Fleet trends in the European financial & professional services industry

Will the rise of Battery Electric Vehicles mitigate the emission effects of the increased popularity of SUVs and petrol vehicles?

Consultancy Services

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Introduction

With so many external sources of information available to them, company fleet managers can become confused about the right way forward for their fleet strategy. To help them develop a fleet strategy with confidence, LeasePlan has analysed the passenger car fleet of its international clients within the financial & professional services industry[1] (F&PS) over the past three years and identified several notable trends.

In short, the F&PS industry has seen an increase in SUVs, but the top three most popular car segments remain the same. Diesel remains the dominant fuel type with 48% of the market, but it is declining rapidly. Because of the introduction of the Worldwide Harmonised Light Vehicle Test Procedure (WLTP) and the increased popularity of petrol vehicles and SUVs, the CO_2 levels have increased slightly (+0.8%) in the F&PS industry. But thanks to a large-scale uptake of battery electric vehicles (BEVs) now at almost 7%, the CO_2 increased has remained below the average increase across industries (+2.6%). It seems the large-scale uptake of BEVs has not only been at the cost of diesel share but also of the hybrid share, which slightly decreased and is now at a little over 3%. It remains to be seen whether government incentives for primarily battery electric vehicles (BEVs) – will lead to a continuation of this trend.

To check how the F&PS industry performs compared to other industries, please see our **2020 Fleet Sustainability Ranking by Industry**. If you would like to know how your company measures up against the F&PS industry, LeasePlan can develop a tailored benchmark report in which we compare key metrics of your fleet performance against your industry peers. This is possible for passenger cars and/or LCVs, both within and outside of Europe. For more details, please contact your local LeasePlan liaison, or contact us at ics@leaseplan.com.

This analysis of fleet trends is based on passenger car data from over 160 international companies across 24 different European countries, with an average fleet size of 448 vehicles. To ensure that the data is representative, at least 10 different companies must lease at least 500 vehicles between them in a country for it to be included.

[1] Clients in the F&PS industry are companies offering financial products (banks, insurers, etc) or professional services (accountancy and consultancy)

Car segment & car model trends

Let us first look at the most notable car segment & car model trends in the F&PS industry between 2017 and 2019. Although we analysed fleets from 24 countries in total, we have only considered countries in which LeasePlan has at least ten different customers in the F&PS industry that are leasing at least 500 vehicles between them. This ensures that the data is representative.

Table 1 shows the five most common car segments 2017 vs 2019. For an explanation of the car segments together with a few examples of car models per segment, please see Annex A: overview of car segments.

When comparing the segmentation of the F&PS fleet in 2017 vs 2019, the most notable changes are:

- Overall, the top 3 most popular segments have not changed in terms of ranking which is uncommon compared to other industries.
- Volume midsize vehicles (D1, e.g. VW Passat) have lost ground and are no longer in the top 5 most popular segments.
- SUVs are on the rise, but mainly in the volume compact SUV segment (SUV-C1, e.g. Peugeot 3008).

Table 1: Most popular car segments 2017 vs 2019

2017		2019	
Segment	**Share**	**Segment**	**Share**
C1	24%	C1	23%
B1	15%	B1	15%
D2	12%	D2	11%
D1	10%	SUV-C1	11%
C2	8%	C2	8%
Other	31%	Other	32%

Table 2 compares the top 10 most popular car models in 2017 vs 2019.

Table 2: Most popular car models, 2017 vs 2019

	2017		2019	
1	Renault Clio	C1	Volkswagen Polo	B1
2	Renault Megane	C1	Skoda Octavia	C1
3	Volkswagen Golf	C1	Renault Megane	C1
4	Volkswagen Passat	D1	Volkswagen Golf	C1
5	Ford Fiesta	B1	Tesla Model III	D2
6	Skoda Octavia	C1	Mercedes A-Class	C2
7	BMW 3 Series	D2	Renault Clio	C1
8	Audi A3	C2	Peugeot 3008	SUV-C1
9	Audi A4	D2	Seat Leon	C1
10	Opel Astra	C1	Volvo XC60	SUV-D2

Analysis of the top models leads to the following conclusions:

- The Volkswagen Polo is the most popular vehicle in 2019 in the F&PS industry, taking over from the Renault Clio which is now in seventh place.
- The most notable 2019 car model, is the Tesla Model III, which has managed to become the 5th most popular vehicle in its debuting year. The F&PS industry is the only industry where it made the top 10.
- Compact vehicles (C1) remain particularly dominant in the F&PS industry.

When comparing these results against other industries, the compact SUV trend is visible almost across the board. However, it is less common to see the volume midsize vehicles (D1) not in the top 5 most common car segments compared to other industries. We can conclude that companies in the F&PS industry allow their employees relatively greater freedom in choosing between car segments and that has resulted in changes in the top 10 car models (6/10 car models were not in the top ten in 2017).

