



Flexible fleets

During 2009, international market research company RedShift undertook an investigation that included an analysis of ownership and operation of forklift truck fleets. Some of the results were quite surprising and indicate how the market has changed in the 21st century.

Outright purchase of brand-new vehicles is still the single largest segment out of a range of options, which included different types of rental and outright purchase of pre-owned vehicles. However, in the two years from 2007-2009, outright (brand-new) purchase fell, from the preference of 45 per cent of all respondents (a total of 1450 across Europe) to 38. Purchase of second-hand vehicles fell, too, from 11 per cent to 10. Strangely, contract rentals and leasing also declined, from 37 per cent of the market to just 31 per cent – a significant reverse in a previously-growing market.

Market shift

What RedShift's research found is the emergence of a new segment: short-term rental, which has gone from virtually zero to 10 per cent of the total market in just 24 months.

Dealers have long maintained a rental fleet but it was envisaged as an emergency cover measure, something that could be used to replace trucks taken back to base for repair; or an ad-hoc resource for established customers who needed emergency cover. What seems to have taken place is a move from seeing short-term rental as an emergency stop-gap to something more strategic.

Different markets, different needs

The presence and penetration of rental fleets in general vary, according to markets, purchase remains the preferred method across Europe in the distribution sector, where just under half of the companies surveyed by RedShift said that they bought brand-new. It is the least popular →

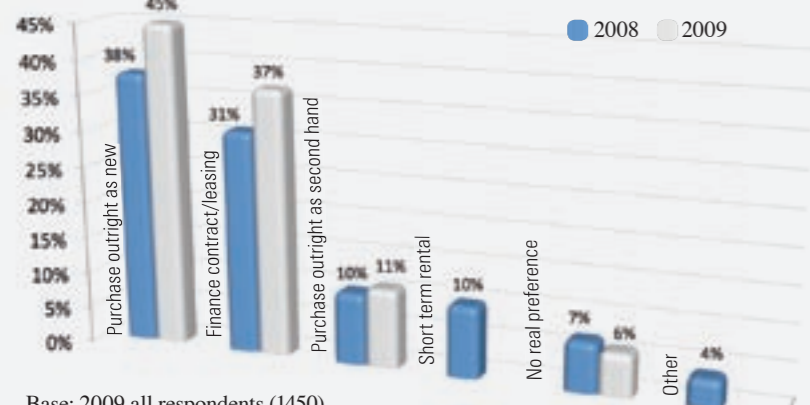
The last few years have seen dealers respond to customer needs in a variety of ways, including short-term rental. **eureka** looks at the reasons behind the changes and their extent.

by Ruari McCallion



Acquiring additional trucks

Purchasing a new truck outright continues to be the preferred method for acquiring additional trucks, however this has dropped off slightly since 2007.



Base: 2009 all respondents (1450)

→ option in road haulage and shipping, at a little over one-quarter of the market; contract leasing is the preferred option in shipping, at 40 per cent.

There is geographic variation, also. Russia remains committed to outright ownership, with just under half their fleets purchased brand new; Italy also has a strong 'owned' segment. However, the Spanish market has changed dramatically in just two years. According to Cat Lift Truck Dealer Bergé Manutención, the rental sector has grown from 40 per cent in 2007 to 90 per cent of new contracts in 2009. Rental is already very well established in France, the Netherlands and, especially, the UK, where it represents approaching 80% of fleet ownership choices. Dealers in all these large markets have noticed the demand for short-term rental growing.

"The balance has shifted towards more short-term rental contracts, there's no doubt. That's probably because of uncertainty in business," said Allan Parsons, Asset Manager with Briggs Equipment. "We have always had a short-term rental fleet and it's now about 20 per cent of our fleet trucks and growing. The change we're seeing is to more one and two-year contracts." Borja Amigo of Bergé Manutención believes that the global financial crisis has led customers to look to rental for its cost benefits.

Short-term rental: a new business model?

The growth of short-term rental represents a quantitative shift from the traditional pattern of five-year contract rentals and new purchases. There has, for some time, been a need for a more flexible provision of truck equipment. In *eureka 8*, published in summer 2009, we profiled 4Rosas, a company based near

Zaragoza that operates at peak activity in the three months leading up to Christmas. During that time it despatches over 600,000 hampers of wine, spirits, hams and seasonal treats – and needs to hire two additional warehouses in order to cope. Spanish company Berdiel Manutención helps 4Rosas cope with its seasonal peak by supplying additional electric lift trucks and power pallet trucks on a short-term basis.

