LeasePlan

Fleet trends in the European pharma industry

Will the rise of SUVs and petrol vehicles reverse the downward trend of CO_2 emissions?

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 pharma industry[1] over the past three years and identified several notable trends.

In short, the pharma industry has seen an increase in SUVs and Compact vehicles (C1) at the expense of large vehicles (D1). Diesel remains the dominant fuel type with 80% of the market, but it is declining. 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 significantly in the pharma industry. It remains to be seen whether more attractive government incentives – which are expected to result in an increase in hybrids and battery electric vehicles (BEVs) – will indeed mitigate these effects.

To check how the pharma 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 pharma industry as a whole, 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 100 international companies across 24 different European countries, with an average fleet size of 557 vehicles. To ensure that the data is representative, at least 10 different companies must lease at least 500 vehicles between them in a particular country in order for it to be included.

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[1] Clients in the pharma industry can be defined as a company that discovers, develops, produces, and markets drugs or pharmaceutical drugs for use as medications to be administered (or self-administered) to patients, with the aim to cure them, vaccinate them, or alleviate the symptoms.

Car segment & car model trends

Let us first look at the most notable car segment & car model trends in the pharma 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 pharma 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 Annexe A: Overview of car segments.

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

- Volume Midsize vehicles (D1) have lost ground (e.g. VW Passat and Opel Insignia).
- SUVs are on the rise, but mainly in the Volume and Premium Compact SUV segments (SUV-C1 & SUV-C2), e.g. Peugeot 3008 and BMW X1.
- The segmentation is less concentrated overall, indicating that employees have more freedom to choose from multiple segments.

Table 1: Most popular car segments 2017 vs 2019

2017		2019	
Segment	Share	Segment	Share
D1	21%	C1	19%
C1	19%	D2	16%
D2	15%	SUV-C1	13%
C2	10%	D1	12%
SUV-C1	7%	SUV-C2	7%
Other	29%	Other	33%

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	Volkswagen Passat	D1	Volkswagen Golf	C1
2	Audi A4	D2	Volkswagen Passat	D1
3	BMW 3 Series	D2	Audi A4	D2
4	Opel Insignia	D1	Peugeot 3008	SUV-C1
5	Volkswagen Golf	C1	Toyota Corolla	C1
6	Audi A3	C2	Volkswagen Tiguan	SUV-C1
7	Volkswagen Tiguan	SUV-C1	Mercedes C-Class	D2
8	Volkswagen Touran	MPV-C1	Skoda Octavia	C1
9	BMW X1	SUV-C2	BMW 5 Series	E2
10	Volkswagen Polo	B1	BMW 3 Series	D2

Analysis of the top models leads to the following conclusions:

- 50% of vehicles in the top 10 in 2019 were not in the top 10 in 2017, indicating changing preferences among employees and employers in the pharma industry.
- Although Volkswagen Group holds the top three spots in 2019, it has actually lost two spots in the top 10 (down from seven in 2017 to five in 2019).
- Not only Compact SUVs (SUV-C1), but also Volume Compact vehicles (C1) are becoming more popular in the top 10, with two more spots in 2019 than in 2017. However, the overall share of compact vehicles remains the same.

When comparing these results against other industries, the Compact SUV trend is visible almost across the board. However, it is less common to see so many different car segments and car models. We can conclude that companies in the pharma industry allow their employees relatively greater freedom in choosing both the car segment and the car model.