Fuel type trends

Table 3 shows that the share of diesel is steadily decreasing in the F&PS industry, while petrol is steadily increasing. This mirrors the trend in most other industries. In F&PS, however, the BEV share has increased significantly with more than 6% in 2019. This above average increase could be explained by the relatively low distances driven in the F&PS industry, making a BEV's battery range not an issue. As in most other industries, petrol has increased the most. Hybrids[2] did decrease, possibly because some early hybrid adopters have now switched to BEVs, one explanation for this shift could be that many governments have ceased incentives for hybrids and now only have incentives for BEVs.

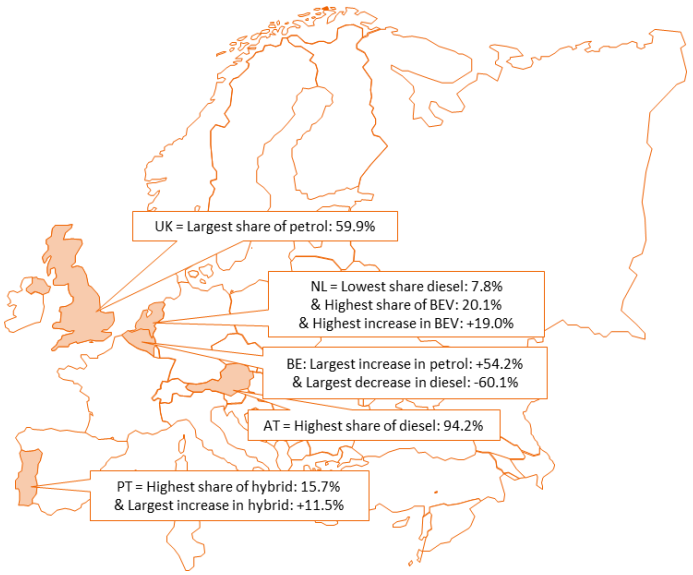
Table 3: Share of fuel type 2017 vs 2019

	2017	2019
Diesel	65.67%	47.83%
Petrol	29.80%	42.33%
Hybrid	4.10%	3.24%
BEV	0.42%	6.59%

Looking at the differences in fuel type shares between countries, the diesel share has decreased the most in the Belgium (-60.1%). It has been replaced mostly by petrol resulting in the largest increase (+54.2%). The probable cause for this switch is mainly because the Belgian government has increased excise duty on diesel. The Netherlands on the other hand has the lowest share of diesel (7.8%)[3] and is increased its BEV share the most (+19.0%) leading to the largest BEV share (20.1%). Interestingly, the diesel share in Portugal has mostly been replaced by hybrids, resulting in a 11.5% increase, making the hybrid share 15.7%. Both the Netherlands and Portugal have significantly incentivised BEVs and hybrids in the last few years, which explains their relatively large shares of these fuel types. Subsidies for plug-in hybrid electric vehicles (PHEVs) have been phased out in the Netherlands and most other northern European countries in recent years because of the lack of actual CO_2 reduction by PHEVs[4].

In contrast, diesel remains popular in Austria and Spain (with a diesel share of 94.2% and 90.1% respectively). Both countries still have a relatively immature charging infrastructure, although the Austrian government has started incentivising BEVs significantly[2].

Over the next few years, governments will increase their efforts to discourage both diesel and petrol (through higher CO_2-based taxation and the introduction of more Low Emission Zones, as well as incentives to opt for BEVs). The most effective way of achieving this seems to be reducing benefit-in-kind (BIK) taxation. The Netherlands is a good example of this; BEV drivers pay only a fraction of BIK compared to drivers of diesel and petrol vehicles, which has resulted in the large-scale uptake of BEVs. However, certain prerequisites are needed for this to be a success, such as a mature charging infrastructure.



[2] Hybrids here are both mild hybrids and plug-in hybrid electric vehicles (PHEVs)

[3] There could be countries which have higher values. However, the number of vehicles in these countries within the industry is too low to ensure a representative figure

[4] For more detailed information on government incentives for PHEVs & BEVs and maturity of the charging infrastructure, please see our EV Country Readiness Study 2020.

Average CO_2 trends

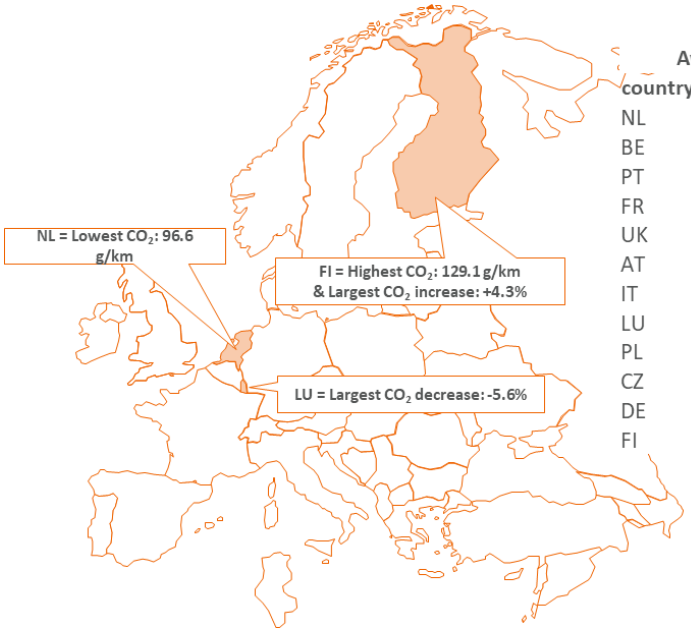
The average CO_2 emissions per vehicle in the F&PS industry have increased compared to 2017. This is a deviation from the trend of the last 10 years and is mainly caused by:

- The introduction of WLTP (more rigorous testing of all cars since 2018 has resulted in a higher CO_2 score[5])
- The increasing popularity of SUVs (which consume more fuel and thus produce higher CO_2 emissions)
- The shift from diesel to petrol (which produces more CO_2 per km, despite producing lower toxic emissions overall).

Contrary to most other industries, the F&PS industry has hardly increased by only +0.5%% (jumping from 108.2 CO_2 g/km to 108.8 CO_2 g/km at European level) compared to +2.6% across all industries. F&PS has the lowest average of all, mainly due it's large share of BEVs.

Looking at individual countries, the highest average (129.1 g/km)[6] can be found in Finland, having also increased it average the most since 2017 (+4.3%). The largest decrease was achieved by Luxembourg with a drop of 5.6% since 2017. Meanwhile, the Netherlands still has the lowest average CO_2 (96.6 g/km), mainly due to the large share of BEVs resulting from governmental incentives. However, much like PHEV incentives in the past, these BEV incentives are gradually being reduced. This could influence the desirability of BEVs among Dutch employees. Governments in Germany and the UK have launched similar incentives, and these are expected to increase the share of BEVs and thus reduce the CO_2 levels in these countries in 2020.

Over the course of 2020, it will be interesting to see the extent to which the effect of the increased popularity of SUVs and petrol vehicles on CO_2 levels will be mitigated by the increasing appetite for BEVs, and the possible correlation with stronger financial incentives from governments.



country	Avg CO_2 g/km 2017	2019
NL	95.8	96.6
BE	101.8	104.7
PT	100.9	105.2
FR	104.2	107.1
UK	106.6	108.1
AT	113.8	111.8
IT	116.7	111.8
LU	123.9	117.0
PL	118.0	117.0
CZ	119.7	119.1
DE	118.7	120.5
FI	123.7	129.1

[5] It is important to note that while the WLTP test cycle is an improvement, it is still not close to the real driving emissions.

[6] There are several countries which have higher or lower CO_2 averages, but the number of vehicles (or companies) in these countries was too low to ensure a representative figure.

Conclusion

Analysis of the average fleet composition in the F&PS industry in 2019 reveals an increase in SUVs but no other major changes in the most popular car segments since 2017. However, there were significant changes in the top ten most popular car models and the share of fuel types, with BEV now taking off. Contrary to other industries, the F&PS industry saw a decline in hybrids which might have been caused by reduced hybrid incentives from governments. While the increased popularity of SUVs and petrol and the introduction of WLTP are the main reasons for this increase in CO_2, the F&PS industry has mitigated this almost completely thanks to the large-scale adoption of BEVs.

The introduction of more governmental incentives will encourage drivers to choose BEVs over petrol and diesel even more. This in turn, will lead again to a downward trend of the average CO_2. However, it remains to be seen whether a BEV car model will enter the list of most popular car models in 2020, as its current share is insignificant.

For more information, please contact your LeasePlan liaison or LeasePlan Consulting at **ics@leaseplan.com.**

Annex A: overview of car segments

Segment	Segment explanation	Example 1	Example 2	Example 3
B1	Volume sub-compact vehicle	VW Polo	Ford Fiesta	Renault ZOE
SUV-B1	Volume sub-compact SUV	VW T-Roc	Kia Niro	Renault Kaptur
C1	Volume compact vehicle	Hyundai Ioniq	Ford Focus	Renault Clio
C2	Premium compact vehicle	BMW 1 Series	Audi A3	Mercedes A-Class
SUV-C1	Volume compact SUV	VW Tiguan	Ford Puma	Renault Kadjar
SUV-C2	Premium Compact SUV	BMW X1	Audi Q3	Mercedes GLA
MPV-C	Compact multi-purpose vehicle	VW Touran	Ford C-Max	Renault Scenic
D1	Volume midsize vehicle	VW Passat	Ford Mondeo	Renault Megane
SUV-D1	Volume midsize SUV	VW Tiguan Allspace	Ford Kuga	Renault Grand Scenic
MPV-D	Midsize multi-purpose vehicle	VW Sharan	Ford S-Max	Renault Espace
D2	Premium midsize vehicle	Tesla Model 3	Audi A4	Mercedes C-Class
SUV-D2	Premium midsize SUV	BMW X3	Audi Q4	Mercedes EQC
E2	Large Premium vehicle	BMW 5 Series	Audi A6	Tesla Model S
SUV-E2	Large Premium SUV	BMW X5	Audi Q6	Mercedes GLE

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