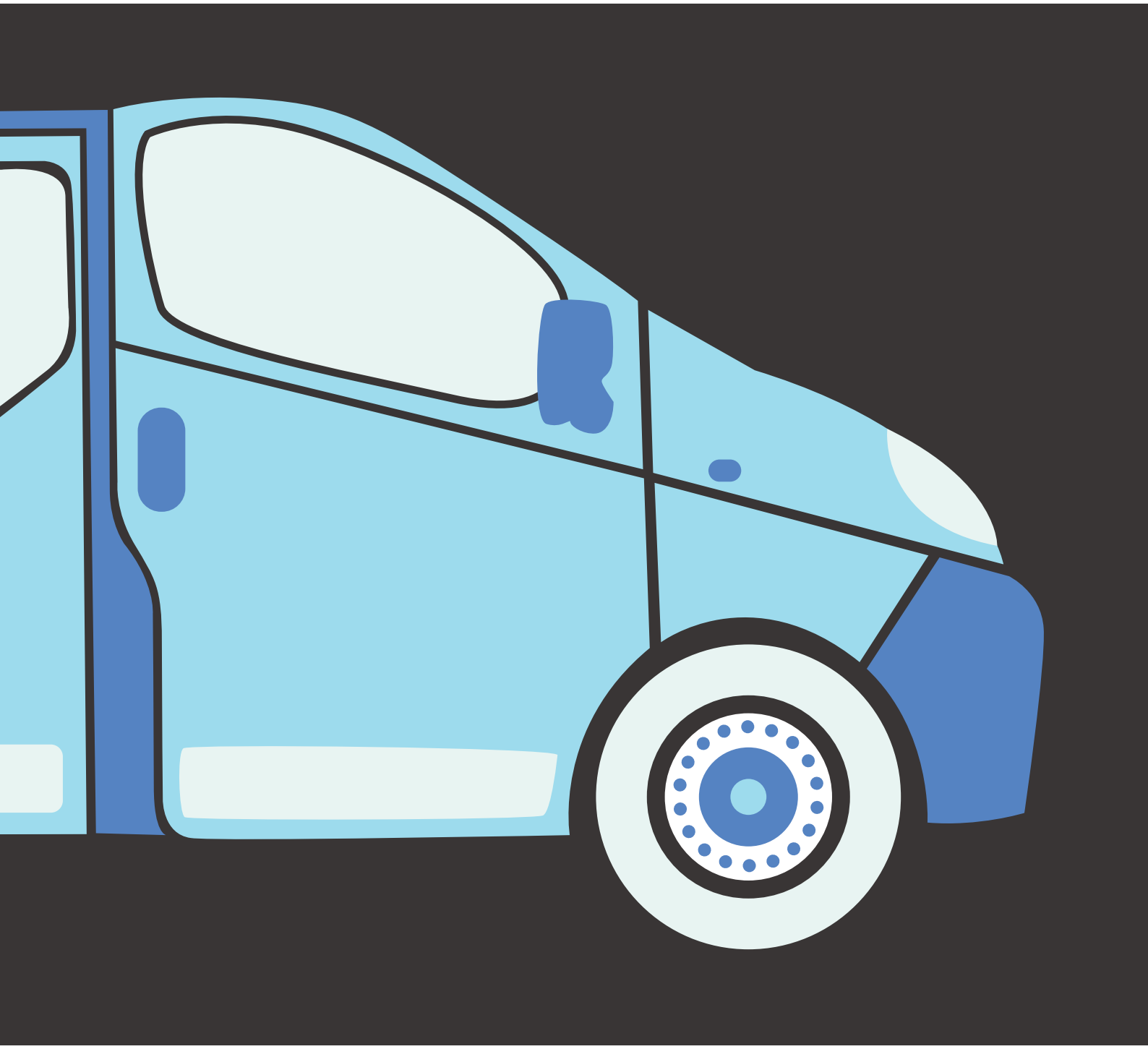
BT

Fleet Solutions



OPERATIONAL FLEET INSIGHT:

The 2017/18 Report

AA

CONTENTS

KEY STATISTICS

FOR ADVICE REGARDING THE MANAGEMENT OF THEIR FLEET OR WIDER MARKET TRENDS...

42% LOOK TO FLEET MANUFACTURERS

40% LOOK TO FLEET MANAGEMENT COMPANIES

62%

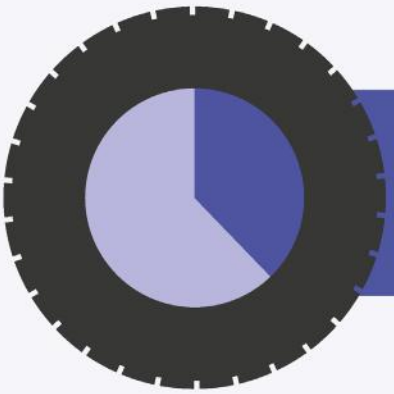
OF FLEET MANAGERS SAY THAT GETTING THE BEST PRICE OR DEAL IS A CRUCIAL CONSIDERATION WHEN PURCHASING OR LEASING VEHICLES FOR THEIR ORGANISATION

59% - ensuring vehicles are less likely to break down

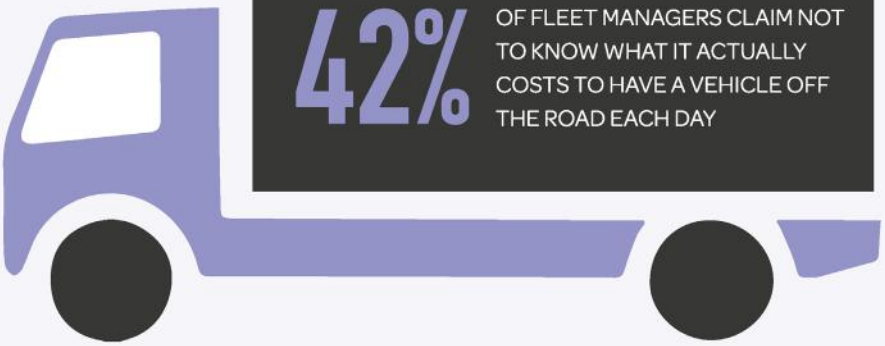
37%

OF FLEET MANAGERS ARE AWARE OF THE BVRLA PROPOSAL FOR A NEW INTERMEDIATE VAN LICENCE

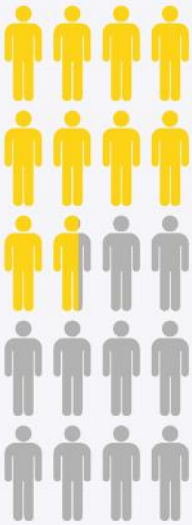
OF FLEET MANAGERS SUPPORT THIS



38% OF FLEET MANAGERS FEEL THAT MANUFACTURERS SHOULD BE LOBBYING FOR GREATER UPTAKE OF ELECTRIC VEHICLES



42% OF FLEET MANAGERS CLAIM NOT TO KNOW WHAT IT ACTUALLY COSTS TO HAVE A VEHICLE OFF THE ROAD EACH DAY



62% ARE AWARE OF THE GOVERNMENT'S RECENTLY PUBLISHED CLEAN AIR ZONE FRAMEWORK.

66% SUPPORT INTRODUCING MORE CLEAN AIR ZONES

47% OF FLEET MANAGERS FEEL THAT GOVERNMENTAL ORGANISATIONS SHOULD BE LOBBYING FOR GREATER INVESTMENT IN ELECTRIC VEHICLE INFRASTRUCTURE

94% CURRENT PROPORTION OF FLEETS USING DEISEL OR PETROL

74% PROPORTION OF FLEETS USING DIESEL/PETROL IN 5 YEARS TIME

30% CURRENT PROPORTION OF FLEETS USING ALTERNATIVE FUELS

63% PROPORTION OF FLEETS USING ALTERNATIVE FUELS IN 5 YEARS TIME

BT'S FLEET SOLUTIONS FOREWORD

Welcome to our second annual report on operational fleets. Once again, we are very proud to have partnered with the AA to bring you this industry-leading research into our fast-moving sector – working together, as one, to explore the changing dynamics of the fleet world.

Drawing on the success of last year's report and listening to what you found most useful, we have focused this year's research on sector-specific challenges spanning nine critical industries - challenges that fleets need to address to keep moving effectively. From an uncertain economic climate to emerging technologies and the advent of cleaner, more efficient vehicles, there are many factors that must be a focus for all of us over the coming year.

You will recognise recurring themes from our previous report, such as the impact of Brexit, clean air and downtime management. In uncertain times people are looking to fleet management companies for advice on how they can make efficiencies and comply with regulation.

It is promising to see that the industry is making movements into alternative and cleaner vehicle solutions, aligning with the government's strategy to reduce our carbon footprint. With clean air targets approaching, fleet operators will be looking to fleet management companies to help them reach this goal. As you read on, you'll see how this year signals an exciting and challenging future for all of us.

This report has a special significance for us this year, as we relaunch our business within BT Group, becoming Fleet Solutions. We are working closer than ever with the wider group to develop technologies and establish new opportunities. We have enjoyed working with the AA to compile this report and hope you find it just as enjoyable, enlightening and thought-provoking.

Henry Brace
Managing Director – Fleet Solutions, BT

AA FOREWORD

Following the success of last year's inaugural report, the AA is proud to once again co-sponsor the 2017 report with our friends at BT Fleet. With approximately 80% of all freight transported by road in the UK and with fleets of service vehicles keeping our country running, operational fleets are the driving force behind the British economy. This year we have focused on nine key industries to find out the main challenges and issues for their fleets.

It is of little surprise that Brexit is a major issue across all industries. While all believe that there will be some impact on their businesses once the UK finally leaves the EU, it is encouraging to see that many feel that any changes will be minimal. However, with business concerned about rising fuel costs and higher overall travel costs we hope the Government takes note of the concerns these industries have in order to make the post-Brexit transition as smooth as possible.

With air quality a more pressing public concern, some fleets are already stepping up to the challenge by moving away from fossil fuels and into new cleaner, greener solutions. But, with questions around payloads, range and supporting infrastructure there is still some way to go in order to help convert industries that regularly haul heavy loads across the country.

Having vehicles off the road can hit a business' bottom line, so it is important for fleets to manage and maintain their vehicles appropriately. But with two fifths of industries unclear about the impact of vehicle downtime, these businesses are unsure where to seek help to manage and guide their fleets.

All companies strive to keep their customers happy, keep their fleets on the road and ensure they play their part in keeping the economy moving. Although there are some challenges to overcome, the future looks bright providing the right support is provided to these industries. I hope you enjoy reading the report.

Edmund King OBE
AA president

OVERVIEW

The AA and BT's Fleet Solutions are undoubtedly two of the most highly regarded British business brands.

BT's Fleet Solutions represents the specialist fleet management arm of the BT Group which is responsible for managing over 120,000 vehicles for a set of high profile clients, including the AA, G4S, National Grid, Network Rail, Post Office and Thames Water.

BT's Fleet Solutions aligns itself with best practice in the fleet industry, consistently pushing the boundaries of technology, environmental awareness and service to ensure customers run their fleets in a responsible, effective manner, delivering cost savings in every identified area.

With a reputation for service quality and technical excellence, particularly for mission critical fleets, BT's Fleet Solutions have been recognised with multiple industry award wins, including the 2017 winner of Fleet Supplier of the Year at Fleet News Awards and the Innovation in Fleet Management at 2017 Fleet World Honours. This followed the success of a double win at the Commercial Fleet Awards in 2016 for Supplier of the Year and the Van/Truck Fleet Management Company of the Year respectively and the Customer Service award win at the Fleet News Awards.

The AA is frequently and consistently judged by independent measures to be the UK's best breakdown cover provider. Recently voted the UK's most trusted brand, the AA has strong industry reputation for delivering outstanding customer service and business to business expertise.

A Which? Recommended Provider for ten consecutive years, holder of countless fleet accolades and supplier excellence awards, the AA never rests on its laurels and is constantly investing and improving.

The AA recognises that in today's economic climate fleet managers have a responsibility to both improving company performance and a duty of care towards employees. In 2016 the AA invested £150m into its systems. A large proportion of this has gone into frontline services to improve its offer to fleet and SME customers.

The companies have enjoyed a long and successful relationship since the inception of their partnership in 1990, when The AA was appointed to manage BT's Fleet Solution LGV vehicles. After demonstrating its reliable and efficient service, the contract was extended to cover the LCV fleet in 2005.

Both companies have taken a collaborative approach to their working relationship, launching a number of initiatives, such as proactive clinics for operational fleets and repair improvement initiatives including battery guards. The relationship has also grown from initial maintenance on the recovery fleet to SMR on the 3000+ AA yellow resources.

Fleet efficiency: Integral to UK Plc's success

Keeping a fleet of cars, vans and trucks moving efficiently is crucial to the success of any business, and indeed, to the UK's economy. Understanding the fleet needs of the UK's diverse business landscape is critical to helping firms to achieve this goal.

In 2016, the AA and BT's Fleet Solutions first collaborated to provide the fully comprehensive industry review of the UK's operational fleet market to provide analysis on the everyday and long-term strategic challenges facing their customers. Designed to provide greater insight into the key issues facing UK businesses, the report focused on the rise of telematics and alternative fuelling, all reviewed within the framework of the UK's economic climate.

In-depth, sector-specific insights

The 2017 report drills deep into sector-specific data to provide detailed insights into the fleet challenges and opportunities facing nine leading industries. These include the public sector, transport and logistics, secure transit, utilities, manufacturing, business services, construction and facilities management, IT and telecoms and finally, SMEs, a sector rapidly growing in diversity and significance in the fleet world, for whom operational fleets must run with a ruthless efficiency.

Key influencers and industry trends

The factors driving buying preferences in each industry are identified for all participating vertical sectors, with some surprising results. Indeed, cost alone is no longer the dominant influencer behind purchase or lease decisions.

Fleet managers and decision makers divulge who they rely most heavily on to gain advice on managing their fleet or wider market trends, identifying the bodies they are more likely to turn to for industry guidance.

Current and forecast future fuel usage are evaluated sector by sector, as fleet managers reveal the technologies they are most likely to take up in five years' time.

A new intermediate licence?

In an insight of industry appetite for progress and change in the field of driver education and training, the report reveals just how many businesses are aware of industry body calls for the introduction of a new intermediate licence to sit between the driving and HGV O-licences. The businesses most and least likely to support such a proposal, which forms part of a campaign run by the British Vehicle Rental and Leasing Association (BVRLA), are also noted.

An unparalleled industry understanding

As sector thought leaders, the AA and BT's Fleet Solutions have an unparalleled understanding of the breakdown and fleet industries and the issues and opportunities facing their customers. This report delivers substantial value to a broad cross section of British business, helping the fleet sector to learn from cross-sector experience and practices.

EXECUTIVE SUMMARY

In 2017 the operational fleet market feels like it is in a slight holding pattern. The impact of Brexit is yet to be fully felt, but faced with uncertainty around the future, fleet managers are focused on delivering a reliable service and maximising value from their fleets.

