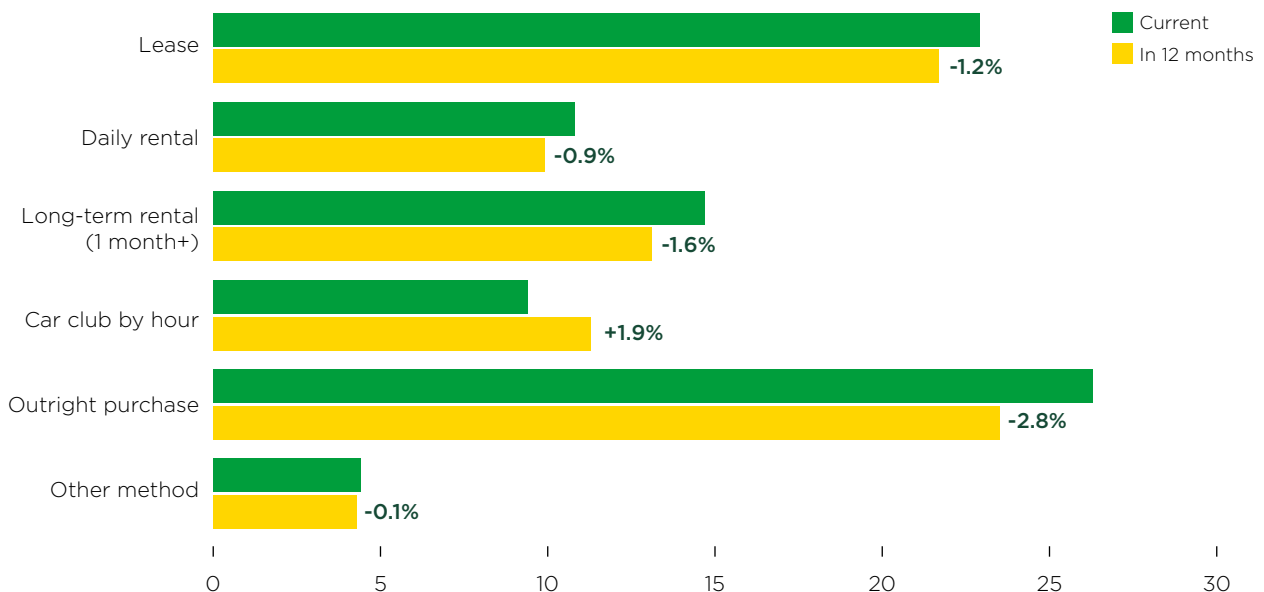
Long term flexible rental options for cars and vans can take away the pressure of leased or owned vehicles not being utilised effectively. However, it can also ensure the fleet is made up of newer and more efficient vehicles, without the upfront cost of purchasing new every few years or the long-term financial commitment and early termination fees of leasing.

Businesses today need flexible fleet options to keep up with the fluctuating requirements of an unstable and unpredictable market. Long term rental provides agility and the latest tech whilst also preserving cash and protecting profitability.

DO YOU BUY YOUR FLEET VEHICLES WITH CASH?

