LCV Industry; Recession and Recovery

A briefing note

A report by BCA

Professor Peter N C Cooke
Professor of Automotive Management
The University of Buckingham

LCV Industry; Recession and Recovery

A briefing note

A report by BCA

Professor Peter N C Cooke
Professor of Automotive Management
The University of Buckingham

Foreword

To many, light vans are the 'Cinderella' of the fleet industry – all hard work and little reward.

However, the state of the light commercial vehicle market is likely to be one of the most accurate barometers on the health of UK business as a whole, which economists and policy makers ignore at their peril.

While new LCV sales reflect the strength or otherwise of big business, the used market is a significant indicator of activity in the small and medium business sector – the backbone of British commercial success.

LCVs are a part of everyday business life and, as such, deserve analysis and scrutiny just as much as other transport sectors.

To this end, BCA is delighted to provide this report on the 'LCV Industry; Recession and Recovery', by Professor Peter Cooke and the team at the Centre for Automotive Management, The University of Buckingham

Duncan Ward
General Manager
BCA Commercial Vehicles

Contents

Executive Summary

The LCV industry shares many similarities with the new and used car sectors, but all too often gets overlooked, perhaps because of its smaller volumes and the essentially 'industrial and service image' it represents.

This paper seeks to set the LCV industry in the context of the recession and anticipated economic recovery. Even if this recovery is slow compared with other European countries, there will continue to be a demand for both new and used LCVs.

- The economic move from recession to recovery will carry many problems for industry. Many businesses may change their shape to reflect the requirements of the new market as, in turn, their customers might change. Others will have disappeared or consolidated, or some changed their market positions. This could mean a considerable shakeup in demand for LCVs.

- This briefing shows a steady growth in new LCV sales from 1993 to 2007 – but a significant drop since then. The outcome will be fewer used vehicles coming to market which, in turn, may cause used vehicle prices to remain relatively high.

- The key to recovery in the LCV market could well be the large SME sector comprising small to medium-sized businesses. While they are perhaps not yet ready to buy or lease a new LCV, many will need to, or be confident enough, to invest in good quality vans to replace their existing ageing vehicles.

- The new and used LCV market will come under growing pressure in terms of carbon footprint, road pricing, Duty of Care and fuel issues – all of which will add to costs.

- The LCV fleet and vehicle parc will be subject to a broad range of 'drivers for change'. As the economy recovers, there will be growing concern that the number of used LCVs available will decrease reflecting the severe drop in new unit sales.

- The briefing also highlights a number of issues that have emerged from a recent survey of fleet operators.

The paper finally highlights a number of issues LCV operators may wish to consider as the economy moves out of recession and new pressures are brought to bear in terms of the way their business is managed – and the requirements for LCVs.

Changing Shape of the LCV Market

The past three years have seen the global economy enter then begin to come out of a deep recession – one that the United Kingdom is taking significantly longer to emerge from than most other economically advanced countries.

The recession has hit the country's manufacturing and service industries, and we are only now beginning to hear what might be the strategic implications for the public sector after the forthcoming General Election.

Automotive industries have been badly hit by the loss of consumer confidence

Automotive industries have been hit badly by the loss of consumer confidence and the severe credit crunch. Passenger car and LCV demand fell dramatically and has been propped up, to an extent, by the introduction of the scrappage scheme's incentive of £2,000 for replacing 10 years-plus vehicles.

While the LCV sector appears to have suffered more acutely than the car industry, it has attracted relatively little media coverage and analysis despite the loss of one manufacturing facility and a second under long-term threat.

Briefing note objectives

This short briefing note does not set out to address all of those ills. It has more modest objectives which might be summarised as;

- Reviewing the expected shape of the United Kingdom economy over the next year and the longer-term implications for the LCV market.
- Presenting the historic sales pattern of LCV and reviewing the changes in demand.
- Setting out the 'drivers for change' regarding the LCV industry and their implications for the sector.
- Examine the current market and make some predictions regarding the short-term shift in demand and operation of LCVs.
- Suggest some further changes in the LCV parc and operations during the period of recovery from recession – and beyond.

And the readership?

The target readership for this briefing paper is as follows;

- Executives with responsibility for LCV operations – whether in-house or leased vehicles.
- Finance executives with responsibilities for managing costs associated with LCV acquisition, operations and disposal.
- Sales and distribution executives for whom LCV activity are a resource.

The briefing note takes the shape of a series of thought starters; that might be taken into account in any operational or planning decisions.