Fleet managers feel that new technologies offer the promise of greater efficiencies in both logistics and long term cost savings through the continued implementation of detailed telematics within their fleets.

Increasingly, fleet managers have an eye on the future and particularly new electric, hybrid and alternative fuel sources, which can allow them to be future-proofed against any new regulations and provide wider CSR benefits.

As this report will demonstrate, despite many facing individual challenges within the sectors they operate in, many fleet managers are looking for strategic partners from both within and outside the fleet industry to provide support, assistance and guidance around their fleet and future market trends.

Our research found that in each sector we researched, an organisation's fleet is the backbone of the company. Whether vans are a means of allowing drivers to get to and from a site where they can provide a service, or whether the vans themselves are the mechanism for delivering products, the efficient functioning of the fleet is vital.

The biggest challenge for any fleet manager, regardless of fleet size, is ensuring that their vans are on the road and in good condition. Time spent off the road is money lost.

The importance of ensuring the reliability of a fleet, filters through to almost all decisions that managers make, from purchasing to maintenance, and is factored in to planning for future developments.

This chapter explores the major issues which affect all fleet managers and decision makers across the industry; what the biggest challenges are and what lies behind many of the decisions that they make.

The following chapters focus on the individual nuances between the different sectors featured in this report.

MARKET OVERVIEW

Purchasing

When considering what is most important to them when purchasing or leasing vehicles for their organisation, 59% of fleet managers said that ensuring vehicles are less likely to breakdown is a crucial consideration, second only to getting the best price or deal (62%).

This is not surprising, as an unreliable fleet causes a wealth of problems. Not only do customers suffer from receiving poor service, but many of the sectors we researched are set stringent targets by their industry regulator. The failure of a fleet to deliver a reliable service can have significant knock-on effects on meeting these targets.

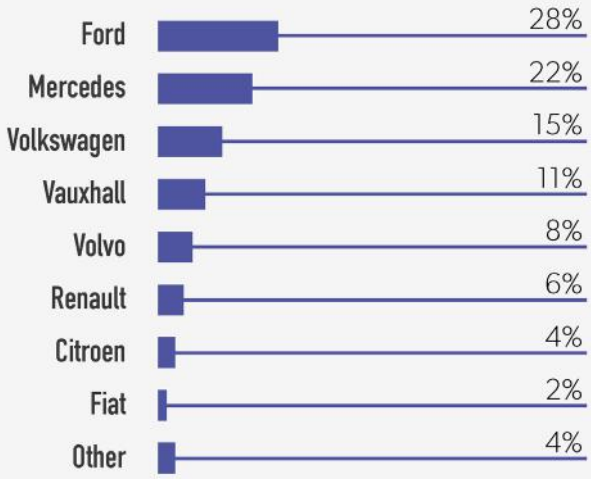
> "WE ARE VERY FOCUSED ON THE COMMITMENTS THAT WE MAKE TO OFCOM, ESPECIALLY TO REDUCE MISSED APPOINTMENTS. THIS IS VERY, VERY MUCH AT THE TOP OF THE AGENDA"
>
> - IT & TELECOMS

When making purchasing and leasing decisions, the choice of manufacturer is crucial. Fleet managers and decision makers want to choose a manufacturer they can trust, whilst purchasing the right vehicle is seen as crucial to ensuring as little vehicle downtime as possible. A quarter of fleet managers say that purchasing new vehicles on a regular basis is a key way of trying to reduce vehicle downtime within their fleet.

Across the different sectors, Ford is the most popular manufacturer this year. Fleet managers choose Ford for reliability and good customer service. Generally, fleet managers also see Ford vehicles as slightly cheaper to repair and maintain than Mercedes vehicles. Purchasing vehicles that are knowingly cheaper to repair is another key way (19%) of attempting to reduce time spent off the road.

Preferred Manufacturer

Q: When leasing or purchasing operational vehicles for your organisation, which one of the following would you say is your preferred manufacturer?



Base: 514 fleet managers Source: Populus research 2017

> "FORD PRODUCE GOOD QUALITY, RELIABLE VEHICLES AND UNDERSTAND OUR BUSINESS REQUIREMENTS"
>
> – BUSINESS SERVICES

As the second most popular manufacturer, Mercedes come well-recommended for vehicle quality and are the most popular manufacturer within the Transport & Logistics and IT & Telecoms sectors. Although Ford is the most popular manufacturer within the SME sector, the vehicle quality and brand attributes associated with the Mercedes badge mean that Mercedes vehicles are often chosen by SMEs working in areas where presenting a professional or high-end image is important – e.g. bespoke furniture makers or transport and chauffeuring.

For managers and decision makers in large fleets, the purchase and leasing of vehicles is a detailed and rigorous process involving discussions with a wide variety of internal stakeholders from across the business, as well as driver buy-in. A tender process is often run hand-in-hand with procurement after lengthy internal conversations regarding vehicle specification. The exact nature of the tender is then worked out based on what the existing requirements are and what improvements can be made.

Exact requirements differ across various sectors with sectors. Secure Transit for instance have bespoke requirements that limit the number of suppliers they can tender to. Driver input is valued and usually inputted into the process through line-mangers or specific working groups. Overall, 73% of all fleet managers and decision makers say that the drivers within their fleets are consulted when decisions are made that affect them. For smaller businesses, driver input is crucial as fleet managers in SMEs often have to deal with drivers directly and have to deal with complaints regarding elements of driver comfort.

Strategic Partnerships

The outcome of the most successful tendering processes result in a strategic partnership with manufacturers, suppliers, fleet management companies and leasing partners.

> "WHAT WE WANT WITH A SUPPLIER IS A STRATEGIC RELATIONSHIP, AND LOTS OF SUPPLIERS AND LOTS OF FLEET MANAGERS WILL CLAIM THAT THEY'VE GOT A STRATEGIC PARTNERSHIP, BUT THEY'RE QUITE HARD TO ESTABLISH IN REAL TERMS"
>
> – PUBLIC SECTOR

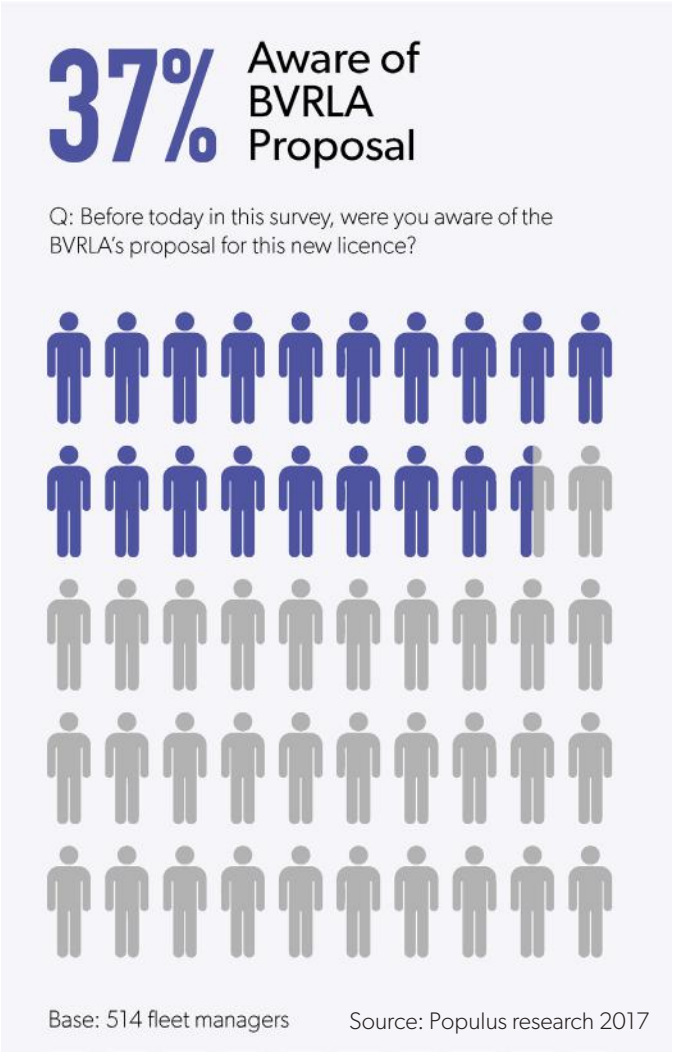
Fleet managers and decision makers have a variety of different areas of focus their own organisations. Due to a shortage of time, they sometimes look to external assistance from partners to help them navigate many of the opportunities and challenges that take place within the wider fleet industry.

A third (34%) of fleet managers say that their role is entirely or more often focused on the day-to-day operation of their fleet, with a further third splitting their time equally between the day-to-day and longer term strategy. These fleet managers often simply do not have the time to think as strategically as they would like.

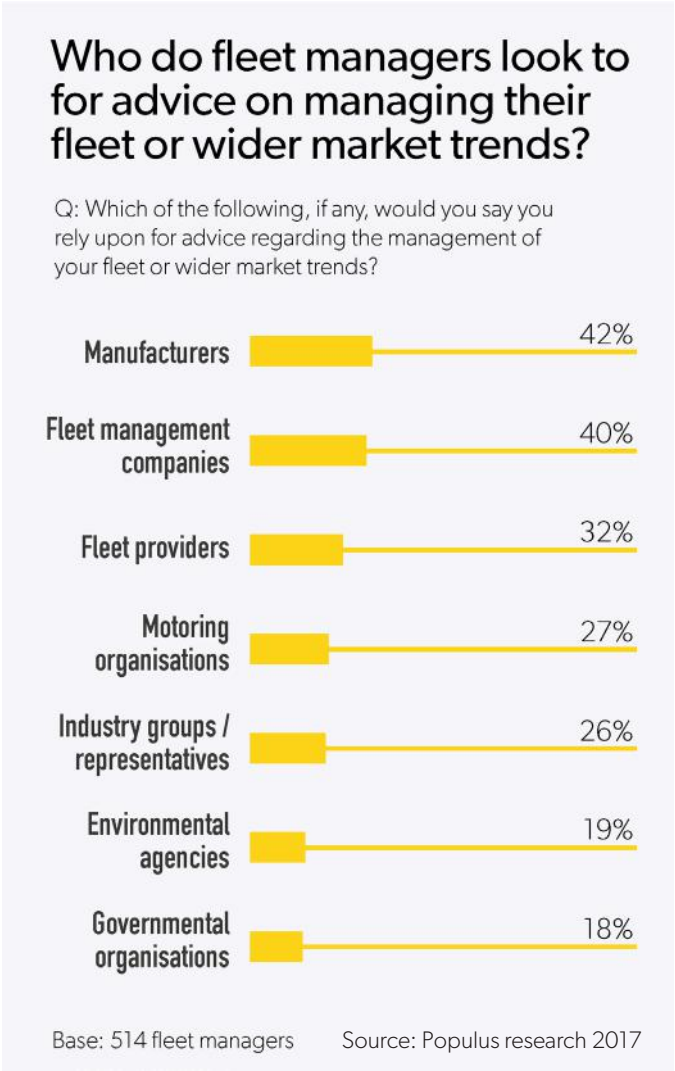
It is hard therefore for many fleet managers to keep abreast of wider market trends such as alternative fuels, new regulations, electric vehicles and the impact of Brexit. It is here that a strategic partnership can provide real benefits.

BVRLA proposal for a new intermediate licence

A key area where strategic partnerships and advice would be especially helpful for fleet managers is in the area of regulatory compliance. The BVRLA has recently called for a study on the safety and operability of the current system of van regulation, as well as the introduction of a new intermediate license sitting between the driving licence and LGV O-licence. Across all fleet managers surveyed in this report, only 37% were aware of the BVRLA's proposal for the new license.



It is clear that fleet managers look to a wide range of sources for advice on managing their fleet and wider market trends. Whilst manufacturers (42%), fleet management companies (40%) and leasing partners (32%) are most common, others typically mentioned include motoring organisations (27%), industry groups (26%) and governmental organisations (18%).



Although cost is a key consideration for fleet managers when considering purchasing or leasing new vehicles, value is the true consideration. While fleet managers don't want to pay more than they have to, in any contract they often look for the right package which is made up of a number of different factors.

"IN THE TENDER PROCESS WE HAVE TO SET OUR STALL OUT SO THAT THEY [MANUFACTURERS AND SUPPLIERS] ARE ABLE TO SHOW US THE KIND OF PROFIT THEY'RE MAKING THAT'S REASONABLE, BUT THAT THEY'RE ALSO DELIVERING THE SERVICE THAT WE WANT THAT GIVES US THE MOST VALUE. IT BECOMES A CONSTANT CHALLENGE IN THE CURRENT MARKET. HOW DO WE GET THE BEST FROM THE MANUFACTURERS, AND GET WHAT WE WANT? I THINK WE CONSTANTLY HAVE TO LOOK FOR NEW WAYS OF FORMING THESE STRATEGIC PARTNERSHIPS SO THERE'S A BENEFIT TO BOTH PARTIES"

– PUBLIC SECTOR

"WE DO A COMMERCIAL EVALUATION. WE ALSO LOOK AT ENVIRONMENTAL FACTORS. WE ALSO LOOK AT THE SAFETY ASPECT OF WHAT WE'RE PURCHASING AND WE ALSO OBVIOUSLY LOOK AT IN LIFE SERVICE AND IN LIFE CUSTOMER CARE. [IT IS VITAL THAT] WE MAKE SURE THAT WE DON'T JUST BUY SOMETHING FOR A CHEAP PRICE AND AFTERWARDS FIND VEHICLES ARE NOT SERVICED OR NOT REPAIRED PROPERLY OR QUICKLY ENOUGH"

– UTILITIES

Electric vehicles and alternative fuel sources

Fleet managers want more information and thought leadership around the uptake of laternative fuel sources within their operational fleets, specifically around low emission and electric vehicles.

Currently, 94% of fleets consist of diesel or petrol fueled vehicles. Diesel is still widely accepted as the best fuel for long-distance journeys and for and transportation outside of major cities.

> "IT'S HARD BECAUSE DIESEL, IF YOU ARE DOING DISTANCE, DOES OFFER GOOD VALUE IN TERMS OF DISTANCE FOR MILES PER GALLON. DIESEL ENGINES CAN GO A LONG WAY ON A TANK"
>
> – SECURE TRANSIT

However, fleet managers and decision makers are coming under increased pressure to think about alternatives to diesel and petrol, such as hybrid-electric vehicles, fully electric vehicles, bio-diesel and LPG. Whilst at the moment the switch from diesel and petrol to alternative fuels for the majority of vehicles in the fleet feels a long way off, twice as many fleet managers believe that in 5 years time they will be using alternative fuel types in some capacity.

> "DIESEL IS BECOMING PUBLIC ENEMY NUMBER ONE. IT'S BECOMING VERY UNPOPULAR. IF YOU THINK ABOUT CENTRAL LONDON, WITH THE REGULATIONS COMING IN, AT THE MOMENT WE'RE ON EURO 5, SOON EURO 6 IS COMING IN"
>
> – SECURE TRANSIT

The regulatory squeeze on emissions is forcing fleet managers to look at the long term composition of their fleets. For example, from 23 October 2017, vehicles in central London will need to meet minimum exhaust emission standards, or pay a daily £10 Emissions Surcharge (also known as the Toxicity Charge, or T-Charge). This will be in addition to the existing Congestion Charge.