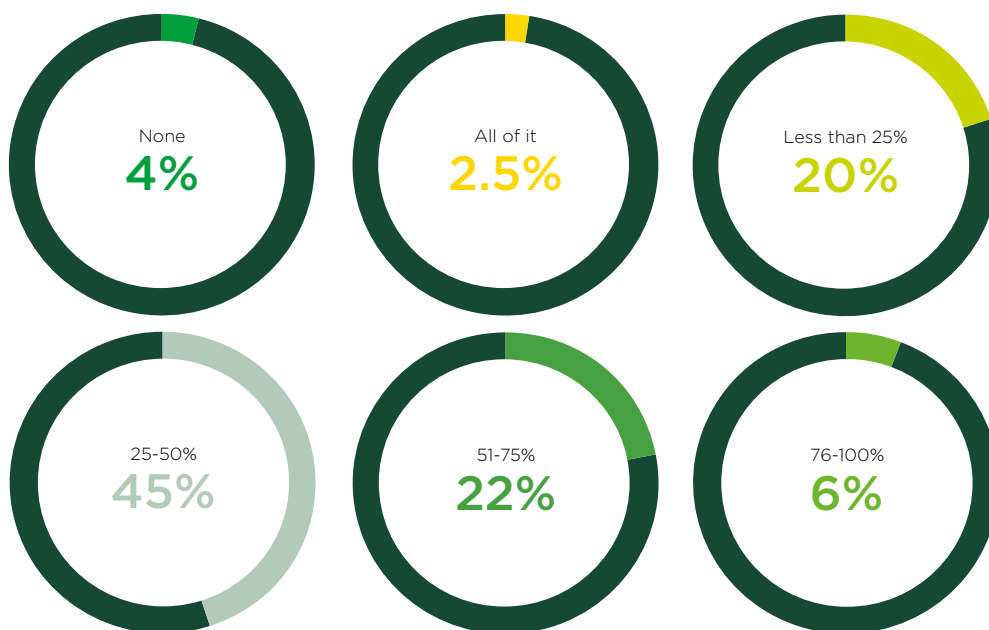


APPROXIMATELY, WHAT PERCENTAGE ARE THE BELOW SOURCING/FUNDING METHODS USED IN RELATION TO YOUR CURRENT FLEET NOW AND WHAT DO YOU THINK THE PERCENTAGE WILL BE IN 12 MONTHS' TIME?

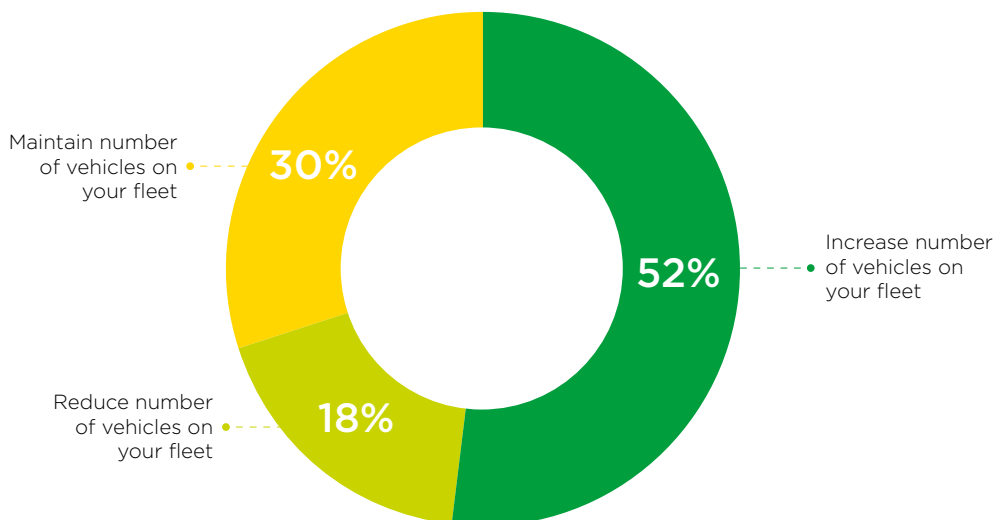




APPROXIMATELY, WHAT PERCENTAGE OF YOUR FLEET IS OVER 3 YEARS OLD?



IN THE NEXT 12 MONTHS WHICH ARE YOU LOOKING TO DO?





CHAPTER 4

Duty of care for fleet drivers

Managing duty of care for drivers is a top three priority for 46% of businesses.

Newer cars and vans are equipped with the latest safety and driver assistance tech, are more fuel efficient, more reliable and more environmentally friendly. With almost half of the vehicles in the average fleet being over three years old, businesses are missing out on the efficiency and duty of care benefits of newer models.

Half of fleets are looking to increase the number of vehicles on their fleet. This helps increase productivity but can bring challenges with additional drivers to manage, not to mention the added cost of purchase or leasing.

Long term rental gives businesses quick, convenient and affordable access to the latest vehicles. More reliable cars and vans reduce downtime and the stress this can cause for stranded drivers. Europcar also supports businesses with the latest telematics and dashcam solutions to support driver coaching and recognition reward programmes.

Working with Geotab and SureCam, Europcar is providing businesses with access to critical fleet management technology through a comprehensive telematics and connected dashcam solution for commercial vehicles. The combined technology provides a best-in-class framework for addressing unsafe driving habits, rewarding safe driving behaviour, and keeping drivers operating as efficiently and safely as possible.