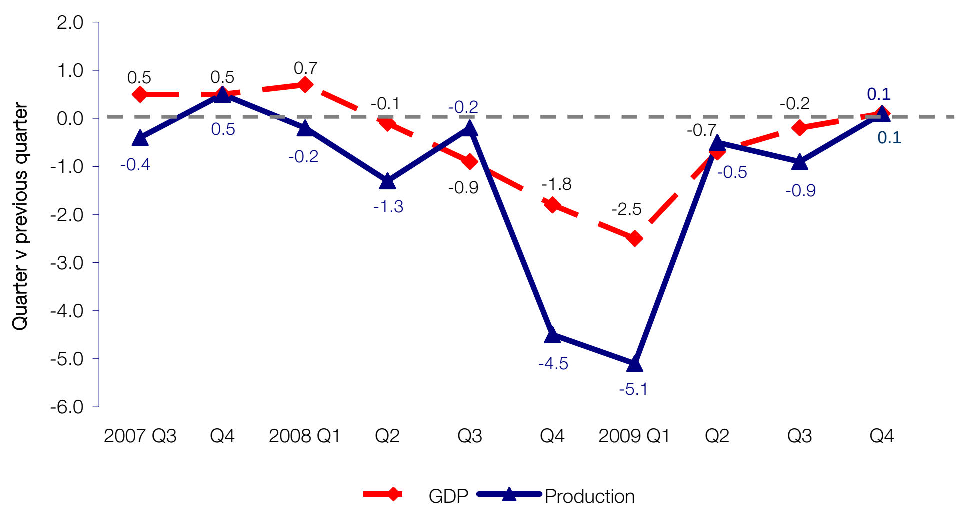
2; United Kingdom Economic Background

Demand for LCVs is driven by the shape and state of the economy

Demand for LCVs is driven by demand for the vehicles' business services that, in turn, is driven by the shape and state of the economy. If the economy is buoyant, then so, generally, are the sales and use of LCVs.

There are many regularly produced economic figures; that focus on different issues according to their protagonists. Figure 1 shows the Gross Domestic Product trend and pattern over the past 10 quarters.

Figure 1; GDP quarter versus previous quarter 2007 - 2009



Source: ONS

This clearly illustrates just how much the UK economy has deteriorated

The chart clearly illustrates just how much the UK economy has deteriorated on a quarter by quarter basis during the current recession – look at the zero or 'no change' position on the chart and the movements around that point.

The immediate implications for the economy might be summarised as;

- GDP fell 3.2% between Q4 2008 and Q4 2009 – which inevitably reflects on all forms of economic activity.
- The second line on the chart shows a 6.3% reduction in production output year on year for the same period.

Both of those economic factors could have a significant impact on the demand for both new and used LCVs. 'Economic recovery is on the horizon' would now appear to be the consensus view, even among economists, although the rate, intensity and duration of that recovery is still open to question.

Impact of move from recession to recovery

There is no 'Eldorado factor' in a move from recession to recovery; the change is nearly always fraught with inconsistencies and problems for some sectors of the industry and of user industries. Consider the following as a first cut at a move out of recession;

- Global change is taking place at different rates so some countries are recovering quicker than others. This, in turn, may lead to some industries moving ahead of others. Even within the UK economy, different sectors are recovering at different rates.

Economic recovery may mean that businesses and organisations restructure

- Unemployment continues to rise. Economic recovery may mean that businesses and organisations restructure due to changes in their markets and the way they do business. This may lead to a further loss of employment as companies shake out and seek more cost-effective ways of doing business.
- Markets may change. No business operates in isolation; its suppliers and customers will change too. Some might expand; others consolidate or even go out of business. And, all might affect the need for LCV capacity.
- The lack of credit for new investment, or even replacing capital goods, is not just affecting the United Kingdom – it is impacting across the world. As a result, some businesses may be hampered on the pace they recover; others might need to make complex decisions on growth, reorganisation and capital goods replacement. Equally, such actions could create new market and business opportunities.

The move from recession to recovery may be a bumpy one

In summary, the move from recession to recovery may be a bumpy one. It is, therefore, important that organisations match their expectations and plans according to their particular business segment and do not necessarily look for a national approach 'to fix everything'.

As part of its ongoing fleet industry research, 'fleeteye', working with The University of Buckingham, check, on a regular basis, what a range of businesses consider to be relevant changes in the business environment.

Figure 2 presents the findings of the December 2009 survey question – *'How do you view the economic outlook for the next 12 months?'*

Figure 2; Economic outlook over the next 12 months?

Improve significantly	4%
Improve slightly	57%
No change	16%
Deteriorate slightly	19%
Deteriorate significantly	3%

Source: fleeteye December 2009

- It will be noted there is a relatively wide spread of responses to the question. Further analysis of the findings suggests there is also quite significant variation between industry segments.