The reduction of emissions is also becoming a focus for large cities outside the capital. For example, Transport for Greater Manchester has developed the Greater Manchester Low-Emission Strategy and Greater Manchester Air Quality Action Plan. There is a feeling among fleet managers that the advent of new city mayors will drive increasing regulation in major cities in the UK, however the concern is that emissions targets will be different across the UK. Ultimately, fleet managers feel under pressure to ensure that their fleets are future-proofed to be able to comply with any targets that are brought in in the future. This is a particularly big issue for large fleets who operate across the UK.

Current & future fuel composition

Q: Which of the following fuel types does your fleet currently consist of?

Q: Thinking now about the composition of your fleet in five years' time, which of the following fuel types, if any, would you expect your fleet to consist of?

	Diesel or Petrol	Any Other*
Now	94%	30%
	-20%	+33%
5 years time	74%	63%

*(EVs, PHEVs, Bio-Deisel, LPGs, Hydrogen Cells)

Base: 514 fleet managers

Source: Populus research 2017

"WE'RE LOOKING AT ALL THE CITIES AT THE MOMENT. LONDON HAS ALREADY GOT AN EMISSION ZONE, NEXT THING BIRMINGHAM WILL HAVE ONE WHICH WILL PROBABLY BE DIFFERENT TO LONDON KNOWING THE WAY WE WORK IN THE WORLD AND THEN MANCHESTER WHICH WILL BE DIFFERENT TO BIRMINGHAM"

– TRANSPORT AND LOGISTICS

As well as ensuring that their fleets comply with existing regulations and reduce diesel and petrol emissions further, fleet managers are also looking for guidance from partners and suppliers about the latest developments in alternative fueling, specifically around electric vehicles.

Although fleet managers and decision makers feel that electric vehicles will make up a larger proportion of their fleets in the future, there are a number of large barriers that need to be overcome before they can be truly be a long-term solution.

In sectors such as Utilities and Transport & Logistics, vehicles need to be able to cover long distances and often reach very rural areas. Simply put, the infrastructure doesn't currently exist to make this electric vehicles a viable alternative to diesel and petrol vans.

"WE'VE HAD A COUPLE OF ELECTRIC VEHICLES, BUT WE'VE HAD PROBLEMS WITH CHARGING AND NOW WHEN YOU LOOK AT THE VEHICLES THAT ARE AVAILABLE IN THAT COMMERCIAL SPACE, IT'S NEXT TO NOTHING. THAT'S WHY THERE'S A REAL CONTENTION FOR US ABOUT WHERE WE WILL INVEST. WHAT SHALL WE BE DOING NOW? WHERE'S THE NEXT THING?"

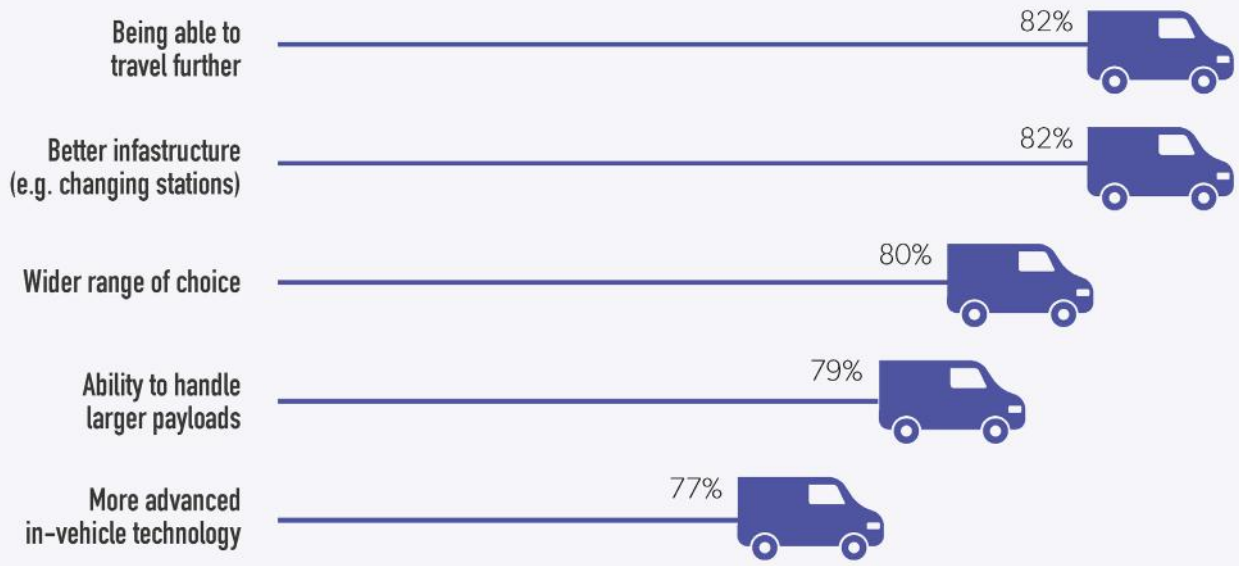
– IT & TELECOMS

Many of the fleet managers and decision makers interviewed for this report have trialled small numbers of electric vehicles as part of their fleet in order to learn more about the viability of the vehicles as part of their fleet. Generally, they have found a use for these vehicles for short, urban routes but have decided that there are still too many barriers in place to make them a viable option at the moment. Chief among the barriers to use are the distance that the vans are able to travel and the lack of sufficient infrastructure.

The appetite for adoption of electric vehicles is there in the market, if the vehicles available were able to cope with their specific operational requirements. 82% of all fleet managers say that if electric vehicles could travel further, they would be more likely to incorporate them within their fleets, whilst a similar number would be driven by better infrastructure (82%), range of choice (80%) and larger payload capability (79%).

What would make people more likely to adopt Electric Vehicles?

Q: To what extent would each of the following make you more likely to incorporate electric vehicles within your fleet?



Base: 507 fleet managers (excluding those that only have electric vehicles currently in their fleet) Source: Populus research 2017

There is an element of frustration within the operational fleet market about the lack of progress with the development of alternatives to diesel vehicles. Fleet managers can feel under pressure investigate alternative fuel sources, but either don't currently have enough information to make strategic decisions, or feel that the government, manufacturers and suppliers are not pushing the agenda forward quickly enough.

There is an appetite for the government especially, to push for greater electric vehicle infrastructure across the UK, with 47% of fleet managers believing they should be responsible. There is a sense among fleet managers that if tougher emissions targets are to be introduced then the government should be leading the way to make it easier to use alternative.

Some government grants are available, and have been taken up by fleet managers in the public sector, to build more charge points and develop more infrastructure for electric and low carbon vehicles. However, generally speaking fleet managers across different sectors feel that the government needs to take a lead providing the infrastructure that will make electric vehicles a reality.

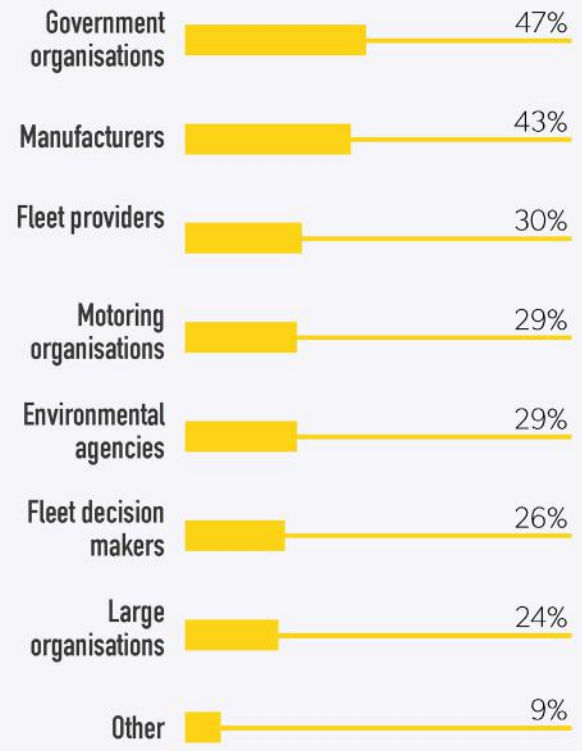
Many fleet managers believe that some of the current government regulations on vans are not necessarily consistent with the widespread take-up of electric vehicles. For example, the weight of the battery in an electric vehicle can substantially reduce the overall payload of the vehicle, reducing it's overall usefulness.

"ON ELECTRIC COMMERCIAL VEHICLES, THE CHARGER AND THE BATTERY WEIGHS A LOT, THEN IT EATS INTO THE THREE AND A HALF TONS, SO YOU CAN'T CARRY AS MUCH. THERE'S BEEN A PETITION FOR THE GOVERNMENT TO FLEX THE THREE-AND-A-HALF TONS ON ELECTRIC COMMERCIAL VEHICLES TO COMPENSATE FOR THE WEIGHT OF THE BATTERY VERSUS THE PAYLOAD"

- SECURE TRANSIT

Who should be lobbying for greater investment in Electric Vehicles infastructure

Q: Which of the following organisatoins, if any, do you feel should be lobbying for greater investment in the infrastructure for electric vehicles (e.g. charging stations)?



Base: 514 fleet managers Source: Populus research 2017

Fleet managers are also looking to manufacturers and suppliers to provide them with more options when it comes to procurement and purchase. They want deep strategic partnerships with manufacturers and suppliers who will understand their business and their fleet needs and then be able to make more informed suggestions about the role that electric and alternative fuel vehicles can have within their fleets.

There is also desire amongst fleet managers to see manufacturers taking the lead on delivering greater investment in electric vehicles in-vehicle technology and campaigning for greater uptake of electric vehicles overall. There is a belief that if there was widespread, industry-level demand for electric vehicles then the manufacturers would respond with better solutions. However individual fleet managers often feel relatively powerless to assert such pressure. Instead they feel like manufacturers will only take the lead if industry bodies or leasing and service bodies begin requesting improved solutions.

> "I FEEL THE MANUFACTURERS AREN'T BEING PRESSURED TO ENHANCE THEIR BATTERY AND THEREFORE WE'RE NOT BUYING THEM AS PEOPLE IN THE INDUSTRY. IF SOMEONE MASSIVE SAID I'LL BUY 50,000 TRANSITS IF THEY DID 100 MILES ON THE BATTERY AND IT DIDN'T AFFECT MY PAYLOAD I'M GUESSING FORD WOULD ENGAGE IN DEVELOPING THAT SORT OF TECHNOLOGY"
>
> – TRANSPORT & LOGISTICS

There is also a frustration about the opportunities that are afforded by other fuel sources and hybrid vehicles. Again, fleet managers show an appetite to adopt these vehicles if they could cope with their operational needs. However, they feel like the operational fleet market in the UK is currently in a period of stasis. Some fleet managers pointed to developments in Europe around improved Hydrogen fuel infrastructure as an example of the UK being left behind when it comes to investment in other fuel sources. Currently, just 2% of fleets claim to be using hydrogen-fuelled vehicles in some capacity, with little sign of this increasing in the near future.

The impact of Brexit

The Operational Fleet Insight: 2016/2017 report found that 55% of fleet managers were feeling positive about the impact of the 2016 EU referendum. A year on, the industry is still waiting for the true impact of Brexit to be felt.

The fallout from Brexit is still to become apparent in terms of regulation and future emissions targets and compliance. The response of most fleet managers is to continue with business as usual until the picture becomes a little clearer. Many larger companies are still trying to process the impact of Brexit through their risk teams, with fleet managers waiting to take their leads from overall company policy.

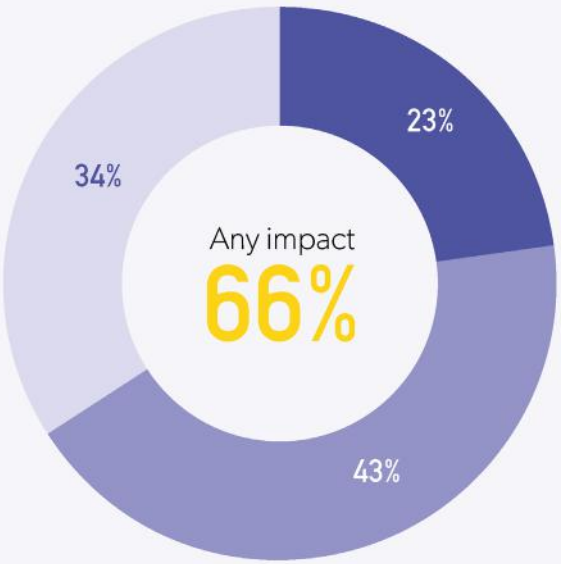
> "NO, I THINK SHORT-TERM WE'RE NOT GOING TO SEE ANY GREAT CHANGE IF I'M ENTIRELY HONEST. I THINK THERE'S MORE CONFUSION AROUND BREXIT TO COME. YOU TAKE LEGISLATION, WE'LL PROBABLY CARRY ON WITH THE EUROPEAN LEGISLATION, THERE'S NO REASON WHY WE SHOULDN'T, EVEN IF WE'RE NOT IN EUROPE BUT WHAT YOU ARE GOING TO GET IS A DISTANCE SPLIT. AS EUROPE MODIFIES OVER THE YEARS WE WILL PROBABLY NOT; SO FIVE OR TEN YEARS DOWN THE ROAD YOU MIGHT HAVE A VOID IN DRIVING REGULATIONS BECAUSE THE EU HAVE MODIFIED AND WE'VE DONE OUR OWN THING. THEREFORE THE COSTS OF THE TRANSPORT, OUR DRIVERS GOING BACK INTO EUROPE AND VICE VERSA THAT MAY BECOME A HEADACHE. I THINK SHORT TERM, I DON'T REALLY SEE IT BEING A MASSIVE IMPACT."
>
> – TRANSPORT & LOGISTICS

34% of fleet managers reported that they have felt no impact at all from Brexit so far, while under a quarter have felt a significant impact. There isn't an expectation that the impact of Brexit will take effect imminently, with only 9% of those so far unaffected expecting to experience a significant impact from Brexit in the next 12 months. There is a sense that as the overall impact of Brexit settles, the issues that affect fleet managers most, will not be the highest priority for the government to sort out in the short term.

Impact of Brexit so far

(all respondents)

Q: To what extent do you feel that the vote to leave the EU has affected anything concerning your organization's fleet thus far (e.g. how it is managed, acquisition of vehicles, etc.)?