CHAPTER 5

Business sustainability

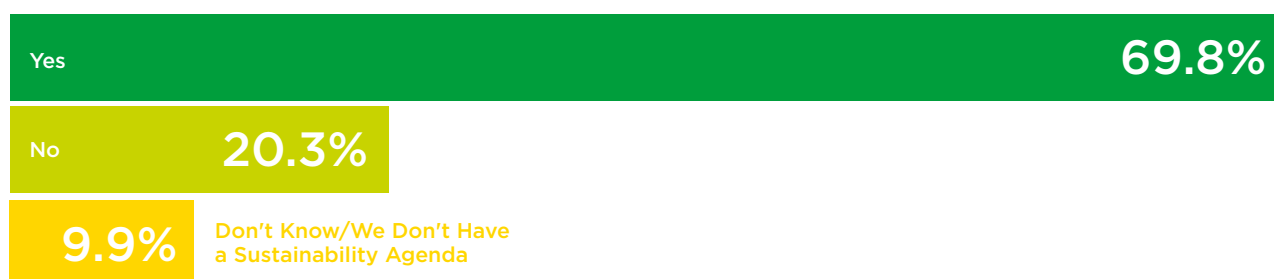
70% of fleets impacted by wider sustainability agenda.

When choosing a fleet provider, the fleet manager has a multitude of features and factors to consider. The range, age, features, reliability, safety, connectivity, suitability of the vehicles available, to name just a few. On top of that is the flexibility of the contract and quality of customer support.

In addition, fleet managers are increasingly having to prioritise the environmental credentials of vehicles and fleet providers.

More than two thirds of fleet decision makers involved in this research confirmed that the business sustainability agenda has a direct influence on the way in which they acquire and operate their fleet. And the 20% as-yet unaffected, expect this to change within the coming three years. Many businesses also told us that they need their fleet to enter Ultra Low Emission Zones or Clean Air Zones, increasing the importance of access to electric or hybrid vehicles - or at least the newest petrol models which produce the lowest possible level of emissions.

DOES YOUR BUSINESS SUSTAINABILITY AGENDA INFLUENCE THE WAY IN WHICH YOU ACQUIRE AND OPERATE YOUR FLEET?



DO YOU NEED AT LEAST SOME OF YOUR FLEET TO ENTER ULTRA LOW EMISSION ZONES OR CLEAN AIR ZONES?