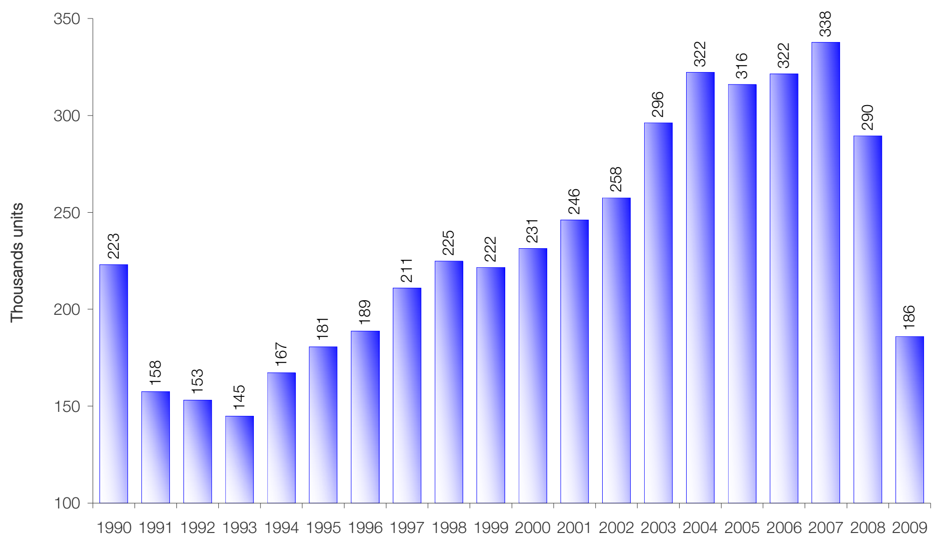
Recession and recovery mean different things to different industries and businesses

- What is the status and expectation regarding your business sector – and how will that impact on the demand for LCVs? Quite simply, recession and recovery mean different things to different industries and businesses.
- Equally, they can have different impact on the LCV fleet, in terms of the numbers of units required, types of vehicles and, depending upon cash flows and availability, the replacement of existing units, acquisition of incremental units or the downsizing of the fleet.

3; LCV Sales; United Kingdom

As shown in Figure 3, sales of LCVs in the United Kingdom improved steadily for many years until 2007, falling some 50,000 units in 2008 – thereafter dropping 35.6% to a 15-year low of 186,386 units in 2009, as the recession hit businesses particularly hard in the second half of last year.

Figure 3; UK LCV Sales 1990 - 2009



Source: SMMT

Any number of reasons might be offered to justify the significant pre-recession growth in LCV demand; some of the more important might include;

- Increasing demand for online shopping deliveries; a phenomenon of the new millennium that is likely to continue to grow.
- Move towards an increasingly sophisticated service-based industry and economy.
- In the short term, however, business demand and consumer confidence remains low and the effects of recession is likely to be slow to clear in parts of the LCV market.

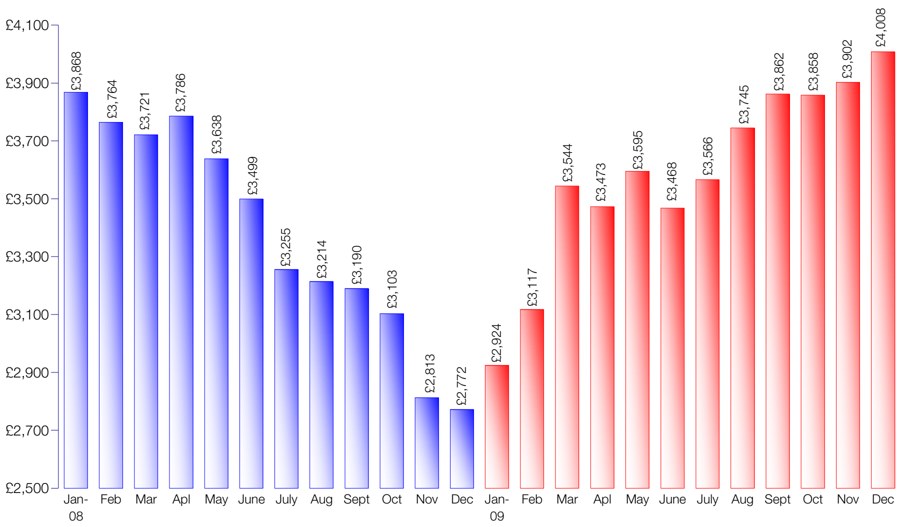
However, the key to recovery in the LCV market could well be the large SME sector comprising small to medium-sized business – many of whom are trades people. Although they are perhaps not yet ready to buy or lease a new van, many will need to, or be confident enough, to invest in good quality vehicles to replace the ageing and increasingly unreliable workhorses that are the backbone of their businesses.