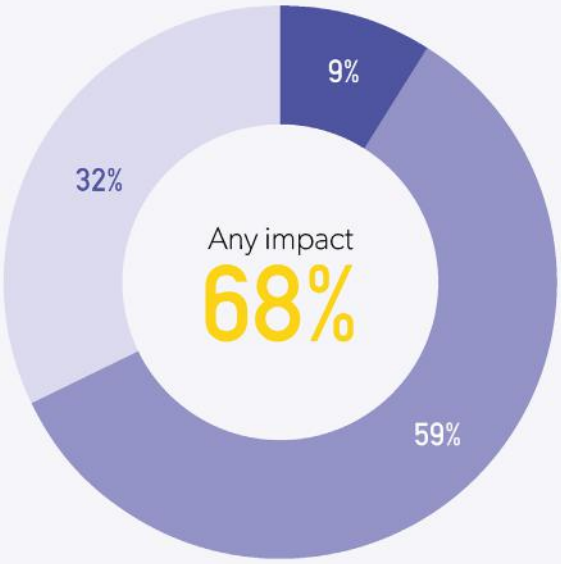


Base: 496 fleet managers (excluding those that 'do not know')

Expected in next 12 months

(those answering slight or no impact)

Q: To what extent do you expect the vote to leave the EU will have an impact on your organization's fleet in the near future (i.e. the next twelve months)?



Considerable impact | Slight impact | No impact at all

Base: 368 fleet managers for whom the vote to leave the EU has affected anything concerning your organisation's fleet thus far (excluding those that 'do not know')

Source: Populus research 2017

43% of fleet managers have felt a slight impact from Brexit over the last 12 months, which tends to be the result of rising prices, both in fuel (29%) and travel (39%) costs. The impact of a weakening pound has resulted in costs rising from manufacturers too, with fleet managers reporting that purchasing, service and maintenance agreements they have with manufacturers have become more expensive over the last 12 months due to the exchange rates. As of yet however, this does not appear to have had a significant impact on the number of vehicles fleet managers are generally acquiring, or retaining within their fleet.

With companies trying to maintain business as usual, but applying pressure to make efficiencies where possible, some fleet managers are reporting that they are having to reduce the level of service and maintenance agreements that they are taking out with manufacturers in order to maintain costs.

> "MANUFACTURERS HAVE BEEN PUSHING BACK TO US SAYING, 'WELL, WE ARE GOING TO RENEGOTIATE THE CONTRACT WITH YOU. AT POINT X WE AGREED THESE PRICES, BUT NOW BECAUSE OF BREXIT AND BECAUSE OF THE EXCHANGE RATE WITH THE DOLLAR, THE PRICES ARE HIGHER.'"
>
> – IT & TELECOMS

DEEP DIVE, SECTOR FOCUS


POL

PUBLIC SECTOR

Fleet managers who operate in the public sector feel they have a responsibility to spend tax payers' money responsibly and need to extract maximum value from all their service and procurement contracts.

Whilst all fleet managers are under substantial pressure to ensure that they deliver the most value to their business, fleet managers in the public sector feel under the most scrutiny. 75% of fleet managers report that their decision making is heavily scrutinised within their organisation, the highest of any sector. They also feel under scrutiny from external sources with 58% of those surveyed saying that they feel that their decision making is heavily scrutinised from outside their organisation (compared to 50% industry average). There is a heavy responsibility associated with spending public money.

Q: To what extent do you agree or disagree with the following statements?

77% of Public Sector fleet managers feel their decision-making is heavily scrutinised within their organisation, highest of all verticals (61% average)

60% feel their decision-making is heavily scrutinised outside of their organisation, (vs. 49% average)

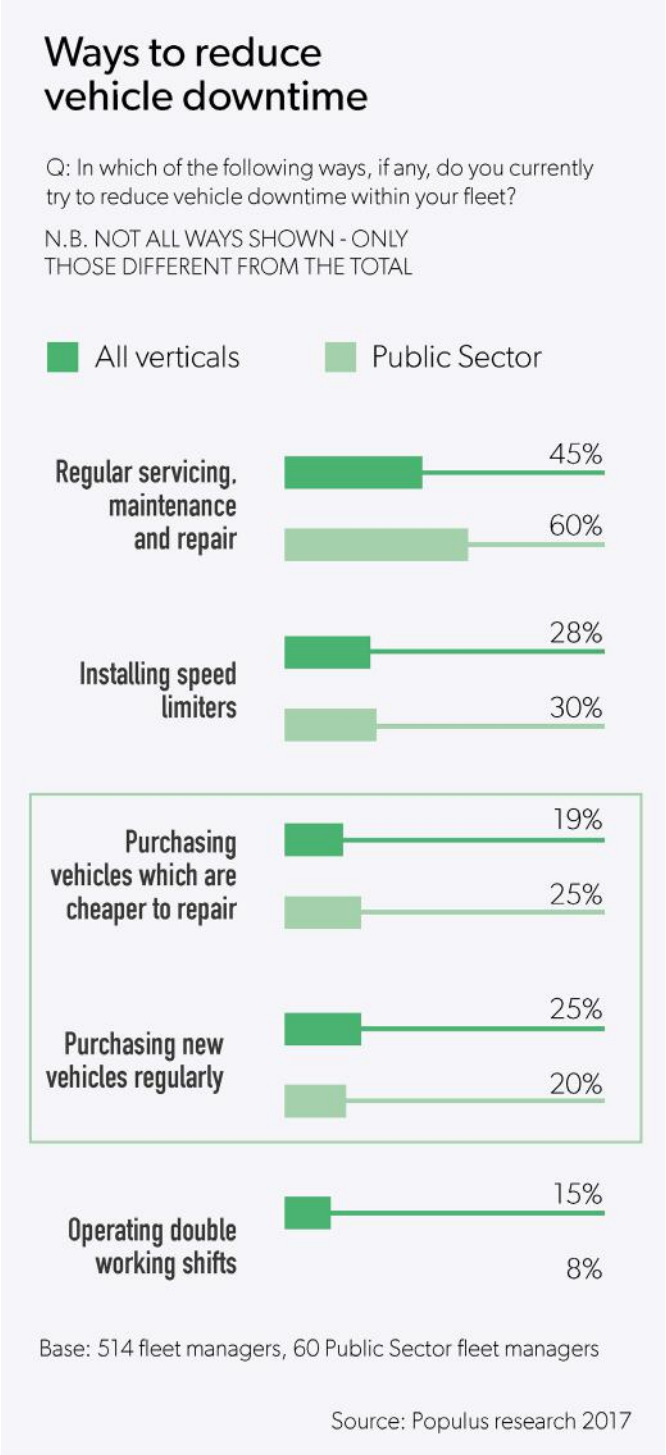
Base: 514 fleet managers

Source: Populus research 2017

"BEING A GOVERNMENT AGENCY WE NEED TO MAKE SURE THAT WE'RE ABLE TO MAKE BEST USE OF EVERY POUND WE SPEND. WHILST WE'RE ALL UNDER PRESSURES TO MAKE THOSE EFFICIENCIES, IT MEANS THAT WE HAVE TO REALLY MAKE SURE THAT OUR CONTRACTS AND OUR SUPPLIERS ARE DELIVERING WHAT THEY SAID THEY WOULD DELIVER AT T HE PRICE THEY SAID, AND WE'RE ACHIEVING VALUE FOR MONEY."

– PUBLIC SECTOR

Delivering value also means ensuring that there is as little vehicle downtime as possible. 60% of public sector fleet managers say that they try and reduce vehicle downtime throughout their fleet through regular servicing, maintenance and repair, much higher than the industry average of 45%. Repair and upkeep of vehicles is a key way of ensuring that their vehicles stay on the road longer and they deliver maximum value. Whilst a quarter of all fleet managers across all sectors say that they reduce downtime through regular purchase of new vehicles, only 20% of public sector fleet managers see this as a key tool. Instead the focus in the public sector is on purchasing vehicles that are cheaper to repair, with 25% reporting that this is a way of reducing downtime against a 19% industry average.



Public sector fleet managers also feel that they have a responsibility to lead the way on alternative fuel sources and electric vehicles. As part of publically funded bodies, 30% of fleet managers say that they look to government organisations for advice on wider industry trends, which is much higher than the fleet industry average of 12%. Despite government support, fleet managers within the public sector can feel a little stymied because of what they perceive to be the lack of electric and alternative fuel options available from manufacturers, something which is also common in other sectors.

Whilst barriers such as battery life and payload are common reasons given for the slow switch over to electric vehicles, some public sector fleet managers are taking advantage of available government subsidies to help them develop the infrastructure that could make electric vehicles a more viable option in the future. The installation of charging points could have the additional benefit of being available to the public as part of some of the grant conditions, although this does pose some questions for the public sector around security.

"WE'RE WORKING WITH SUPPLIERS AND MANUFACTURERS TO LOOK AT THE VAN MARKET, SAYING, 'WHAT ARE THE ALTERNATIVES THAT ARE COMING UP THAT MIGHT HELP US REPLACE SOME OF OUR DIESEL VARIANTS WITH EITHER PURE ELECTRIC OR A HYBRID ELECTRIC MIX?'"

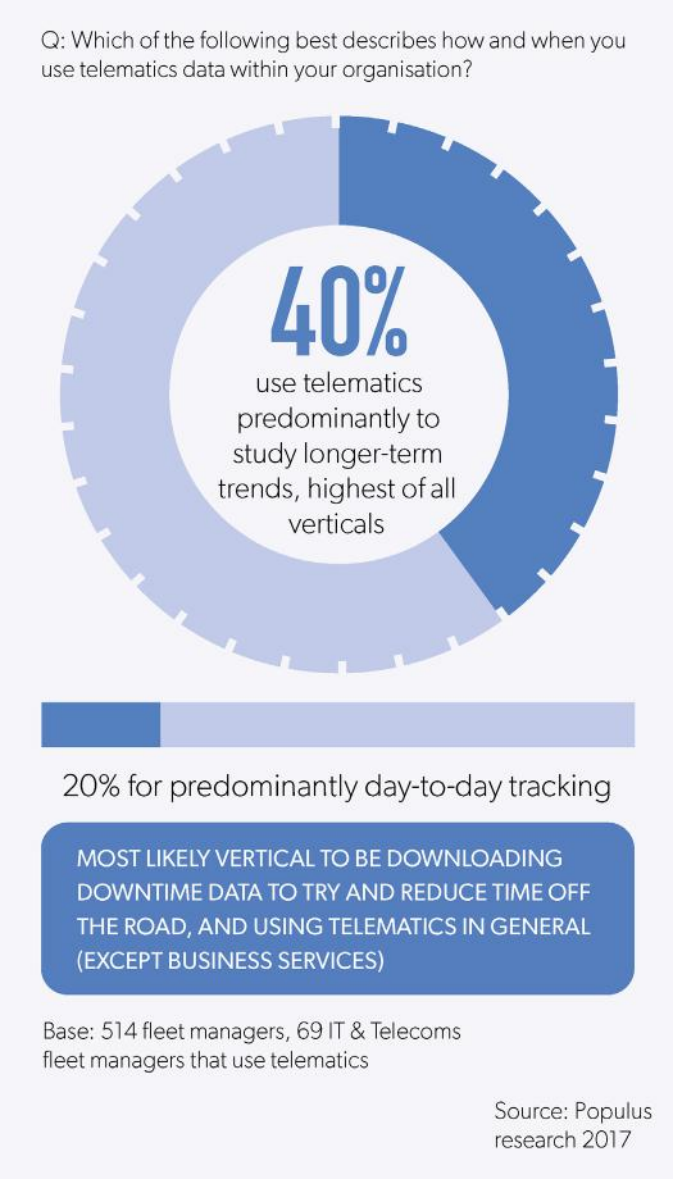
– PUBLIC SECTOR

"THERE WAS A GRANT AVAILABLE TO GOVERNMENT DEPARTMENTS WHICH WAS LED BY THE OFFICE FOR LOW EMISSION VEHICLES. I THINK IT WAS BARONESS KRAMER WHO WAS THE TRANSPORT MINISTER AT THE TIME WHO SAID THAT, 'IF WE WANT PEOPLE TO MOVE OR FLEETS TO A LOW CARBON WAY OF WORKING, THE GOVERNMENT NEEDS TO LEAD THE WAY. GOVERNMENT DEPARTMENTS AND GOVERNMENT AGENCIES NEED TO LEAD THE WAY.'"

– PUBLIC SECTOR

IT & TELECOMS

Working in the IT & telecoms industry, many fleet managers and decision makers want to keep up with the latest trends in technology. Fleet managers and decision makers report that technology helps maximise the efficiency of their fleets and focus on strategic decisions. Indeed 40% of IT & telecoms fleet managers and decision makers say that they focus entirely or more often on longer-term strategy, the highest of any sector (vs. 34% across the industry).



Again, the wide variety of data that telematics solutions can offer is sometimes an issue for fleet managers. However, working in this sector they often are advanced in their telematics use. This report found that some fleet managers have hired data integrity managers to enable them better to manage their data providing them with greater strategic direction and helping management decisions on a day to day basis.

The use of data is an ongoing and evolving area of focus with managers and decision makers constantly refining and improving how data is used within the business.

> "WE STARTED WITH THE BASIC TELEMATICS, AND THEN AS TECHNOLOGY HAS IMPROVED SOME OF THE LATEST DEVICES ALLOW US TO LOOK AT DIFFERENT METRICS WITHIN THE VEHICLE. THE NEXT ROUND OF TELEMATICS WILL BE WHAT CAN WE DO TO LOOK AT PROACTIVE MAINTENANCE, RATHER THAN REACTIVE, BASED ON ERROR CODES THAT ARE BEING PRODUCED BY THE VEHICLES. SO IT'S A CONTINUALLY EVOLVING AREA OF WORK"
>
> - IT & TELECOMS

Hand in hand with advanced use of telematics data comes engagement with drivers. Fleet managers report that, in order to successfully integrate telematics data within their fleets, they have engaged with drivers through working groups and line managers. 86% of IT & telecoms fleet managers report that drivers within their fleet are consulted when decisions are made that affect them, the highest of any sector and above the industry average of 73%. Driver consultation and the subsequent successful implementation of telematics data has allowed fleet managers to provide drivers with more autonomy to make decisions for themselves. 77% of IT & Telecoms fleet managers say that their drivers can make autonomous decisions compared to an industry average of 54%.