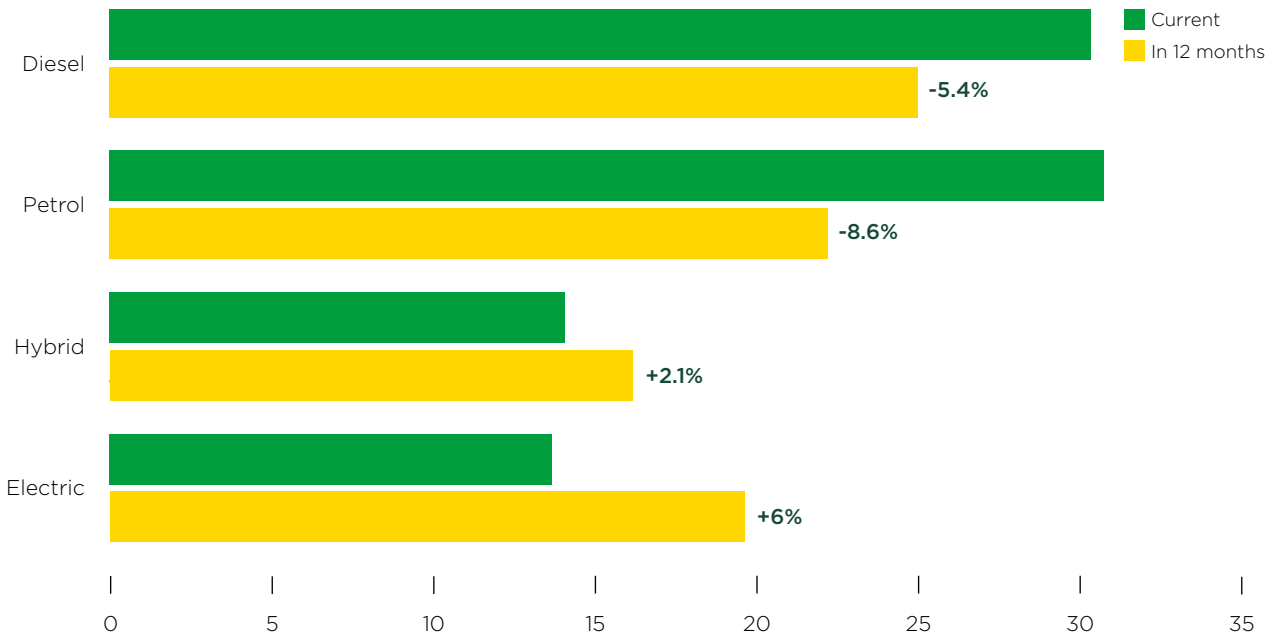


Diesel still powers 30% of fleets

Fleet managers with an eye on the move to zero emissions can make a big difference to a business' ability to meet its sustainability targets, by implementing a policy of only utilising the most environmentally friendly vehicles on their fleet. With almost half (41%) of the average fleet more than three years old, and 62% of average fleet powered by diesel (30.6%) or petrol (31%) engines, there is much room for improvement.

The research showed fleets expect the balance to shift in the next 12 months, with petrol and diesel soon accounting for less than half (48%) of the fleet, with hybrid and electric vehicles expected to make up 36% of the fleet, compared with just 28% today.

OF YOUR CURRENT FLEET, APPROXIMATELY WHAT PERCENTAGE FALL INTO THE FOLLOWING FUEL TYPES AND WHAT PERCENTAGE SPLIT DO YOU FORECAST FOR 12 MONTHS' TIME?



A third of employees may opt for cash for car

Home working and meetings via video conference are likely to remain commonplace post-pandemic. As a result, the fleet managers who took part in the research expect to see almost a third (28.7%) of company car drivers opting for the Cash for Car allowance, choosing to drive their own car on the less frequent occasions when they are required to drive for work.

Grey fleets are an environmental liability for eco-conscious and forward-thinking fleet managers. Vehicles tend to be older, less efficient, less reliable and less environmentally friendly. Rental can remove the need for grey fleet, as new low- or zero-emission vehicles can be rented at short notice and for the length of time required – whether that is a couple of hours or a year or more. This also cuts out the cost of maintaining ‘spare’ vehicles, or company cars used infrequently.

Employees may opt for a company car if they are given the option of an electric or hybrid model that will help them to reduce their own environmental impact without the upfront cost to purchase such a vehicle as their private car.

The Europcar fleet is one of the youngest, and therefore most fuel-efficient, in the industry, with most of our cars and vans being new or nearly new. We aim to have more than a third of our fleet ‘green’ by the end of 2023, as part of the company’s ‘One Sustainable Fleet’ programme. We have also recently received a gold rating from EcoVadis in recognition of our efforts to reduce our environmental footprint.