LCV used vehicle prices at auction

Used LCV prices have been subject to as much fluctuation as new car values

Used LCV prices have been subject to every bit as much fluctuation as new car values during the recession. Figure 4 highlights just how significant these changes have been over the past two years, with a near collapse in December 2008, followed by strong recovery during 2009.

Figure 4; LCV average used prices at auction 2008 - 2009



Source: BCA

One of the implications of such a slump in LCV residual values was, that many operators who did not need to change vehicles, tended to hold on to them in the expectation that residual values would recover in time.

Quality used LCVs were in short supply

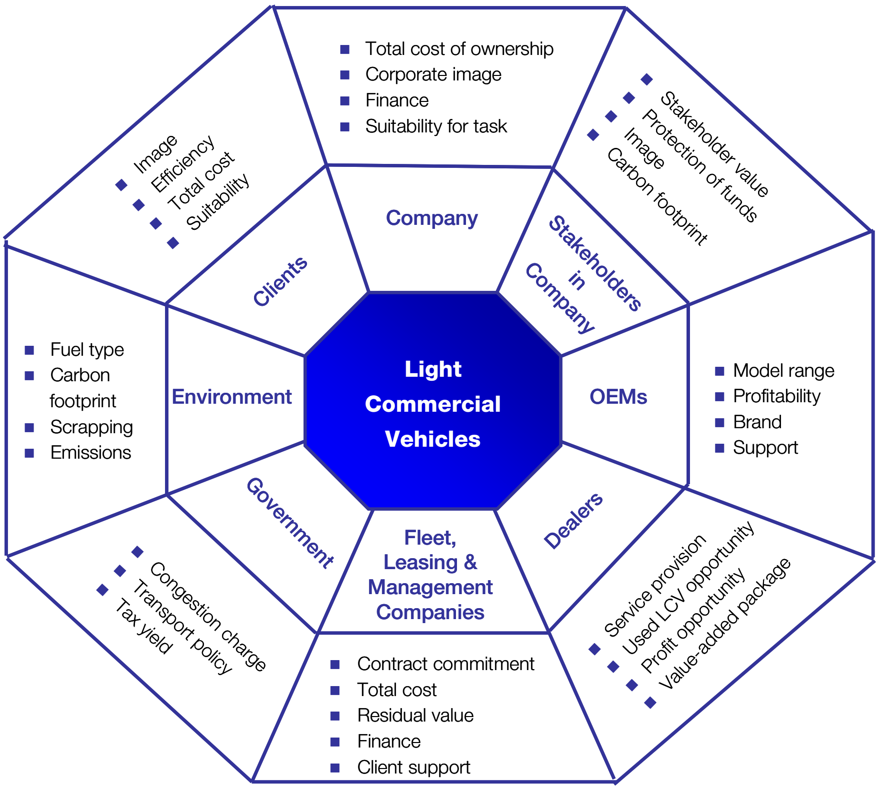
The immediate impact of this was that quality used LCVs, for which there was a still a demand, were in short supply pushing up residual values in a simple supply and demand situation.

The problem at the beginning of 2009 was exacerbated by some fleet operators, who would normally acquire new vehicles, opting for used LCVs to replace their oldest units, or simply buying used LCVs for their short-term needs.

4; Stakeholders in LCVs

LCVs are involved right across the organisation as well as having significant external implications for the business. The paradigm in Figure 5, overleaf, provides a brief summary of the stakeholders in LCVs. The inner ring of internal and external functions sets out activities associated with or influencing LCVs and their operation – while the outer ring indicates some of the areas relevant to these activities.