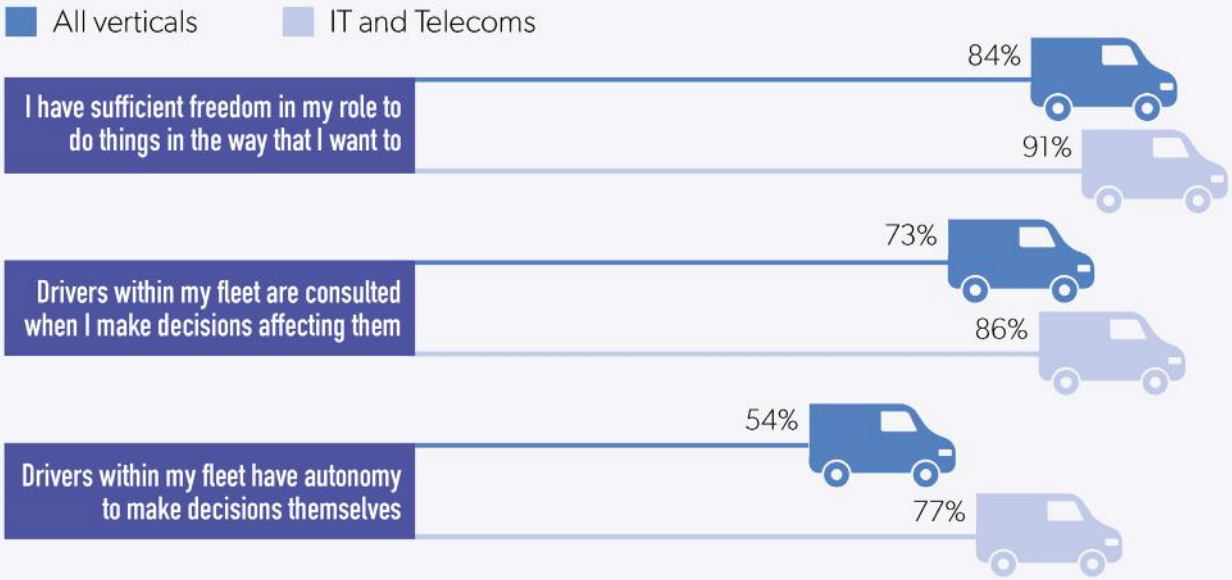
Fleet managers report that, in order to get driver buy-in for telematics, it has been important to highlight the benefits. They liaise with drivers and their unions to show that telematics can improve driver safety and enable them to do their jobs more effectively rather than act as a 'Big Brother' style monitoring tool.

"MY WANT IN LIFE IS TO MAKE SURE THAT OUR ENGINEERS, WHEN THEY GET IN THEIR VEHICLES, DRIVE SAFELY, AND THEY GET HOME TO THEIR FAMILIES IN ONE PIECE AT THE END OF THE DAY. THAT IS THE CRUX OF TELEMATICS. SOME PEOPLE LOOK AT IT IN A DIFFERENT WAY AND THINK IT'S BIG BROTHER, BUT HAND-ON-HEART, WE WANT TO MAKE SURE THAT WE USE IT AS DUTY OF CARE TO ENSURE THE SAFETY OF OUR PEOPLE"

- IT & TELECOMS

Who should be lobbying for greater investment in Electric Vehicles infastructure?

Q: To what extent do you agree or disagree with the following statements?



Base: 514 fleet managers, 77 IT & Telecoms fleet managers

Source: Populus research 2017

Emissions and Electric Vehicles

Fleet managers and decision makers in the IT & Telecoms sector feel that they would be hugely impacted if Clean Air Zone Framework proposals were to come into effect. Many operational vehicles are used in urban areas so understanding the latest government regulations and ensuring that vehicles comply with emissions targets is vital. Indeed 36% of all IT & Telecoms fleet managers and decision makers report that their fleets are already using some non-diesel or petrol vehicles. Once again, there is some concern about uncertainty post-Brexit and fleet managers are unsure what it will mean for future regulations. However, there is widespread support for the introduction of the Clean Air Zone Framework, with 82% of IT & Telecoms fleet managers supporting the proposal to introduce more Clean Air Zones against an industry average of 65%.

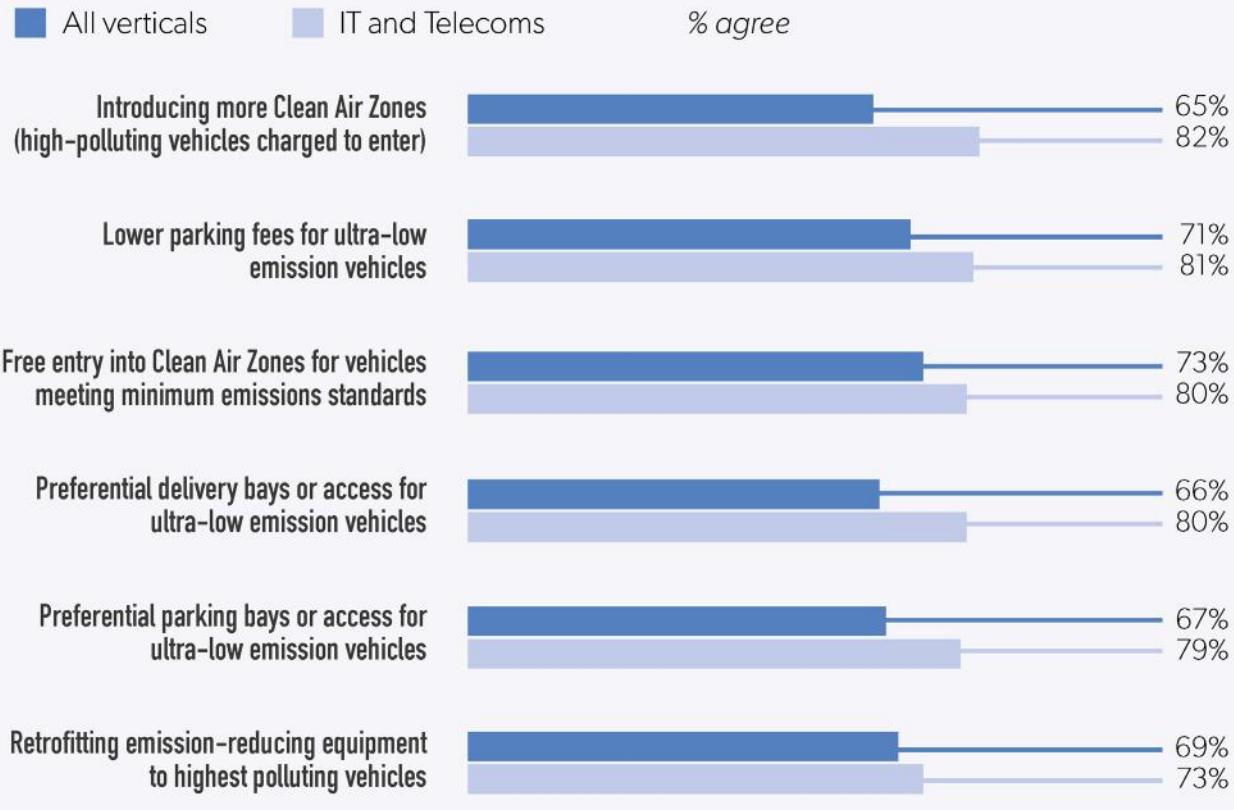
Fleet managers do currently only see a use for electric and hybrid vehicles for specific jobs due to infrastructure, payload and journey length barriers.

"WE USE THEM IN CITIES, IN URBAN LOCATIONS, BECAUSE THE MILEAGE OF THOSE VEHICLES IS ONLY ROUNDABOUT, PROBABLY, 40 TO 60 MILES BETWEEN CHARGES, SO IT ONLY SUITS A PARTICULAR SKILL SET THAT'S GOING ON A PARTICULAR ROUTE"

– IT & TELECOMS

Support for Clean Air Zone Framework proposals

Q: The Clean Air Zone Framework consists of several proposals to tackle air pollution. To what extent would you support or oppose each of the following proposals?



Base: 514 fleet managers, 77 IT & Telecoms fleet managers

Source: Populus research 2017


62,350 LBS
33.1 CU.M.
1,170 CU.FT.
ATTENTION
THIS CONTAINER
MUST BE REPAIRED
ONLY
WITH
CORTEN
STEEL
APPROVED FOR TRANSPORT
UNDER CUSTOMS SEAL
CSC SAFETY APPROVAL
205271
4
22G1
GROSS
30,480 KG
67,200 LB
2,200 KG

TRANSPORT & LOGISTICS

Telematics

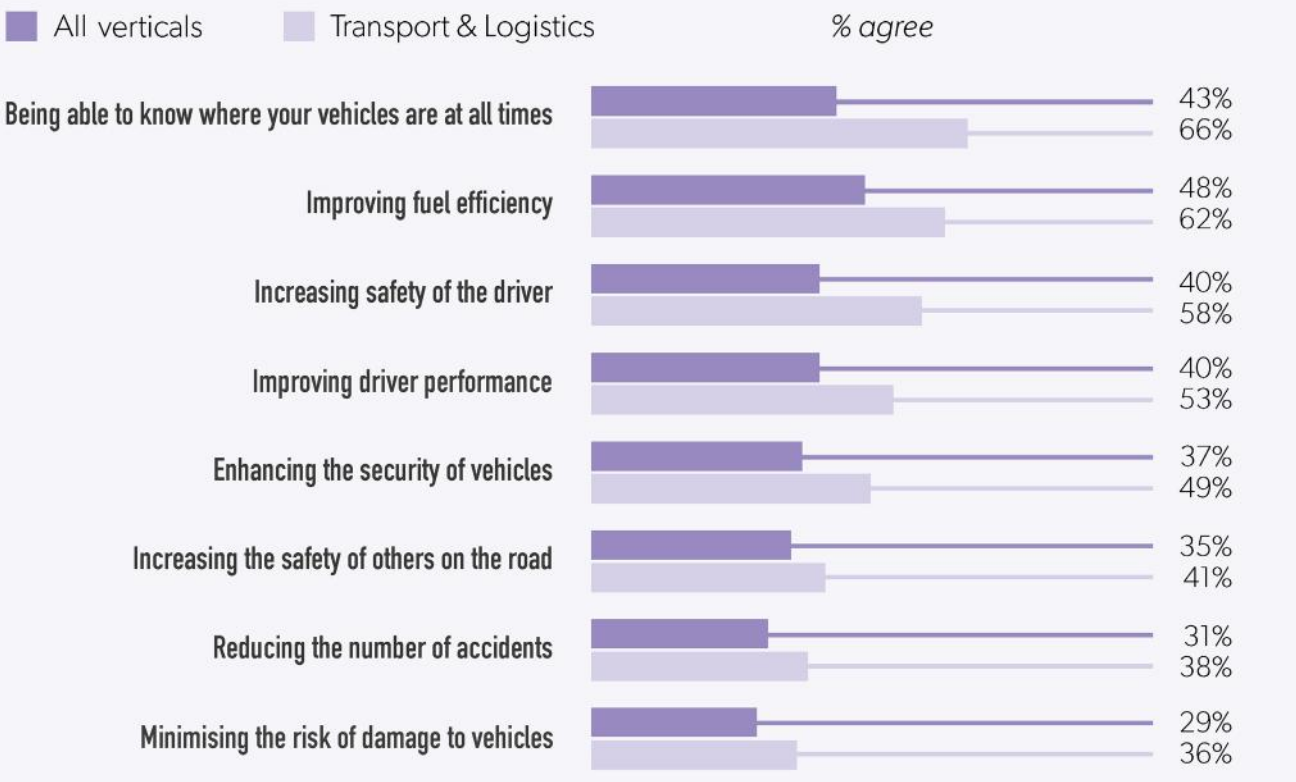
Naturally, for companies that specialise in Transport & Logistics, fleet optimisation is a key focus for fleet managers in this sector. Operational fleets are often the lifeblood of the companies that operate them and fleet managers feel under a good deal of pressure to ensure that they know where all their vehicles are and that their drivers are using the best routes possible. At a macro level, fleets need to be utilised to ensure that all customers across the UK receive the best service. At a micro level, any vehicle downtime can result in perceived poor customer service and negatively impact the brand.

Telematics play a crucial role in ensuring smooth delivery, with Transport & Logistics fleet managers often using data in advanced ways. Indeed when transport & logistics fleet managers were asked how technology has benefited the operational fleet industry over the last few years they scored higher than the industry average for each attribute.

In particular, technology is key for ensuring that these fleet managers are able to know where their vehicles are at all times, with 66% of transport & logistics fleet managers agreeing with this against a 43% industry average.

Ways technology has benefited the fleet industry

Q: In which of the following ways, if any, do you think technology has benefitted the operational fleet industry in the last few years?



Base: 514 fleet managers, 76 Transport & Logistics fleet managers

Source: Populus research 2017

However, there is still a widespread sense across the industry, that they could be doing more with the available data. Many fleet managers feel that they are drowning in data, the interpretation of which is taking up more and more time in their day. Some very large logistics companies now employ people specifically to mine the data. Fleet managers also report that they are aware of IT solutions and packages. However, as many are operating to tight budgets, securing the financing to pay for expensive data packages is a huge barrier. Often it is down to individual fleet managers to interpret and make best use of the masses of available data. There is a sense among many fleet managers that they could be making even more of the data they have.

> "I'M A FIRM BELIEVER IN TELEMATICS AND I FULLY UNDERSTAND IT, BUT IF YOU INVEST IN THE SYSTEM THEN DON'T PROVIDE THE HEAD OR PAY THE COMPANY TO ANALYSE AND PRODUCE YOUR DATA; IT'S A WASTE OF INVESTMENT"
>
> – TRANSPORT & LOGISTICS

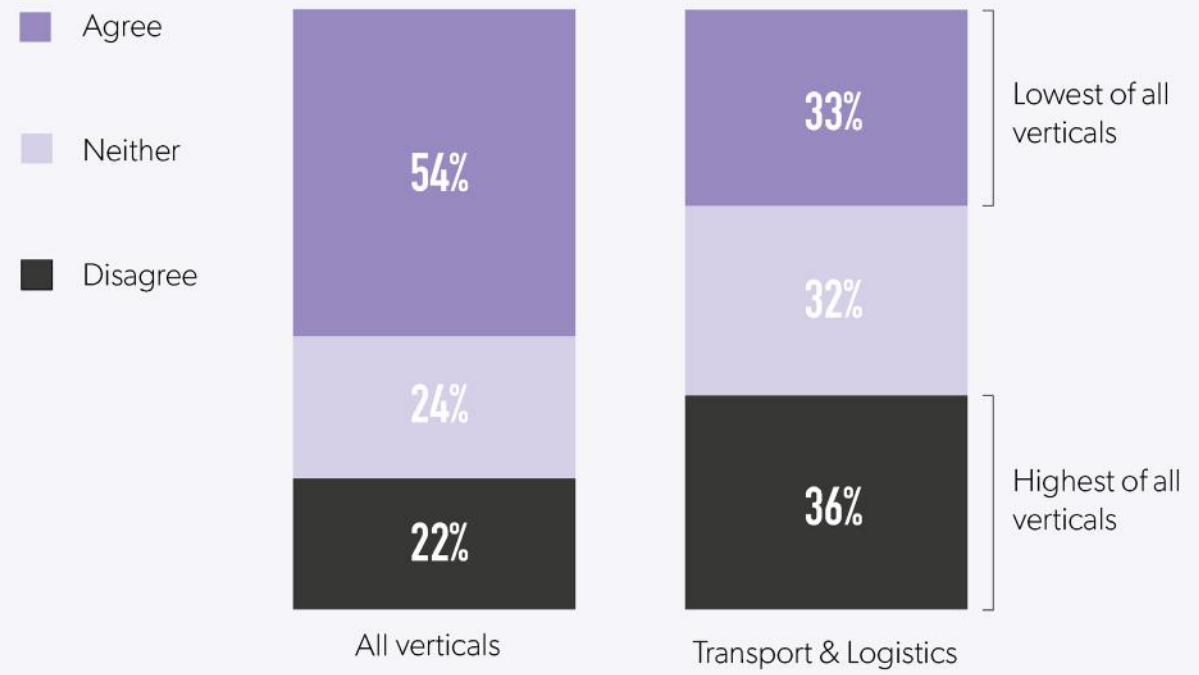
This is particularly crucial because there is a real interest in the visibility of operating costs and whole vehicle costs. 43% of transport & logistics fleet managers believe that technology has helped them work out the true cost of their vehicles (against an industry average of 34%). However, in a sector that is focused on logistics, this still leaves more than half of fleet managers who haven't been able to use technology to understand this cost. Similarly, a third of fleet managers in transport & logistics claim to be unsure of how much it costs them per day to have a vehicle off the road. This is less than the fleet industry average of 42%, but shows that there is much work to be done to provide fleet managers with the information they need.