CHAPTER 6

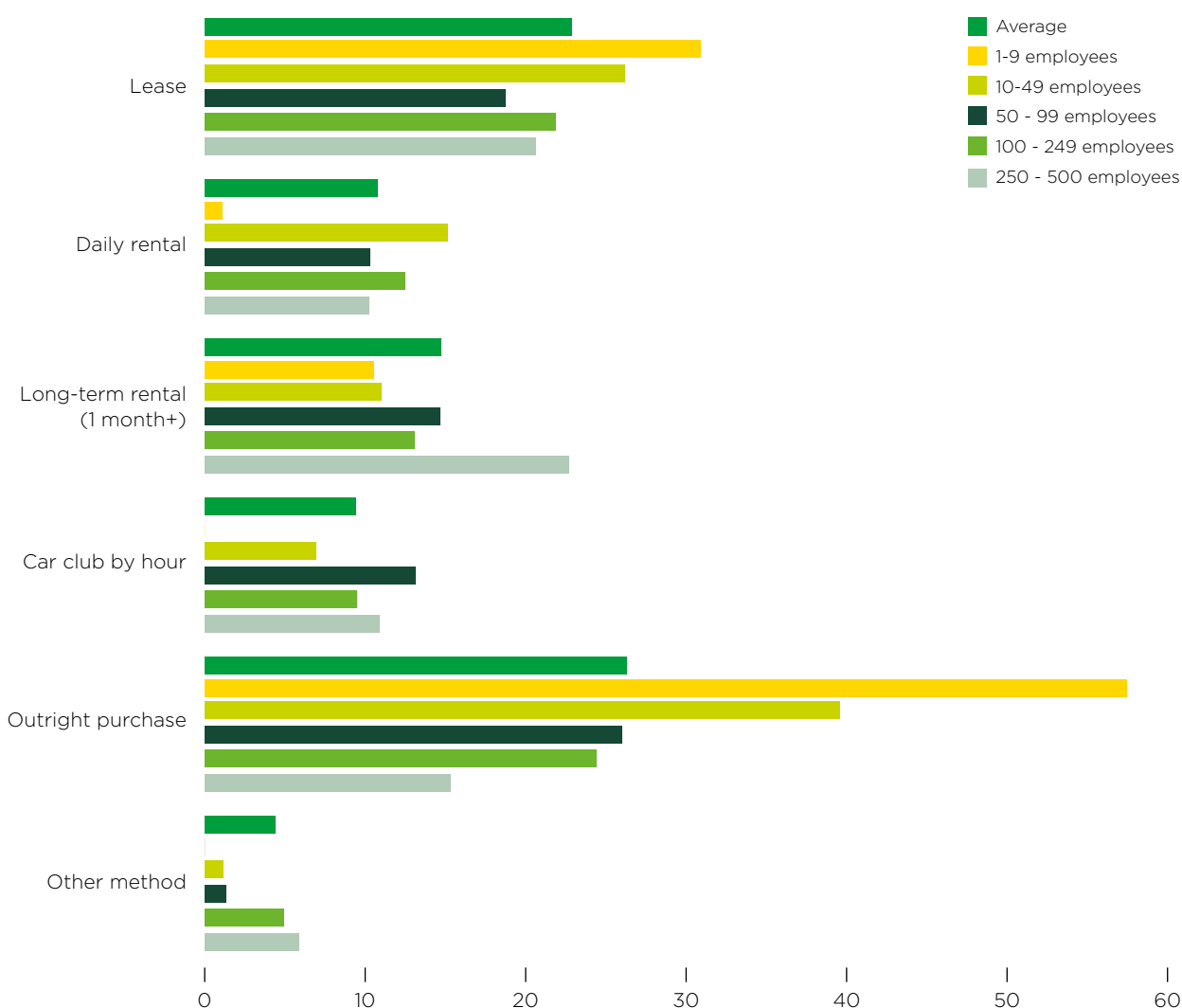
SME fleets

SMEs make up around 99% of all businesses in the UK and employ around two thirds of the national workforce. Within the wider category of Small and Medium Enterprises fleet requirements vary dramatically between micro businesses and the larger SME, and even more when compared with large enterprises.

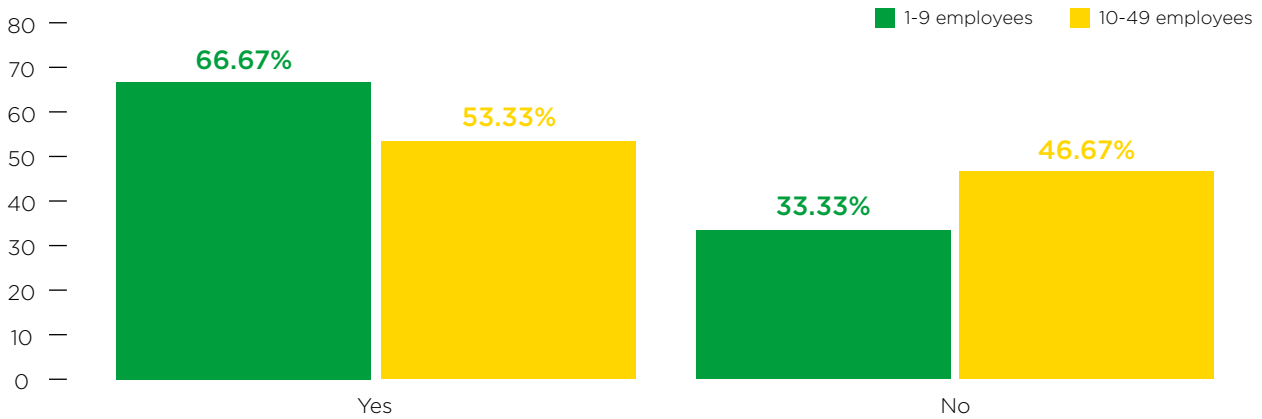
The smallest businesses are more likely to purchase vehicles outright, with almost 60% of sole traders and micro businesses doing so (57.4%), compared with 40% of small businesses with 10-49 employees, 15% of large businesses with 250-500 employees. After outright purchase, leasing is the most common sourcing option for the smallest companies (30% of micro and 26% of small businesses) followed by long-term rental for 10% of micro businesses and daily rental for 15% of small businesses.