Figure 5; Stakeholders LCVs

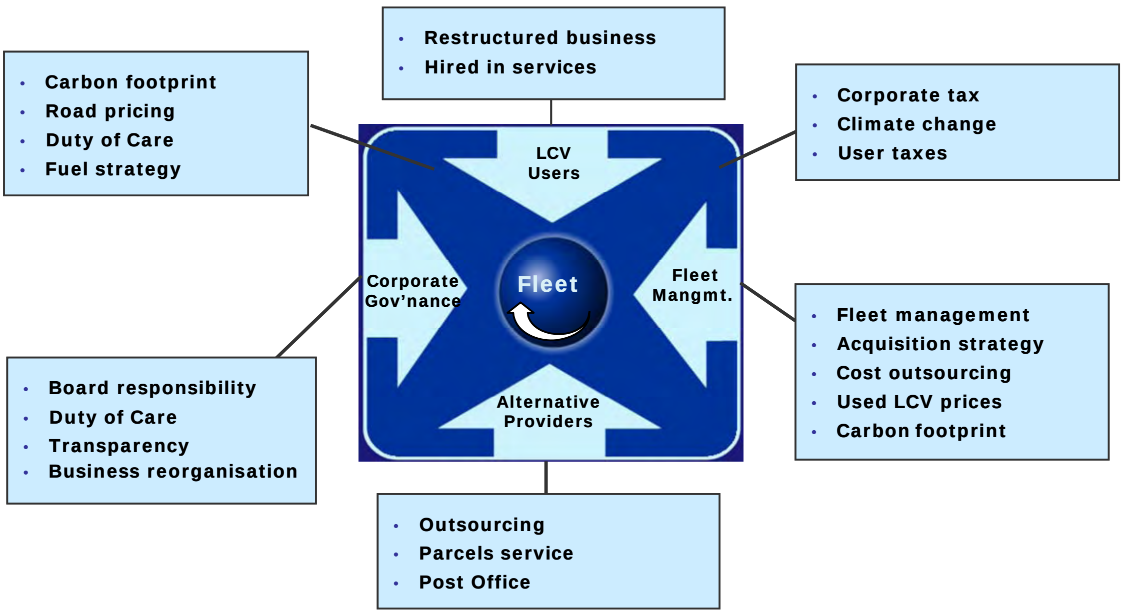


Source; CAM for Illustrative purposes only

Drivers for change on LCVs

The paradigm shown in Figure 6 seeks to show the drivers for change on the LVC product and market.

Figure 6; LCV drivers for change



Source; CAM – for illustrative purposes only – not comprehensive

While drivers for change can get a little academic, in this case they offer quite a neat pragmatic analysis and show just how complex the key issues and interrelationships can be. It is well worthwhile examining them in some detail.

Strategically, with regard to LCV fleet and capacity planning, the two higher outer blocks of drivers for change are perhaps the ones begin with – starting on the left;

Carbon footprint is not necessarily a top priority with fleet operators

- Carbon footprint; is an issue perhaps foremost in the eyes of many politicians and regulators, but not necessarily a top priority with fleet operators or users of LCVs. However, consider the implications for the LCV fleet over the next 3-5 years. Is the organisation seeking to add low CO_2-emitting units to the fleet as they are replaced?

  At the same time, is it looking to dispose of the higher CO_2-emitting units as quickly as convenient? Strategically, it is quite possible that government or local authorities may begin to impose sanctions or penalties on high-emission fleets. Perhaps more importantly, what might the effect be on a company's image and customers' perceptions?

- Road Pricing; a new government may well seek to find new ways of raising fiscal revenues, and road pricing could be a soft target. Already, one has congestion changing. All of the technology exists and has been applied successfully for years in places like Singapore.

  One could easily include company-provided parking spaces and parking taxes in this issue – how might they impact on LCV provision? Could there be implications on the way the business is operated?

- Duty of Care; a further issue of governance that perhaps does not attract as much attention for LCVs as it does cars. However, through various road safety and other regulatory agencies, government pressure may become more important in the future. How would you read it with respect to the vehicles that might be included in Duty of Care and monitoring? Might there be implications for your fleet structure?

Fuel prices are escalating rapidly and government will need to protect tax flows

- Fuel Strategy; at the time of writing in late 2009, fuel prices are escalating rapidly. Government has various taxes, held back as a result of recession that they will need to impose sooner rather than later to protect tax flows. Is your organisation following 'fuel politics' with regard to significant shifts for either fiscal or environmental concerns? What might be the impact on your LCV fleet of any such changes in terms of preferred fuel – even considering electricity with its high capital cost but lower operating costs?

The second tranche of external drivers for change in Figure 6, shown on the upper right-hand side of the paradigm, deserve similar consideration.

- Corporate tax; currently there are a range of differential taxes for vehicles, particularly commercial vehicles. The question must be asked regularly, 'what impact do those taxes have on your overall LCV operation – and might there me alternative strategies to reduce them?' Simple questions, but well worthwhile considering at strategic planning reviews, particularly as the economy recovers from recession.

2010 and 2011 could well be the years of 'posy Copenhagen fallout'

- Climate Change; already mentioned in the form of carbon footprint and the LCV. However, 2010 and 2011 could well be the years of 'posy Copenhagen fallout'. Quite simply, are there ways your LCV operations can minimise any potential fallout – or actions taken that could enhance image or competitiveness?