Fuel type trends

Table 3 shows that the share of diesel is steadily decreasing in the pharma industry, while all other fuel types are steadily increasing. This mirrors the trend in most other industries. In pharma, however, the diesel share is still relatively high at more than 80% in 2019. As in most other industries, petrol has increased the most, followed by hybrids[2]. Contrary to other industries, the share of battery electric vehicles (BEVs) has not increased significantly. This could possibly be due to the lack of BEV alternatives in the pharma industry's most popular car segments (C1, SUV-C1, and D1).
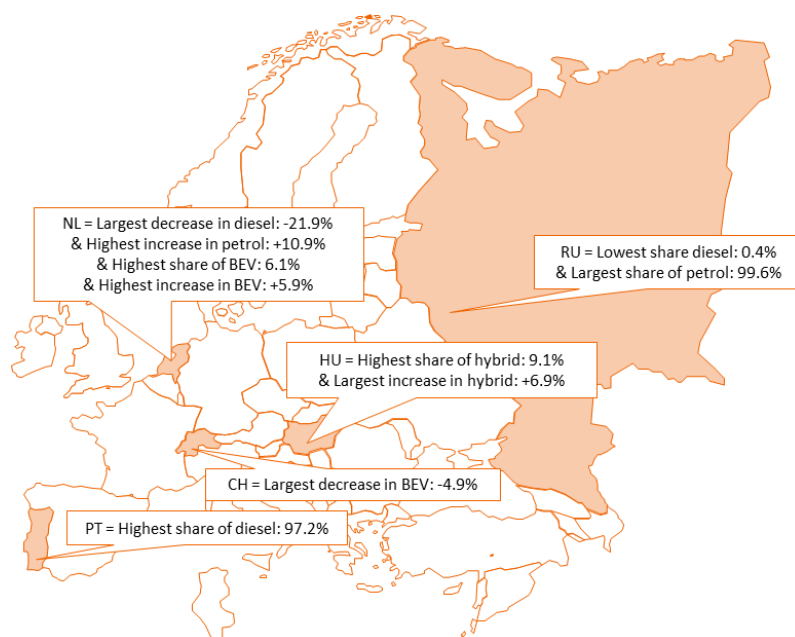
Table 3: Share of fuel type 2017 vs 2019

	2017	2019
Diesel	89.78%	80.44%
Petrol	8.57%	12.74%
Hybrid	2.17%	5.75%
BEV	0.14%	1.07%

Looking at the differences in fuel-type shares between countries, the diesel share has decreased the most in the Netherlands (-21.9%). It has been replaced mostly by petrol and BEV, resulting in the largest increase in petrol (+10.9%) and BEV (+5.9)[3]. Interestingly, the diesel share in Hungary has mostly been replaced by hybrids, resulting in a 6.9% increase bringing the hybrid share to 9.1%. Both of these countries 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]. Switzerland's BEV share has decreased significantly due to a large uptake of the Tesla Models S in 2017.

In contrast, diesel remains popular in Portugal and Italy (both with a diesel share of 97.2%). Both countries still have a relatively immature charging infrastructure, although the Portuguese government is significantly incentivising BEVs[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.

NL = Largest decrease in diesel: -21.9%
& Highest increase in petrol: +10.9%
& Highest share of BEV: 6.1%
& Highest increase in BEV: +5.9%