The smallest companies were also the most likely to purchase vehicles with cash. Two thirds of micro businesses (1-9 employees) do so, and half of the small businesses (10-49 employees).

APPROXIMATELY, WHAT PERCENTAGE ARE THE BELOW SOURCING/FUNDING METHODS USED IN RELATION TO YOUR CURRENT FLEET?



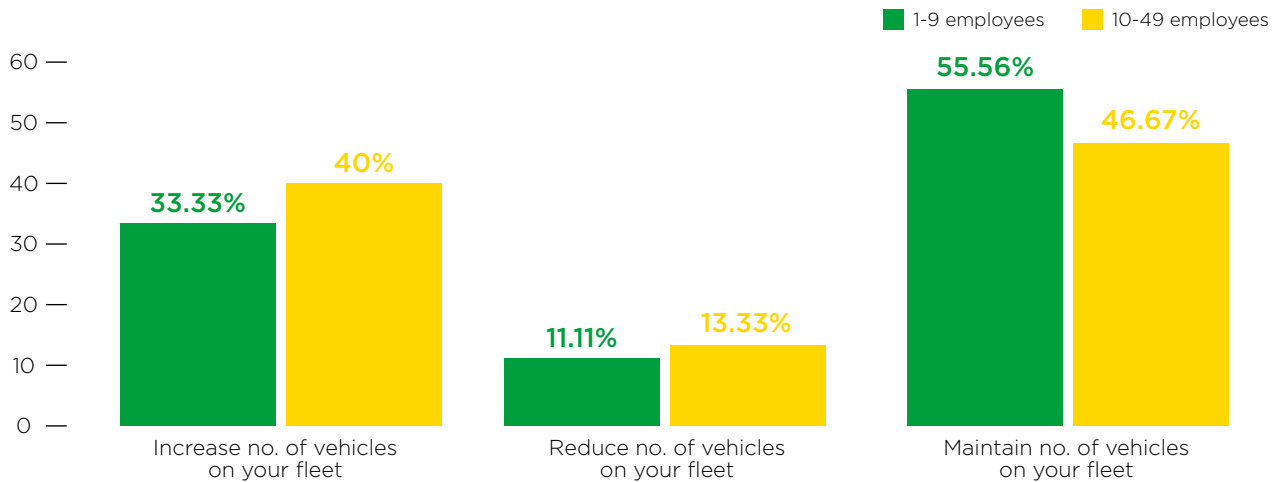
DO YOU BUY YOUR FLEET VEHICLES WITH CASH?



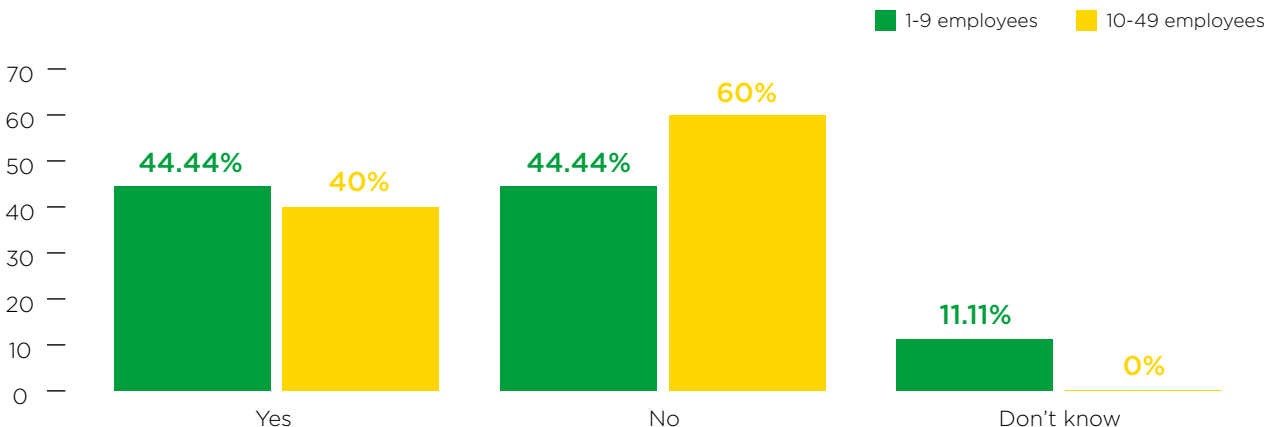
Small businesses, big growth plans

33% of micro businesses and 40% of small companies are looking to increase the size of their fleet in the next year, but 44% of micro and 60% of small businesses do not have the flexibility to upsize or downsize their fleet at short notice. The average across all company sizes was 29%, showing the significant barriers faced by the smallest businesses.