- User taxes; at a more parochial level, user taxes could cover a multitude of sins – congestion charges; differential weight charges. Are you sure you have the most effectively structured fleet with regard to these issues?

One could easily be accused of being 'academic' with such issues. However, they could have strategic implications for the development of an LCV fleet. Continued alertness to changes or potential changes in user regulations may pay long-term dividends through lower operating costs and, of course, through judicial used vehicle disposal management.

LCV fleet

The first of the blocks of the drivers for change is the LCV fleet;

What type of LCV will be required to fulfil the new requirements of the business?

- Restructured business is highlighted as the critical issue – what will be the demand for LCV capacity as the business recovers from recession? Will it be for more vehicles or less? Equally, what type of LCV will be required to fulfil the new requirements of the business?

- A logical development from the vehicle requirement issue is whether and how much of that capacity might be purchased outright, and how much might be hired in to give the fleet the flexibility

Fleet management

Within a restructured or reorganised operation it may become critical to determine whether the fleet will be managed internally or externally. Consider the LCV issues;

- What will the fleet management policy be? Internal or external – and what resources would be needed?

- A similar question might be raised with regard to finance; can the organisation afford to buy LCVs among its other capital demands, or would it be better to use contract hire?

- Used vehicle disposal and prices achieved can be avoided if the whole activity is outsourced, but there could be opportunities if handled in house – provided adequate resources exist.

- Carbon footprint; keeps on appearing with regard to LCVs. What might the organisation do to minimise or at least manage the carbon footprint?

The range of issues associated with LCV management could be stretched much wider if required, as the units are essentially part car and part commercial vehicle.

Alternative providers

A significant driver for change within the LCV fleet is the alternative means of providing LCV capacity – or rather the transport capacity needed by a business for its goods and services.

- The strongest alternative is simply to outsource the haulage capacity – that could be to another company within a group, or to a specialist local provider.

- One alternative would be to use a postal service or a specialist parcels business. Such approaches are becoming increasingly popular with the growth of the Internet and clients expecting a rapid delivery of their purchases. Extensive distribution by one's own vehicles is invariably not practical or economic.

Economic recovery is likely to see a growing move to third party movements

Economic recovery is likely to see a growing move to use third-party movements of goods and services.

Corporate governance

Some analysts would claim corporate governance is the area bringing most change to LCV operations. Here are three issues to consider;

- Transport is clearly the ultimate responsibility of the board of directors – and all of the regulations clearly point that way. It is not unknown for boards to seek outsourcing options as a way of avoiding such responsibilities.

Transparency is perhaps taking on a new meaning

- Duty of Care; a phrase that has been in the management lexicon for some years, but has taken on new meaning within the field of fleet management, including LCVs. The board has ultimate responsibility for the safety of its staff, clients and the general public.

- Transparency is perhaps taking on a new meaning with regard to fleet and fleet management and its importance will continue to grow. Suffice to say that the LCV activity is involved and it requires both time and understanding.

Within the Drivers for Change we have examined some of the broader issues that might, or will, impact on the shape and form of the LCV fleet – either consciously or subconsciously. It is better to be aware of eventualities, and watch the changing pressures, so the business can take account of strategic developments as it, the business environment and the economy each develop.

However, it is also important to bring those issues down to the situation of a changing business environment – the move from recession towards recovery and ask what might be the influences and implications.

5; Changing Shape of LCV Fleet Demand Post Recession

Within the individual LCV fleet operation, there can be all sorts of shocks waiting when it emerges from recession. What has happened to the customer base? What has happened to the product range? What has happened to competition?

It is all to easy to 'replace like for like'

While the main task may be to keep the business running, strategic thinking and planning are critical for the future well-being of the LCV operation. Experience emerging from the last recession suggests that, if a business does not have a plan in place to restructure its fleet to satisfy new and emerging requirements, it is all too easy to 'replace like for like' and complete the exercise – but with a fleet designed for business patterns of five years earlier.

Consider the following issues which, as the economy recovers, may have implications for the shape, size and constitution of the LCV fleet;

- How have/how does the organisation see business patterns changing? Such changes could be in the overall geographical patterns to be serviced on the requirements of individual customers.

- How has the customer base developed during recession? Have some clients disappeared and new ones taken their place?

- As important, have there been either consolidations or spin-offs from pre-recession customers that are now taking business?

- Has your own organisation changed the product offering? Especially for the LCV fleet – new packaging; new units sizes; new weights. How will they be managed cost efficiently?