The widespread use of telematics within this sector means that transport & logistics fleet managers report that their drivers are less autonomous than across other sectors. The nature of the industry means that fleet managers are required to optimise their entire fleets centrally, rather than rely on drivers planning routes or making day-to-day decisions. Only a third (33%) of transport & logistics fleet managers and decision makers agreed that their drivers have the autonomy to make decisions for themselves against an industry average of 54%.

> "IF YOU LINK TELEMATICS DATA TOGETHER YOU CAN DO BETTER PLANNING; UTILISE DRIVERS' HOURS BETTER; IF YOU LINK IT TO ROAD AND TRAFFIC MANAGEMENT SYSTEMS YOU CAN AVOID CERTAIN DELAYS; YOU CAN RUN ROUTES MORE FUEL EFFICIENTLY; YOU CAN LOOK AT THE IMPACT OF WEATHER SO FOR EXAMPLE YOU CAN ALLOW FOR WIND. YOU CAN REDUCE MAINTENANCE COSTS, LOOK AT DRIVER BEHAVIOURS ON GEAR BOXES, CLUTCHES, BRAKES, BRAKING EFFICIENCY, THE WAY PEOPLE BRAKE".
>
> – TRANSPORT & LOGISTICS

Whether drivers have autonomy to make decisions themselves

Q: To what extent do you agree or disagree with the following statements?



Base: 514 fleet managers, 76 Transport & Logistics fleet managers

Source: Populus research 2017


JACKED
UP
COFFEE

SME

Fleet specialism

Across the SME sector responsibility for fleet management varies depending on the size of the fleet.

For smaller fleets, the nominal fleet manager is often not an expert in fleet management. Instead they divide their time between a myriad of different responsibilities which can vary from dealing with payroll to their primary business duties. Often they will only focus on their operational fleet during procurement and servicing periods or when there are immediate issues with their vans and drivers. As non-experts they tend to divest much of the responsibility of day-to-day upkeep of the vans to their drivers who are trusted to maintain mileage logs and check their vehicles every day.

In smaller SMEs, the relationship between drivers and the nominal fleet manager is often very close. They have often worked together for long periods of time and high levels of trust have developed. This often extends to drivers being able to use the vans in their own time, within reason.

"WE LET THE GUYS USE THE VANS WHEN THEY LIKE, AT WEEKENDS AND THINGS. THE VANS LIVE WITH THEM SO THERE ISN'T MUCH WE CAN DO OTHER THAN CHECK MILEAGE, BUT I'VE WORKED WITH MOST OF THEM FOR YEARS SO THEY KNOW WHERE THE LINE IS."

– SME

Larger SMEs often have dedicated fleet resource, this can either be a fleet manager with a role focused entirely on managing the fleet, or an operations manager with responsibility for fleet. The fleet decision maker will have more fleet expertise, but their focus will often be more day-to-day than fleet managers of larger fleets in other sectors. The role will often involve route planning and optimisation when not dealing with procurement and servicing issues. Crucially 40% of SME fleet decision makers say that they don't know what it costs them to have a vehicle off the road per day. This is often information that SMEs say would be vital as they manage internal business costs.

Although the SME sector covers many different industries and encompasses a range of different uses for operational vehicles, SMEs are all united by the necessity of keeping vans on the road with as little downtime as possible. Whilst this is vital across all sectors, SMEs operate with far smaller fleets and therefore the loss of even a single vehicle for an extended period of time can have deep ramifications for the business.

Ford is the preferred manufacturer for SMEs, who feel that they offer good value, reliability and are relatively cheap to repair. SMEs want to show their business to be as professional as possible which does lead to some SMEs choosing Mercedes vehicles (second most popular) as they feel that the Mercedes brand is high quality. Generally SMEs also prefer for their fleets to be made up of vehicles of the same brand. 38% of all SMEs place keeping their vehicles the same brand in their top three considerations when purchasing or leasing new vehicles, compared to 29% on average. SMEs feel that a consistent brand across the fleet makes their business look more professional, and given the smaller sizes of their fleets, it is often fairly easy to achieve this consistency.

Many smaller SMEs find the procurement or leasing process confusing. They feel that their small fleet size means that manufacturers don't always treat them as a priority. This is especially frustrating as SMEs want to receive more advice and support from the fleet industry. The lack of expert fleet knowledge within their businesses and the focus on keeping vans on the road means that only 26% of SME fleet managers and decision makers say that their role involves focusing entirely or more often on longer-term fleet strategy compared to an average of 29% across all sectors. Often fleet managers are more than happy to take advice from manufactures, suppliers and motoring organisations, assuming they will help their business and are cost effective. 31% of SMEs rely on the advice of motoring organisations, the second highest of all the sectors surveys.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BUSINESS SERVICES

Fleet managers and decision makers in the business services sector are monitoring the impact of Brexit closely. Whilst there is agreement that the true impact of Brexit is yet to be felt their individual businesses and their businesses' clients are starting to see some impact due to changes to the exchange rates. Rising exchange rates means that budgets are far tighter and fleet managers and decision makers are having to negotiate hard to ensure they get the best value for money in procurement of services and purchasing or leasing. Overall, 73% of business services' fleet managers say that there has been a slight or considerable impact due to Brexit in the last 12 months, against 66% across the whole fleet industry. 73% also believe that there will a slight or considerable impact in the next 12 months, the second highest across all sectors.

In the face of uncertainty about what long-term impact Brexit will have on regulations for fleet, most business services fleet managers are continuing business as usual when it comes to strategic planning. However, as many fleet managers in this sector operate in urban areas there is focus on emissions and ensuring that their fleets meet the requirements of current and future emissions standards.

Of all sectors surveyed in this report business services' fleet managers have a greater focus on non-petrol or non-diesel vehicles. 41% of fleet managers in this sector report that their fleet consists of some non-diesel or non-petrol vehicles, while the average across all sectors is 30%. The use of electric vehicles is similar and slightly below the fleet industry average (13% vs 14% industry average). Business services have also embraced bio-diesel fuels. 20% of business services' fleet managers say that they have vehicles in their fleet who use bio-diesel against an industry average of only 11%.

Current Fuel Composition

Q: Which of the following fuel types does your fleet currently consist of?

	All Verticals	Business Services
Diesel	81%	70%
Petrol	59%	54%
NET: Any Non-Diesel/Petrol	30%	41%
EVs	14%	13%
PHEVs	12%	18%
Bio-Diesel	11%	20%
LPGs	5%	5%

MOST LIKELY TO BE USING NON-DIESEL/PETROL FUELS OF ALL VERTICALS, AND SPECIFICALLY BIO-DIESEL

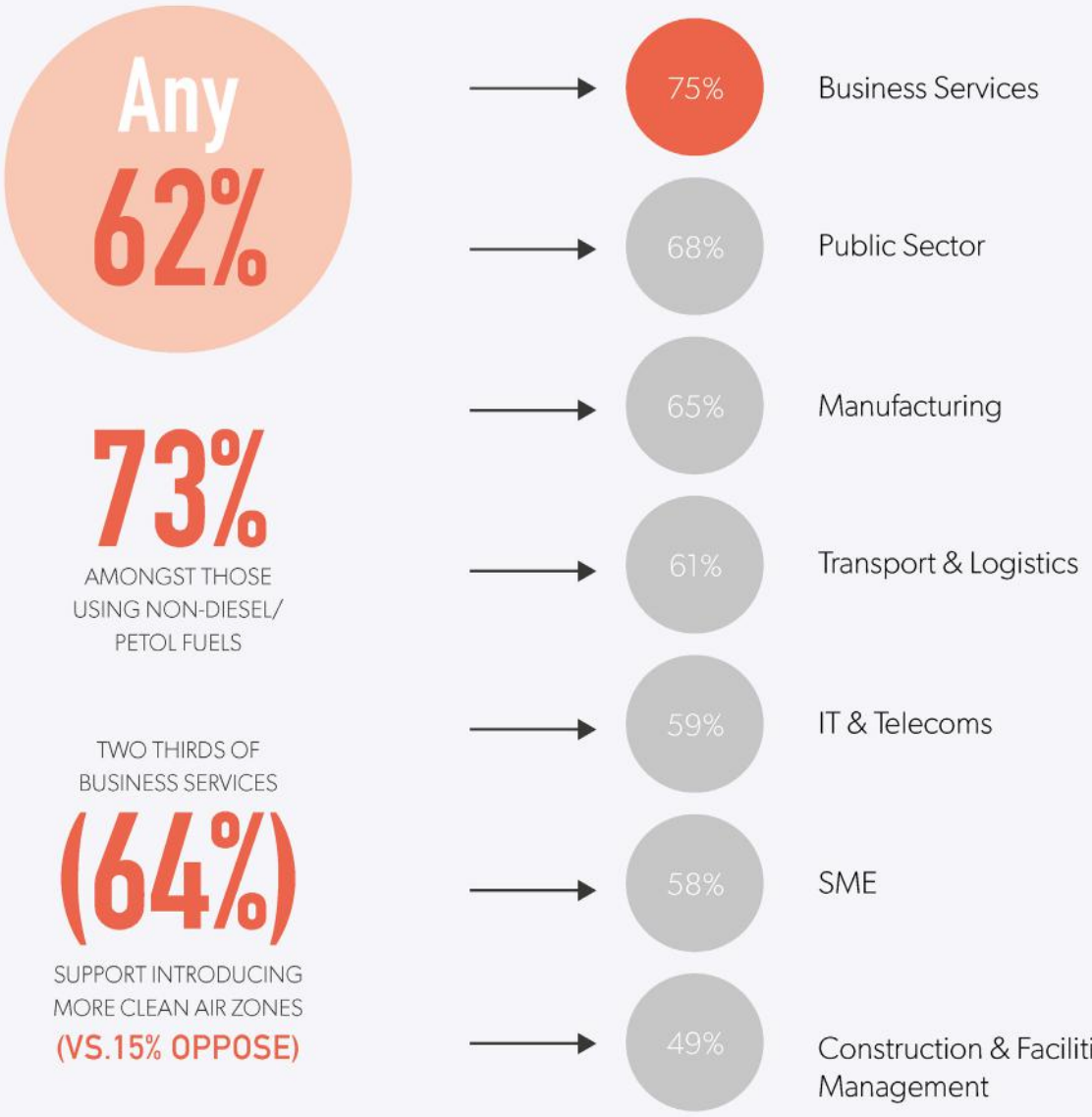
Base: 514 fleet managers, 56 Business Services fleet managers

Source: Populus research 2017

The focus on emissions and clean air can also be seen in fleet managers' awareness of the new Clean Air Framework. 75% of fleet managers in the sector say that they are aware of the Clean Air Framework, the highest of any sector. Overall two-thirds (66%) of fleet managers and decision makers in the business services sector say that they support introducing more clean air zones and only 15% oppose more zones.

Awareness of Clean Air Zone Framework

Q: The Government has recently published the Clean Air Zone Framework, a list of proposals to improve air quality in England. Before today in this survey were you aware of this?



Base: 514 fleet managers, 56 Business Services fleet managers

Source: Populus research 2017

As with all sectors, business services' fleet managers feel under pressure to ensure that their vans are operational with as little downtime as possible. Due to the variety of jobs that their fleet will be sent on, route optimisation and ensuring that jobs and appointments are met in good time is vital. Therefore, fleet managers are keen to invest and optimise new technology to ensure that they always know where their fleet is and that the right driver always has the right vehicle for the job at hand.

> "WE'VE GOT SO MANY DRIVERS IN SO MANY DIFFERENT PLACES DEALING WITH SPECIFIC NEEDS – WE HAVE TO PLAN RIGOROUSLY TO ENSURE THAT THE RIGHT VAN, WITH THE RIGHT EQUIPMENT, GOES TO THE RIGHT JOB."
>
> – BUSINESS SERVICES

MANUFACTURING

Despite increased manufacturing production over the summer of 2017 due to the weaker pound, fleet managers expect that they will begin to feel the effect of Brexit over the next 12 months. 73% of all fleet managers and decision makers who were surveyed in this sector expect to feel some impact from Brexit in the next year.

This combined with the long term pressure on the UK manufacturing industry mean that fleet managers and decision makers are very conscious of extracting maximum value from any service contracts or procurement activities they enter in to.

Ultimately, the key challenge for fleet managers and decision makers in the manufacturing sector is ensuring that their operational vehicles stay on the road for as long as possible. By ensuring that their fleet is as efficient and reliable as possible, they can reduce downtime and deliver the best value to their business.

Fleet managers ensure that their fleets are regularly serviced and in some cases try and keep vans on the road for as long as possible. Drivers are also relied upon to perform regular checks on their vehicles with 51% of manufacturing fleet managers reporting that their drivers are empowered to make autonomous decisions.

The reliance on drivers to flag-up issues is important, as telematics tends to be used primarily for tracking and navigational purposes, rather than for predictive servicing. Many manufacturing fleet managers and decision makers report that their use of telematics and data can be quite basic. Tightened budgets due to pressures on UK manufacturing mean that it is often not possible for fleet managers to purchase expensive telematics packages, or have the means of interpreting the data that is produced.