IN NEXT 12 MONTHS WHICH ARE YOU LOOKING TO DO?



CURRENTLY DO YOU FEEL THAT YOU HAVE THE FLEXIBILITY TO 'UPFLEET' OR 'DOWNFLEET' AT SHORT NOTICE (LESS THAN 1 MONTH) AS BUSINESS DEMANDS DICTATE?



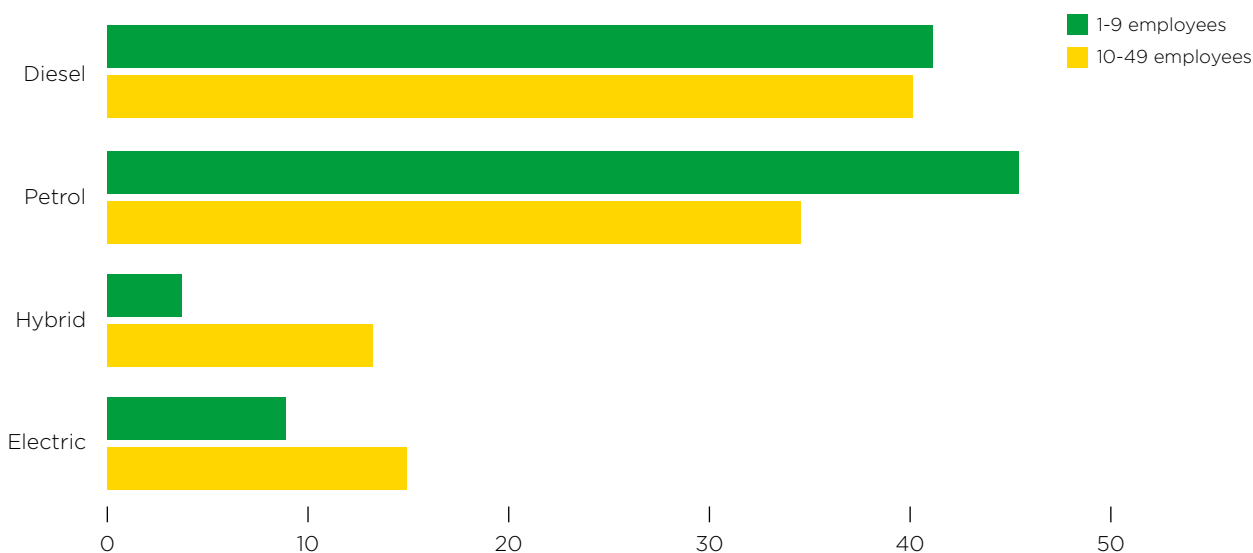
At a micro disadvantage

Two thirds of micro businesses (66.7%) said that the admin burden of confirming driver MOTs, road tax and insurance was one of their top three fleet management priorities in the next 12 months – the only business size to place this as a higher priority than improving fleet utilisation.

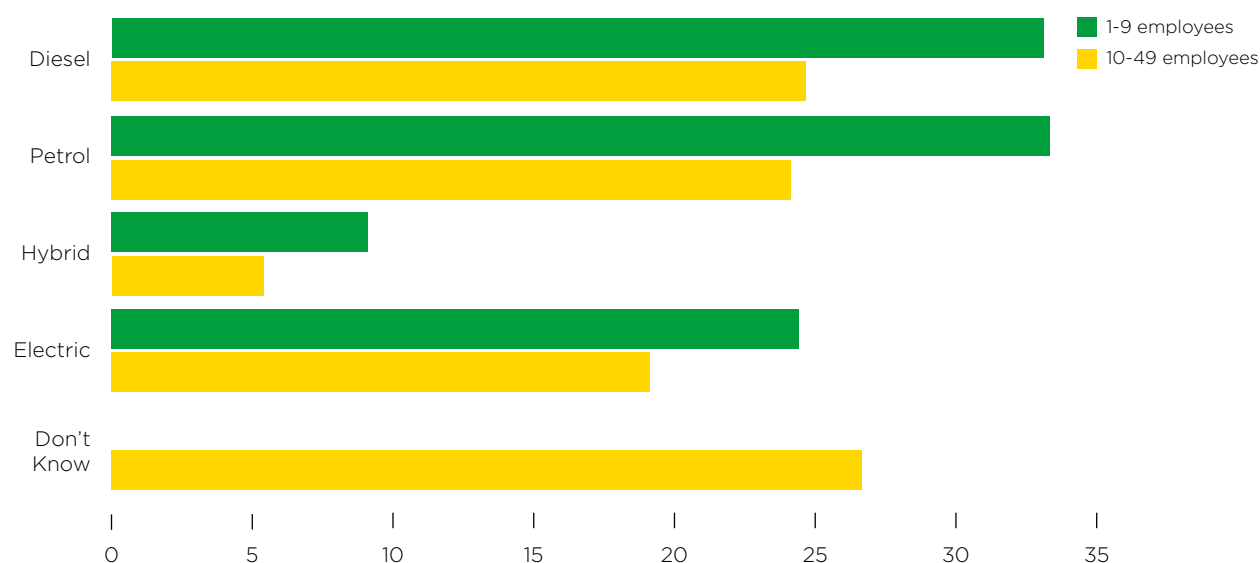
47% of the average micro business fleet is over three years old, compared with the average of 41% across all business sizes. 22% of micro businesses confirmed that their entire fleet is comprised of vehicles of at least three years old – the highest percentage across all business sizes. This high average age of fleets puts these businesses at higher risk of downtime due to vehicle faults, and also increases emissions.