- What new technologies have been introduced, or could be introduced, with regard to enhancing LCV effectiveness? The obvious examples are SatNav systems and new routing patterns.

- How does the existing LCV fleet measure against emerging, post-recession business patterns? What changes are required to bring the fleet capacity and availability into line with market requirements?

- A key issue for the fleet executive is the cash flow availability for fleet re-modeling. What is the cost of updating and when will the funds be made available? Rarely will all the funds be available immediately, so how can they best be used?

- What health and safety issues and Duty of Care concerns need to be taken into account as the business emerges from recession and the use of the LCV fleet emerges? It is very easy – and expensive - to infringe the rules.

All too often, the claim is 'we don't have time – we are fire fighting'

A much longer list could be developed, if required, to start reviewing the LCV fleet from a 'survival mode' to 'recovery and growth mode'. All too often, the claim is 'we don't have time – we are fire fighting' – but that is the difference between an operator and a manager.

6; Some Practical Survey Results and Implications

Many fleet executives may be able to relate their own organisations to the risks and opportunities highlighted in the previous pages. However, it is always interesting to benchmark against other players in the same situation.

The 'fleeteye' survey, alluded to previously in this report, produced several clear points on the importance of the issues already highlighted. Consider just three blocks of results and analysis from the survey in December 2009.

Demand for company vehicles

Figure 7 highlights predicted demand for fleet vehicles in the 300 respondent sample for the 12 months ahead of the survey.

Figure 7; Demand for company vehicles in next 12 months

	Increasing	No Change	Declining
Company cars	25%	45%	30%
Company LCVs	15%	71%	14%

Source: fleeteye December 2009

The interesting contrast in the table is the high proportion of 'no change' – 45% in the case of company cars, but 71% of respondents with LCVs. In terms of company cars, there is a clear indication of a fall in the number of units required –30% expect fewer cars, while 25% expect an increase.

Contrast that with the LCV picture, where there is a small net rise in the demand for company LCVs – 14% declining demand while 15% anticipate an increase.

Certainly, part of the car changes could be put down to changing methods of doing business – but what about the growth in demand for LCVs?

Given the growth in parcels services and other forms of outsourcing, the message here is either one of a very strong growth in demand for totally controlled services or an anticipated upsurge in business supported by LCVs. The question is – 'what are the forecasts in your organisation – and how do you plan to handle any changes in requirements?'

How do you plan to handle any changes in requirements?

Changes in fleet size

The argument of the previous survey result can be taken one step further as shown in Figure 8 overleaf. Here, the survey looked at cars, LCVs and HCVs – and sought respondents' views in fleet size change over the last six months, and their expectations for the next six month period.

Once again, the message of 'one size fits all' is destroyed; the real benchmark is by fleet vehicle group – cars, LCVs and HGVs.

Figure 8; Fleet size changes

Last 6 months	Increase	No Change	Decrease
Cars	18	47	35
LCVs	14	74	12
HCVs	5	88	7
Next 6 months	**Increase**	**No Change**	**Decrease**
Cars	26	49	25
LCVs	13	78	9
HCVs	2	96	2

Source: fleeteye December 2009

Historically, the survey shows a decline in fleet size changes for cars and HGVs, while LCVs have recorded a slightly higher number of companies increasing their fleet compared with those recording a decline. The pure economist might claim 'LCVs lead economic recovery' – while that may be the case, with clients acquiring additional LCVs or retaining older ones and adding new ones, the important point is some form of 'growth'. Could this already be showing a changing business modus operandi?

In terms of changes during the coming six months – while the market for cars and HCVs looks stable, it appears somewhat encouraging on the LCV front.

The clear message is different rates of change in demand for different elements of the fleet

Again, the clear message is different rates of change for different elements of the fleet. How is your business reshaping its fleet requirements compared with the pattern shown here, and can you account for all of these changes?

Issues influencing fleet decisions

Emerging from recession and economic recovery is having a range of different impacts and implications on the fleet and LCV industry. Almost inevitably, a change in the economic situation will lead to different pressures on the fleet industry, and some of these changes will certainly have implications for the provision and operation of vehicles of all types.

The table in Figure 9, again taken from the 'fleeteye' survey, presents expected shift in the importance of a range of issues over the next 12 months. The measure is taken on a scale of 10, with the overall consensus that all of these issues will become tighter and more relevant.