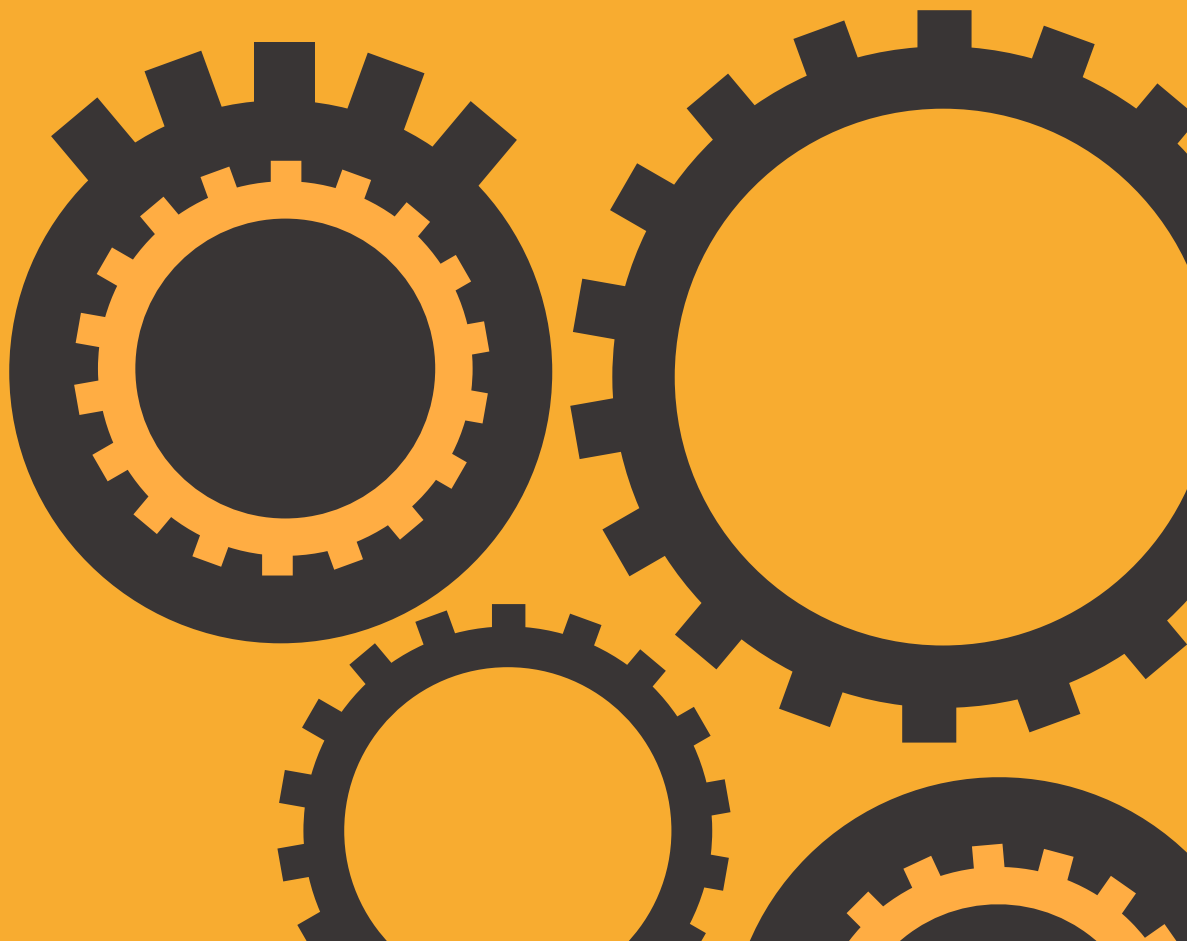
Fleet managers in this sector tend to rely on their relationships with their vehicle manufacturers to provide them with guidance on the latest trends in the market. 60% of all manufacturing fleet managers rely on their manufacturers, compared to 42% average across the other sectors.

"WE USE A SIMPLE IT SOFTWARE PROGRAM TO ASSESS AND PLAN WHERE VEHICLES ARE SENT AND WHICH ARE IN NEED OF MAINTENANCE SO WE CAN KEEP VEHICLES ON THE ROAD FOR LONGER"

- MANUFACTURING

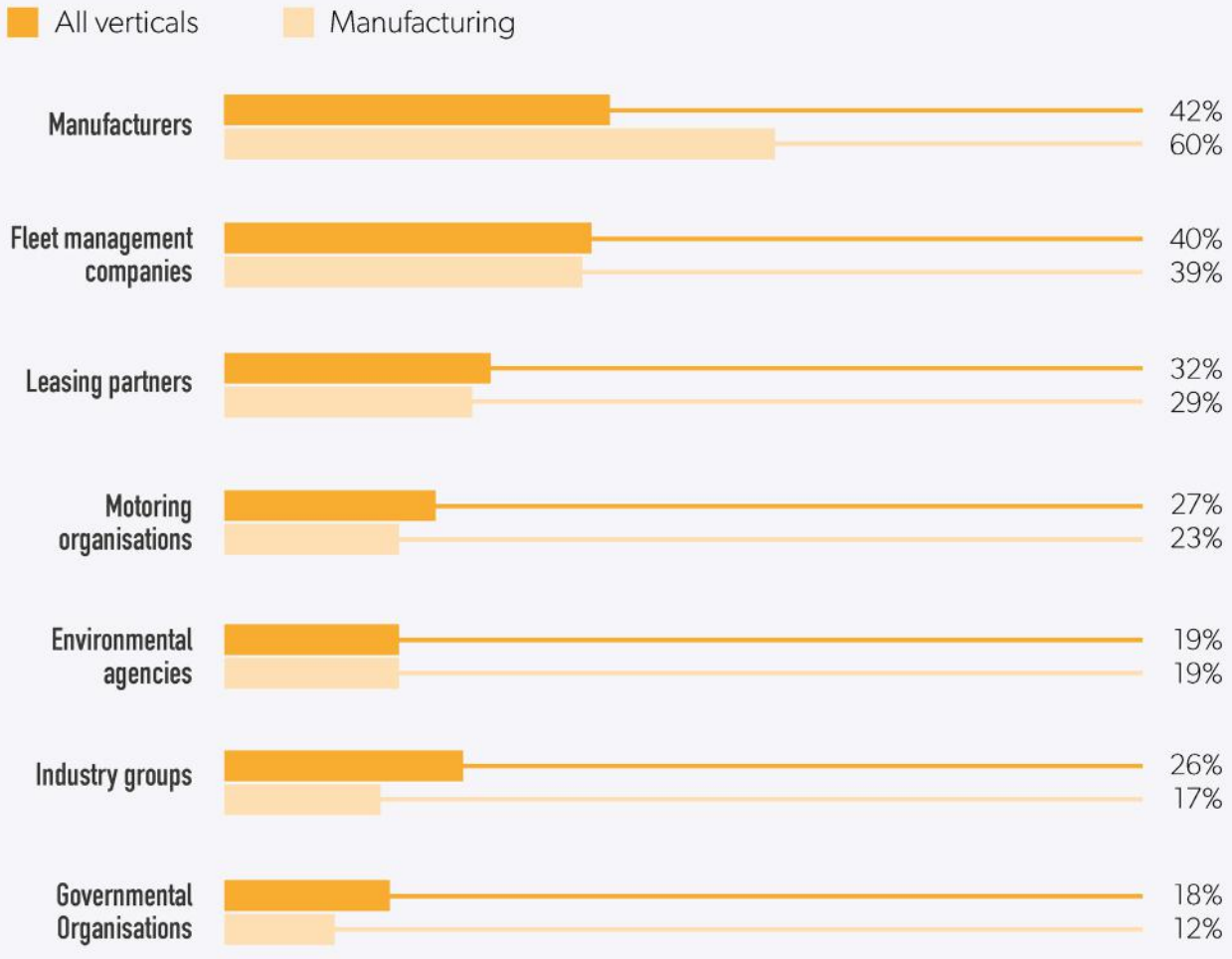
"WE ARE JUST BEHIND THE TIMES REGARDING TELEMATICS AND DATA. SAT NAV IS THE ONLY CONFLUENT TECHNOLOGY WE HAVE CURRENTLY – I'M LOOKING TO BRING THIS UP TO DATE."

- MANUFACTURING



Who fleet managers look to for advice on managing their fleet or wider market trends

Q: Which of the following, if any, would you say you rely upon for advice regarding the management of your fleet or wider market trends?



Base: 514 fleet managers, 75 Manufacturing fleet managers

Source: Populus research 2017

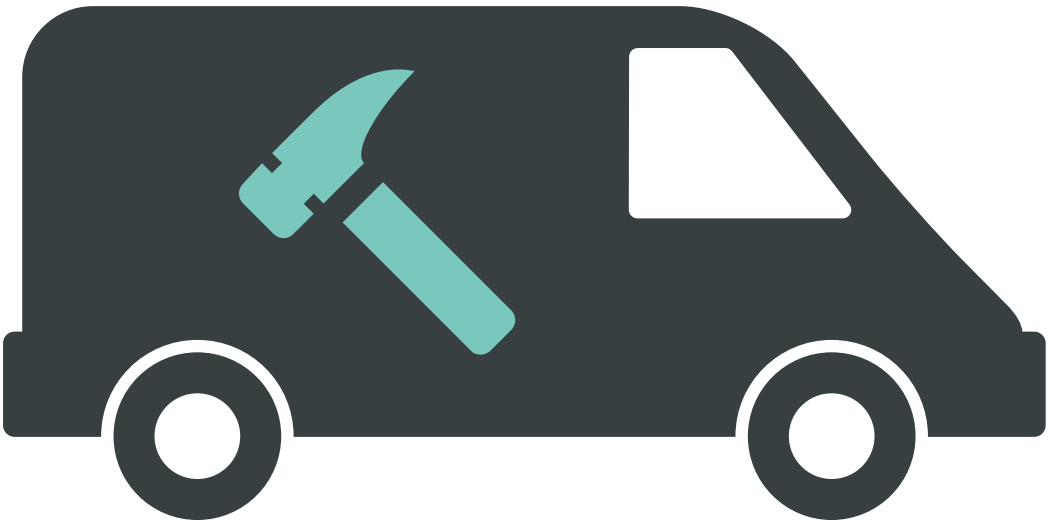
CONSTRUCTION & FACILITIES MANAGEMENT

Fleet managers and decision makers in the construction and facilities management sector have a real focus on ensuring that their vans are on the road for as long as possible. Fleet managers report that they feel under a degree of internal scrutiny to keep costs down as the construction industry is highly competitive. Any downtime within the fleet can lead to increased overall costs, so fleet optimisation is vital.

Although fleet managers and decision makers use telematics they often foster strong relationships with their drivers to ensure that any issues with the maintenance of vehicles is monitored regularly. The driver/manager relationship is vital with some fleet managers even reporting that they have chosen not to install advanced telematics solutions in order to ensure that their drivers feel trusted.

"WE DO NOT USE TELEMATICS ON OUR VEHICLES AS A MATTER OF PRINCIPLE. WE WANT OUR STAFF TO FEEL LIKE THEY ARE TRUSTED."

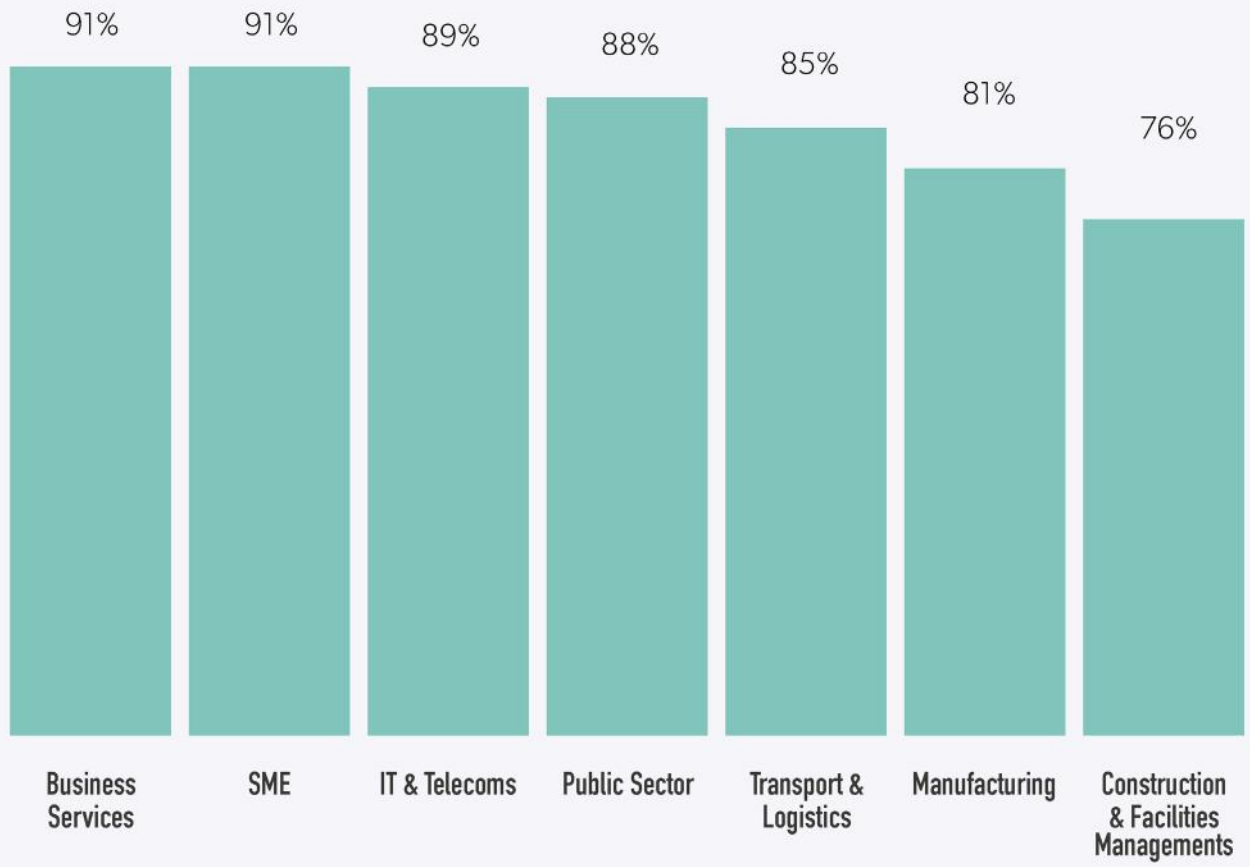
– CONSTRUCTION & FACILITIES MANAGEMENT



Across the sector 76% of fleet managers and decision makers say they use telematics, the lowest of any of the sectors surveyed in this report. Due to their strong driver relationships, telemetry is often used primarily to ensure that vehicles are tracked so that fleet managers can plan and optimise routes.

Use of telematics within the company, split by sector

Q: Which of the following best describes how and when you use telematics data within your organisation?