Further reducing sustainability, 86% of the average micro business fleet is diesel or petrol, compared to 62% of all business sizes and 74.6% of small businesses. Fleet managers do expect to see this fall to 66.4% (micro) and 48.8% (small) within 12 months. With 78% of micro businesses needing the fleet to enter Clean Air Zones, their vehicles are putting them at financial disadvantage.

OF YOUR CURRENT FLEET, APPROXIMATELY, WHAT PERCENTAGE FALL INTO THE FOLLOWING FUEL TYPES



WHAT PERCENTAGE DO YOU FORECAST FOR 12 MONTHS' TIME?



CHAPTER 7

The rental advantage

In the uncertain market in which we find ourselves today, businesses of all sizes need to avoid any unnecessary financial burdens. Fleets are an easy place to make changes that benefit balance sheets and environmental performance as well as driver wellbeing.

Older fleets are a financial liability in terms of repair costs as well as charges for entering Clean Air Zones, fuel inefficiency, increased risk of breakdown and downtime. They also have a far greater environmental impact and do not provide drivers with the latest safety features. When older vehicles need replacing, long-term rental offers even the smallest business access to safe, up to date, environmentally friendly vehicles without the upfront cost of purchasing a new vehicle.

Long term rental provides businesses with essential agility, allowing them to shift fleets to meet current demand and serve customers consistently. Without the significant investment in a new vehicle, businesses free up cash to invest where it is really needed – upgrading essential equipment, expanding premises, increasing stock levels to meet seasonal demand, growing their customer base through advertising.

Looking ahead to the zero emissions target, the upcoming shift to hybrid and electric vehicles will be expensive for smaller companies buying fleet vehicles outright. Long term rental provides more affordable access to zero emissions vehicles and allows for a longer transition period.

Europcar Flex

Whether it's in-car technology for driver safety and comfort or harnessing the power of hybrid and electric vehicles, the corporate long-term rental solutions offered by Europcar deliver a real alternative to fleet ownership.

With access to vehicle hire at a fixed rate from three months up to three years, Europcar Flex long term rental solutions offer vehicle usage that can grow with a business's needs. No fixed contract to sign means businesses worried about economic uncertainty can make the changes they need to their fleet vehicles knowing the costs won't change. And by offering highly maintained, new vehicles, Europcar Flex ensures business drivers stay on the road with minimum downtime. Crucially, with access to the newest cars and vans, firms minimise emissions and comply with the latest legislation.

The unsettled landscape means UK businesses need a more flexible approach to their fleet requirements. Europcar Flex allows customers to change vehicle type without any additional fees or penalties, delivering a solution that caters to the needs of businesses today and beyond.

A partner for the future

From our research and the clients we have spoken to since this research was conducted, there will continue to be an uncertain climate for the foreseeable future. Therefore, Europcar plays an important role in fleet managers' solutions, enabling them to have total flexibility and control of their fleet mix.

Call us now on **0371 384 0140** to discuss your specific requirements for a more flexible future or visit our website to understand more about our long-term rental offering:

europcar.co.uk/business/long-term-solutions