Figure 9; Significance of issues influencing fleet decisions

	Average out of 10	
	Now	In 12 months
Fleet running costs	8.6	8.9
Fleet safety and risk management	7.6	8.0
Fuel costs	7.5	7.9
Driver and corporate taxation	6.6	7.0
Environmental concerns	6.0	6.8
Traffic/congestion	5.5	6.0
Improved communications technology	5.1	5.6
Mobile working	4.9	5..3

Source: fleeteye December 2009

- The biggest single jump in relative importance is 'environmental concerns' – a move from 6.0 to 6.8 – a significant jump in a year even if the base numbers are not the highest. However, given the growing importance of the carbon footprint, this is to be expected.
- Fleet running costs and fuel costs have direct cost implications for the overall fleet which, of course, has further implications for the vehicles in use and for vehicle change. If one assumes that modern vehicles tend to be more efficient than older ones, we are back to the situation of a fleet updating to help manage costs.
- Further down the line, increasing importance is predicted for traffic congestion, communications technology and mobile working.

Managing a fleet will become more demanding and more professional

The message? Managing a fleet will become more demanding and more professional in the future.

Undoubtedly, fleet management is becoming more sophisticated. While emergence from recession will lead to operational changes, it is also important to consider the longer-term issues – perhaps this is moving faster than it has in the past?

7; Where the LCV fleet?

The foregoing pages have suggested LCV fleet provision is in a state of flux as the economy recovers. It is important, from the viewpoint of senior finance executives as well as sales operations and fleet managers, to look forward and ask – in addition to the results of the surveys quoted previously, what else is likely to influence the shape and the applications of the LCV fleet?

Books could be written on the topic, but the following critical issues may be of importance to a wide range of users;

Will the LCV fleet of the future be managed in house or will it be outsourced?

- Relationships between the LCV in-house operator and the outsourcer; is important in several ways. Firstly, will the LCV fleet of the future be managed in house, or will it be outsourced to a third party – a leasing or fleet management company? The foregoing paragraphs have indicated the whole field of LCV operations and management is getting tighter and tougher. Is the resulting fleet management environment something that can be handled adequately in house, or is it as area of operations that may best be outsourced in future?
- Daily Rental; may have a growing role in managing the economics of LCV operations. Are units in operation being fully utilised, or are there opportunities to reduce the number of LCVs and rent part of the capacity requirements? There are potential implications for cost savings right across the organisation – release capital, fewer units to manage, greater utilisation of the fleet and a more flexible fleet capacity to better balance supply and demand.

Might we find there will be a significant growth in alternative fuels?

- Issues regarding the CO_2 footprint; and the use of alternative fuels. Currently, there are relatively few electric LCVs in operation but, given the pressures elsewhere in the industry; might we find there will be a significant growth in alternative fuels and propulsions? As noted elsewhere, the financial implications of alternative fuels can be exaggerated through fiscal activity. If government feels change is not happening quickly enough, new pressures could be brought to bear.
- Miniaturisation, reduction in packaging and other product changes are all contributing to the opportunity to reduce loads, perhaps even to the point where smaller vehicles could be used – or indeed these loads outsourced to specialist carriers.
- LCV fleet development; will also be developing through changes in funding practices – whether through a shortage of funds or because the relative finance rates have changed.
- Residual value expectations; are discussed elsewhere, but the relative importance of getting best value for money in terms of trading used LCVs will

become more important. Perhaps one of the most important challenges here will be to minimise transaction costs associated with used LCV disposal.

- Developing role of the fleet executive; will become more important in future. Is the role moving more towards being a business mobility manager for LCV moved products – a distribution/operations manager rather than just managing vehicles?

In summary, the whole picture is changing rapidly.

8; Some Conclusions

This paper points to a developing LCV market as the economy begins to recover slowly from recession. However, the LCV business is not yet out of the woods; the principal conclusions that might be identified from this briefing note might be summarised as;

- Some improvement in the economy is expected – but this will be accompanied with changes in business organisation both in ones' own business and in terms of customers and vehicle use to service these clients.

- The sales of LCVs peaked in 2007 and dropped sharply in 2008 and 2009. This, in turn, will impact over time on residual values and prices achieved at auction – with price being influenced by the shortage of quality stock over the next couple of years.

- The implications of the carbon footprint will become more important in future and, with a General Election scheduled for 2010 and an incoming government desperate for revenue, operators will need to watch fiscal issues with great care.

- While some respondents to the 'fleeteye' survey predict a growth in LCV fleets, it will be important to consider, regularly, alternative forms of LCV capacity and provision. Fuel costs will continue to be a critical issue.

Throughout the period of economic recovery, the role of the fleet executive in total management of LCV acquisition, operation and disposal is likely to become much more important than it has been in the past.

Professor Peter N C Cooke
Professor of Automotive Management
The University of Buckingham
01235 539115
www.buckingham.ac.uk/cam

February 2010