However, the growth in 'short-termism' may not be an entirely good thing and could have grown from special, and unhelpful, market circumstances. In Italy, longer-term rental (three to five years) has grown rapidly over the past 20 years as companies focus on their core businesses and outsource non-core activities. The last three years has seen strong demand for the supply of trucks as and when required, leading to a mushrooming of short-term contracts. Alberto Gradellini, of Compagnia Generale Macchine S.p.A. (CGM) offers an interesting insight into these developments in the Italian market. He links the growth in the provision of flexible and penalty-free contracts with the flow of 'easy money' – excessive and now, clearly, unsustainable credit from banks and leasing companies. The global crisis saw a staggering number of trucks returned to rental companies.

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"We estimate over 10,000 units have been returned over the past 18 months, across Italy," he said. "Those rental companies who were very aggressive in short-term rental, especially, found themselves in crisis. We could say that the business model based on large short term rental fleet offer simply collapsed." He believes that demand and offer have to find a new equilibrium.

"The offer has to be in line with the more restrictive credit policy applied by all lenders, and with long term sustainability of the business model," he said. "We expect short-term rental will go back to its natural field of applications: customers with high seasonality, customers with unpredictable needs and customers with genuine short term requirements." CGM continues to seek longer-term commitment from its customers, with a flexibility clause for 15-20 per cent of the fleet.

Short-term rental is an established reality in The Netherlands, Belgium and Luxembourg. Crepa BV, Cat Lift Truck importer for these territories, has a short-term rental fleet of around 900 units

including electric pallet trucks, stackers, reach trucks, LPG, Diesel, three and four-wheel electric forklifts, with capacities up to 16 tons. Seventy-five per cent of its short-term fleet is currently with customers; up to 15 per cent is ready for immediate rental. The remainder represents recent returns awaiting workshop inspection.

Crepa also has a group of customers who have significant seasonal fluctuations. Peaks are particularly noticeable in the flower bulb business, which isn't surprising, but seasonality in electronics and the steel industry may lead to a raised eyebrow or two.

"Uncertain business circumstances, peak periods and temporary increased needs for internal transport increases the demand for short term rental trucks," Crepa's spokesman, Sascha Larsen - in charge for short term rental, -said: "Small companies in various industries also have an increased demand for short term rental of LPG and electric forklifts; durations vary from a few days to a few months."

The impact of the financial crisis

The financial crisis has impacted economies hugely and while traditional models still represent the bulk of the market, companies need to be able to meet increases in business activity without long-term financial commitment. Briggs Equipment has responded to customer needs by building up its short-term fleet and extending its strategic offers to the market.

"Our short-term fleet is made up of around 2,000 machines," said Parsons.

"One of our large users has a current rental fleet of 400. The arrangement now is that, during their peak four-month season, they can have up to 150 extra and send them back afterwards. 3PL (third-party logistics) providers have huge fleets but even they see peaks and troughs. In agriculture, farmers rent trucks for short-term seasonal demand in the food industry's potato season, for green vegetables, the pea season, the salad season and so on. What we have done for some of our customers is to hold dedicated trucks of their exact specification so that when they do have an unexpected peak we have the machines that they need on instant call."

Briggs has actually reduced the size of its short-term fleet but has balanced it with the introduction of a new customer offer, called FlexiHire. It allows customers to acquire brand-new trucks, including all the benefits of a long term rental but with the option to terminate after 12 months, penalty-free, at just a month's notice.

Flexibility built-in

Short-term rental tends to be more expensive than longer-term commitments. Briggs' FlexiHire balances this out by using a declining, stepped payment system. Customers thus know that they have a fixed monthly payment for the year and that it will decline, year on year. Bergé Manutención is following a similar route.

"We are now offering very flexible contracts to our customers, which gives them the opportunity to move away from the standard long term contracts to something more suitable, an arrangement tailored to their specific needs," Amigo said.

Even special needs are being catered for – if a customer needs a clamp rather than forks, for example, there is an infrastructure of businesses that specialise in meeting those requirements with equipment rental. However, it's unlikely that special adaptations in short term rentals will go all the way to repainting or excessive customisation.

Short-term rental is a relatively new reality in the business but it is quickly becoming established – and regardless of what happens in the economy generally, one of the lessons that history teaches is that new ideas tend to become established. Flexibility is so valuable that it's unlikely that short-term arrangements will disappear. What is happening already is that new models of charging are emerging. The technology exists and is being developed for more accurate charging for usage. While it was originally intended for assistance with planned maintenance, accurately tracking usage and wear and even reporting accidents and the extent of damage, it is not beyond the bounds of possibility that it could be the basis for even more flexible arrangements in the future. ■

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1. Briggs Equipment's FlexiHire allows customers to acquire brand-new equipment for just a 12-month commitment.
2. A rental truck equipped with clamps rather than forks shows that special needs can be catered for short-term if the infrastructure is in place.
3. The majority of short-term rental vehicles come from dealers' in-house fleets.



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Type and number of trucks acquired

Overall 35% of respondents purchased additional trucks in the last year. Q. How many of the following types of truck did you acquire over the last year?