Base: 514 fleet managers, 75 Construction & Facilities Management fleet managers

Source: Populus research 2017

"WE USE A TRACKING SYSTEM TO MONITOR VEHICLE USAGE. IT IS MAINLY TO KEEP AN EYE ON SPEEDS AND JOURNEYS AND DRIVER WHEREABOUTS"

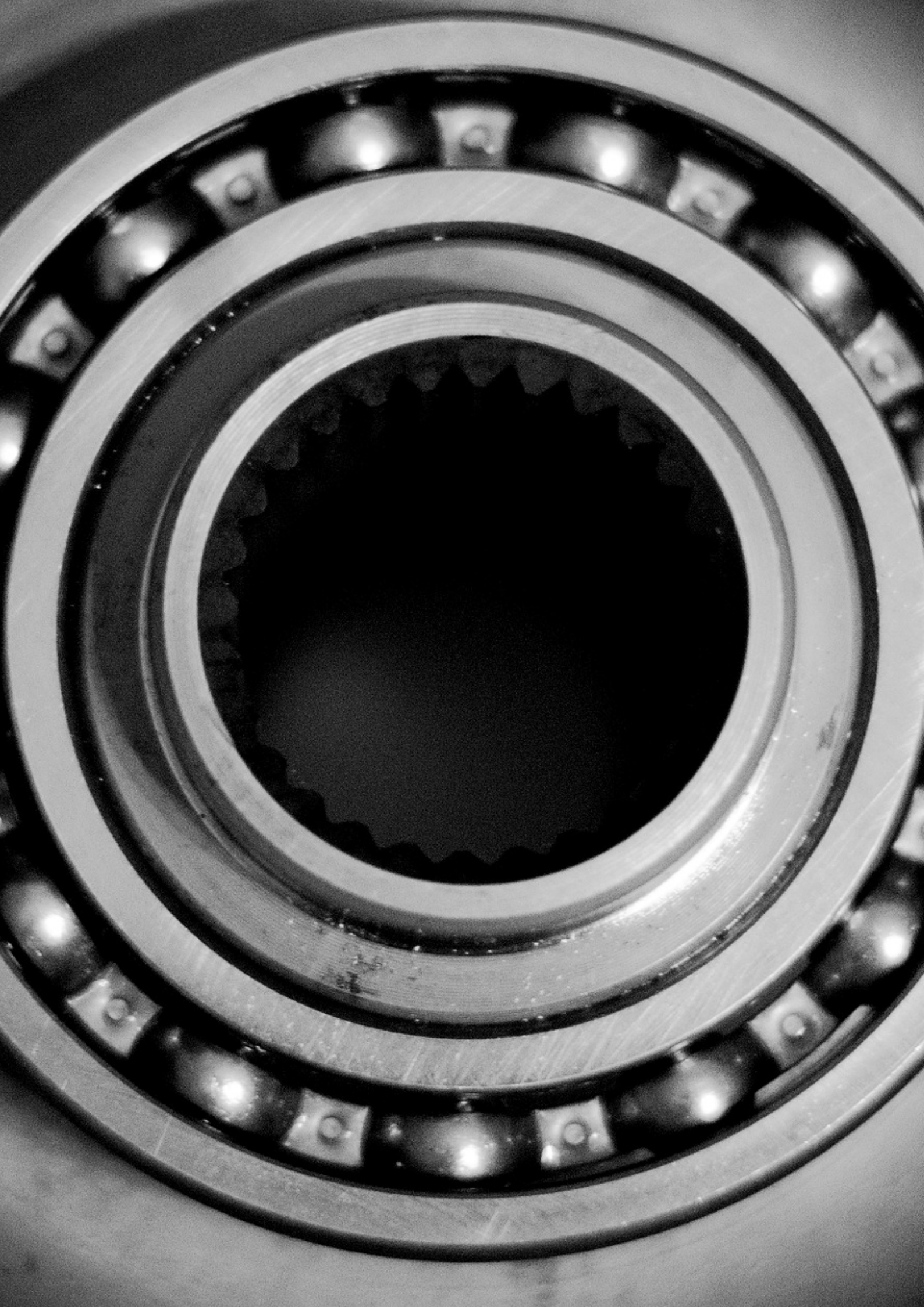
- CONSTRUCTION & FACILITIES MANAGEMENT

Telematics is also used to ensure that drivers are safe, with reduction of accidents perceived to be a key benefit of technology. However, interpreting the data that telematics solutions produce is a barrier to further use and investment. Some fleet managers in this sector show a degree of skepticism towards the value of advanced telematics solutions within their fleet and want the wider industry to advise on how make the use of data easier to analyse, so that its use doesn't pull focus from their day-to-day work.

"WE DON'T USE MUCH TECHNOLOGY – THEY'RE VANS NOT SPACESHIPS!"

- CONSTRUCTION & FACILITIES MANAGEMENT

The heavy payload that construction and facilities management operational vehicles have to carry is a major barrier for fleet managers adopting electric vehicles. Indeed, in order to keep costs down fleet managers look for vehicles that are reliable and easy to repair. The most popular manufacturers within this sector are Ford, Volkswagon and Vauxhaul with Mercedes vehicles considered too expensive overall. Should electric or hybrid vehicles attain the reliability, payloads and journey distances that diesel and petrol vehicles offer, there would be an appetite to purchase or lease. However, fleet managers look to the wider industry to advise them on new trends. For example, fleet managers are the least aware of new Clean Air Zone Framework proposals and feel that if they were to be implemented it would impact them the least.



UTILITIES

As utility companies are heavily regulated by bodies such as Ofgem and Ofwat, fleet managers and decision makers often feel heavily scrutinised. There is real pressure on decision makers to ensure that their fleets have as little downtime as possible. Any time that their operational vehicles are off the road can impact the ability of their company to hit regulator set targets on everything from fixing pipes and supply lines to customer satisfaction scores.

There is a sense among some fleet managers and decision makers that as energy providers they should be at the vanguard of the new technology. However, as we see across all sectors there is some frustration at the lack of wider fleet industry lobbying for infrastructure. Fleet managers are still limited by the range of electric and hybrid vehicles available from manufacturers as issues such as journey length and reduced payloads are real barriers for utilities fleet managers.

> "WE ARE REGULATED BY OFGEM AND ONE OF OUR REQUIREMENTS IS TO FIX PROBLEMS WITHIN THE TIME LIMITATIONS SET BY THE REGULATOR, THEREFORE OUR FLEET AVAILABILITY NEEDS TO BE FAST IN ORDER THAT OUR FLEET IS AVAILABLE SO THAT WE CAN ATTEND THAT TO PROBLEMS AS THEY ARISE."
>
> - UTILITIES

> "WE ARE LOOKING STRATEGICALLY AT THE INFRASTRUCTURE FOR ELECTRIC VEHICLES. OBVIOUSLY FOR US AS AN ENERGY COMPANY, THERE COULD BE A PROPOSITION WITHIN THE REALMS OF LOOKING AT THE INFRASTRUCTURE FOR PEOPLE IF ELECTRIC VEHICLES DO BOOM IN THE COMING YEARS."

In order to keep vans on the road for as long as possible, utility fleet managers report that a key area of focus is the regular maintenance of their vans. Utility companies can cover vast areas of the UK and therefore the fleet can be dispersed across a range of locations, particularly in more rural areas such as Wales and the South West, where vans live with their drivers.

The geographic spread of the territory covered by utilities companies also affects their response to electric vehicles. Companies that do lots of work in major cities in the UK are very keen to ensure that their fleet is future proofed against any new emissions targets that are brought in. Energy companies are also keen to be seen to be leading the way with the introduction of electric and hybrid vehicle infrastructure.

However, in more rural locations electric and hybrid vehicles seem a long way from becoming a reality as the range that they offer and the almost total lack of infrastructure means that diesel and petrol fleets remain the most viable option.

With large fleets spread over a variety of different urban and rural locations utility fleet managers rely heavily on telematics solutions. Not only does data allow the fleet managers to optimise the use of their fleet and reduce off-road time, but utility fleet managers are keen to understand driver behaviour. Fleet managers and decision makers feel that their vans are often one of the most recognisable touchpoints of their brand and therefore poor driving or driver behaviour has the potential to deliver negative brand impact.

SECURE TRANSIT

The key challenge that faces secure transit fleet managers and decision makers will be familiar to many fleet managers across the industry: to minimize downtime of their operational fleet. However, some of the issues that secure transit fleet managers face are unique to the sector.

Operational vehicles in this sector are often responsible for delivering high value or specialist cargo. To do so successfully and safely often requires bespoke vehicles which are expensive to purchase. In areas such as cash in transit, outright purchase is the only option available to the fleet manager as leasing is not an option for security reasons. The bespoke nature of the security systems installed in the vehicles also means that fleet managers have limited options when it comes to purchasing because a vehicle must meet certain specifications to allow for future modification.

While the majority of secure transit vehicles are leased, the vehicles that are purchased outright are sometimes required to last a long period of time due to the cost and modifications made. This clearly presents fleet managers with some issues around maintaining older vehicles and ensuring that they are updated with the latest telematics and tracking technology.

Telematics is crucial for fleet managers in this sector due to the obvious necessity to understand exactly where their vehicles are at all times. Whereas this is vital for route planning and optimizing the available fleet, it also allows vehicles to be monitored closely should there be any security concerns. Secure transit companies take risk very seriously and fleet managers are often supported by internal, specialist risk teams when calculating risk and security concerns.

While security is a clear concern for fleet managers in the sector they are still interested in reducing emissions where they can. Given the right circumstances secure transit fleet managers are keen to look at hybrid and electric vehicles. Indeed electric vehicles are being used even for cash in transit operations. In these cases the routes are pre-planned and the same every and the distance can be covered with only one overnight charge.

> "THEY [ELECTRIC VEHICLES] RUN ALL DAY WHEN OUT DOING THEIR ROUNDS AND THEY CHARGE UP OVERNIGHT. THERE ISN'T ANY CHARGING DURING THE DAY, BECAUSE OBVIOUSLY WE CAN'T BECAUSE OF THE SECURITY ASPECT. WE CAN'T LEAVE THE VEHICLE ON THE SIDE OF THE ROAD CHARGED UP AT AN ELECTRICAL POINT. THEY'RE ON A SPECIFIC ROUTE, THIS ALLOWS THEM TO GET OUT AND BACK ON ONE CHARGE."
>
> – SECURE TRANSIT

"DIESEL, IF YOU'RE DOING LONG DISTANCE, DOES OFFER GOOD VALUE IN TERMS OF DISTANCE FOR MILES PER GALLON. DIESEL ENGINES CAN GO A LONG WAY ON A TANK. ANYTHING WHEN WORKING IN PLACES LIKE SCOTLAND NEEDS TO DO LONG DISTANCE. OUTSIDE CITIES I THINK THE EMISSIONS REGULATIONS ARE GOING TO TAKE LONGER TO KICK IN SO THERE WILL BE A PLACE FOR DIESEL."

– SECURE TRANSIT

As many secure transit operations take place in urban areas it is vital that vehicles are future proofed against any future low emission zone regulations. However, for longer transportation journeys fleet managers in this sector think there will be a role for diesel and petrol vehicles for the foreseeable future.

RESEARCH METHODOLOGY

Expert Interviews with Operational Fleet Managers

Populus, an independent research agency, conducted 3 face-to-face depth interviews with fleet managers across 8 different verticals, achieving 24 interviews in total. Additionally, 2 focus groups for SME fleet decision makers were also completed, with 6 participants in each. SMEs were defined as companies with under 250 employees, operating in different industries to those already researched.

Insights from the depth interviews and focus groups were used to shape the key areas of interest and questions to take forward into the quantitative stage of the research.

Survey of Operational Fleet Managers

Populus further conducted a survey of 514 respondents responsible for maintaining the fleet of operational vehicles at their organisation. The survey was conducted online and took around 15 minutes to complete. The majority of respondents were recruited via specialist business panels, with additional sample supplied by the AA and BT's customer database.

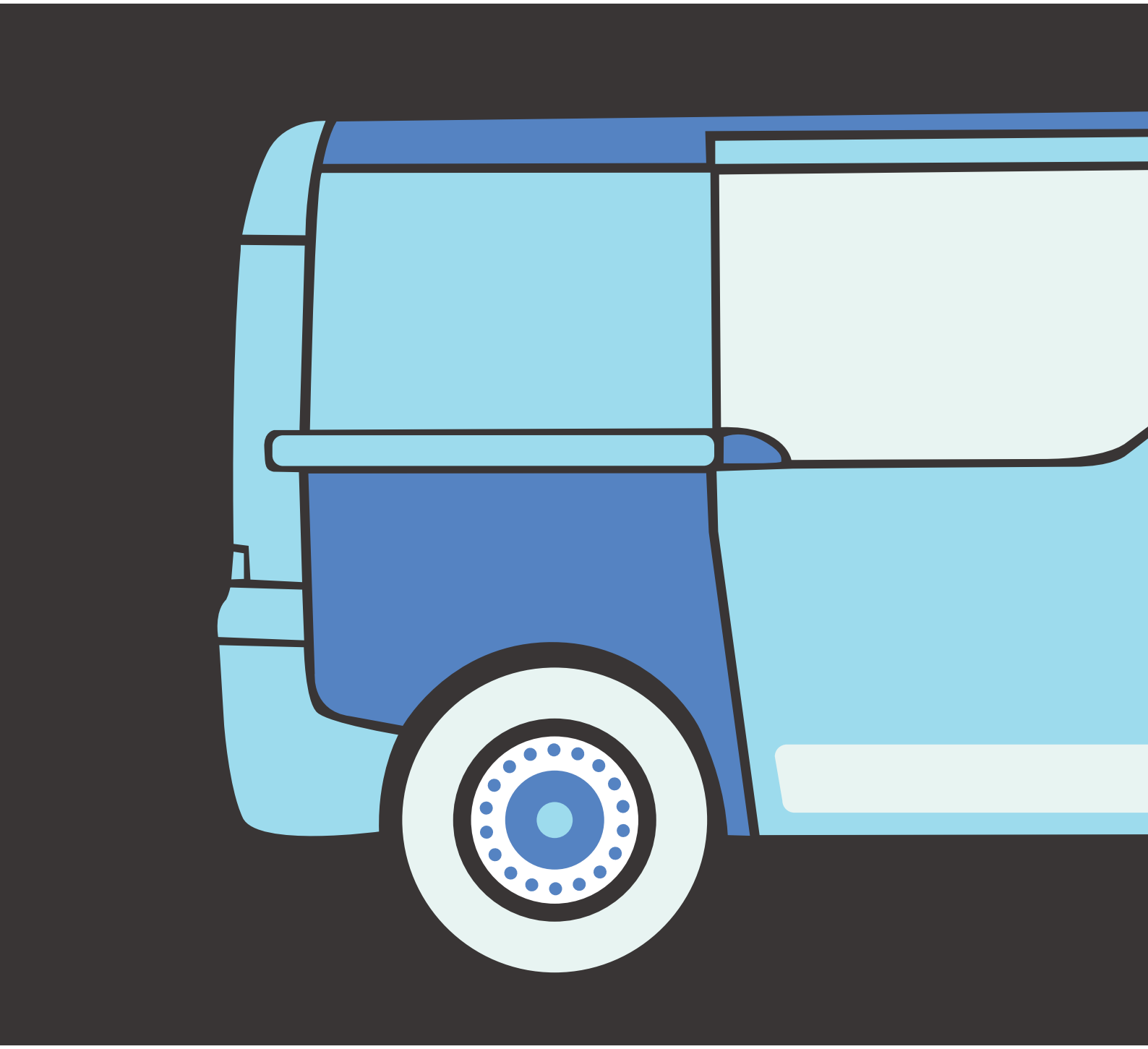
The overall sample consisted of a combination of those working for large, medium and small organisations, each with varying fleet sizes.

About Populus

Populus is a full service research and strategy consultancy, named the UK's fastest growing research agency of 2014 by the Market Research Society. They work with clients across a wide range of industry sectors both in the UK and Internationally. Populus developed and runs the AA Motoring Panel, which is now the largest in Europe, and works extensively with different divisions within BT.

BT

Fleet Solutions



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