RU = Lowest share diesel: 0.4%
& Largest share of petrol: 99.6%

HU = Highest share of hybrid: 9.1%
& Largest increase in hybrid: +6.9%

CH = Largest decrease in BEV: -4.9%

PT = Highest share of diesel: 97.2%

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

[3] There are several 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.
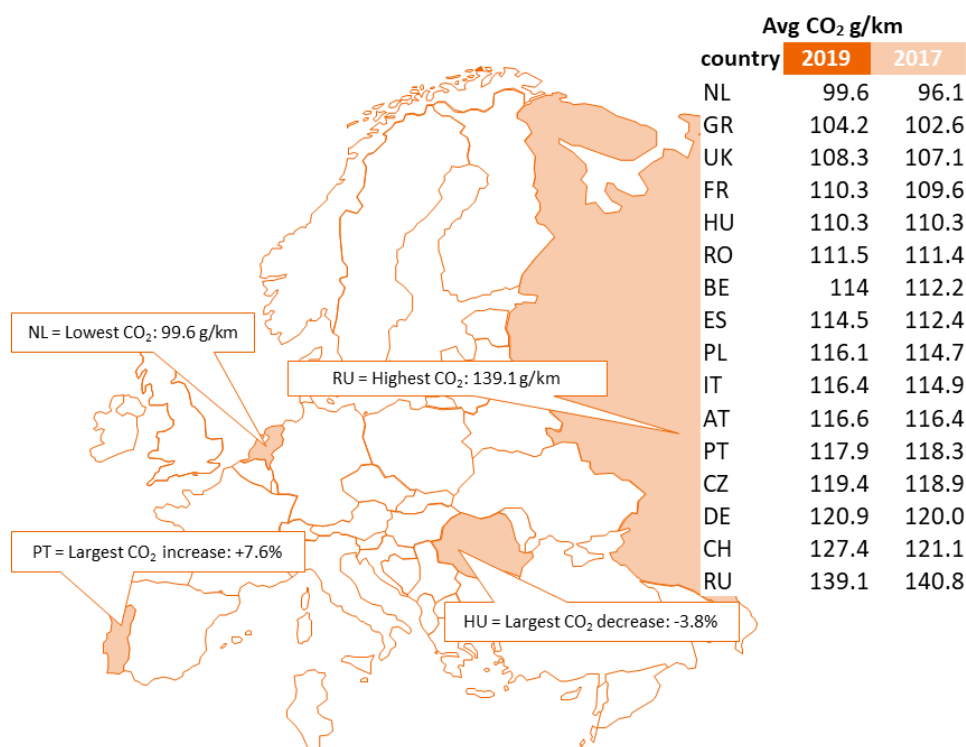
Average CO$_2$ trends

The average CO$_2$ emissions per vehicle in the pharma 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).

Although this trend is visible across all industries, the pharma industry has seen one of the highest increases: 4.9% (jumping from 113.9 CO$_2$ g/km to 119.0 CO$_2$ g/km at European level).

Looking at individual countries, the highest average (139.1 g/km)[6] can be found in Russia, but this was an improvement compared to 2017. The largest decrease was achieved by Hungary with a drop of 3.4% since 2017. The reason for this drop is that the petrol and diesel shares have decreased and have been largely replaced by PHEV (+6.9%). Portugal has seen the largest increase in CO$_2$ (+7.6%), but this is mainly due to its very high share of diesel vehicles in combination with WLTP. Meanwhile, the Netherlands still has the lowest average CO$_2$ (99.6 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 WLTP on CO$_2$ levels will be mitigated by the increasing appetite for BEVs, and the possible correlation with stronger financial incentives from governments.

	Avg CO$_2$ g/km	
country	2019	2017
NL	99.6	96.1
GR	104.2	102.6
UK	108.3	107.1
FR	110.3	109.6
HU	110.3	110.3
RO	111.5	111.4
BE	114	112.2
ES	114.5	112.4
PL	116.1	114.7
IT	116.4	114.9
AT	116.6	116.4
PT	117.9	118.3
CZ	119.4	118.9
DE	120.9	120.0
CH	127.4	121.1
RU	139.1	140.8

NL = Lowest CO$_2$: 99.6 g/km

RU = Highest CO$_2$: 139.1 g/km

PT = Largest CO$_2$ increase: +7.6%

HU = Largest CO$_2$ decrease: -3.8%

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[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 pharma industry in 2019 reveals an increase in SUVs and significant changes in the most popular car models since 2017. Despite a shift in popular models, there has been no significant change in the popularity of fuel types, with diesel still accounting for the bulk of the fleet. Hybrids are starting to become more popular, but BEVs have still not really caught on. In fact, average CO_2 levels have actually increased. While the introduction of WLTP and the increased popularity of SUVs are the main reasons for this increase, results from other industries show that it can be mitigated by large-scale adoption of BEVs.

The introduction of more governmental incentives to encourage drivers to choose BEVs will lead to a clear rise in this powertrain type in the coming years. 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 contact or LeasePlan Consulting at **ics@leaseplan.com.**

Annexe 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 Captur
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