

# Recession & Recovery

## A new Leasing Paradigm?



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Europe is emerging from recession; different countries at different rates. Some fast; some slower; others, like Greece, with real problems. The message is clear – ‘different markets, different speeds – with different needs.’ The implications of these different macroeconomic changes filter right through to the European leasing industry – or they should.

“To fulfil this new personal business mobility requirement, lessees may be seeking subtly different products.”

The key message which is emerging from various published and unpublished work – and it follows the same pattern as previous periods of economic recovery – is that ‘clients and markets

have new demand; the old products and services may no longer satisfy emerging needs’.

To offer the same leasing products as ones on offer when Europe plunged into recession, as the economies emerge from this recession, is rather like trying to sell yesterday’s newspapers. There will be a few who may have missed the news and want to catch up – but the vast majority want to go ahead and meet the new challenges and competition – and they need vehicles and management packages to be able to support these new demands.

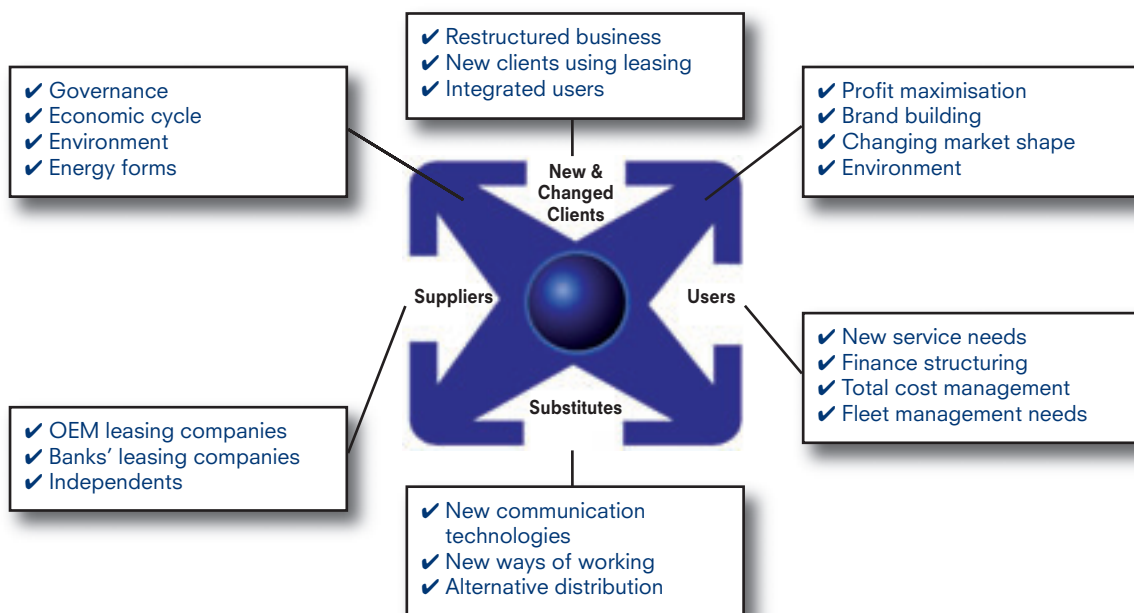
### Reorganisation

The paradigm in Figure 1 suggests some of the drivers for change from the evolving market and prospects – and the type of changes they may be seeking.

While there is much talk again of ‘double dip recession’ perhaps exacerbated by the Greek crisis and the potential implications for the Euro – industry overall is planning for growth and recovery.

But what do expanding and reorganising industry and service businesses want

Figure 1: Drivers for Change; Recovering from Recession



Source: Buckingham; for illustrative purposes only – not comprehensive



**Funds are, and will continue to be, in short supply. The age of almost unlimited cheap credit is past.**



**Lease clients are waiting for new products and services. Lease companies need vehicles and management packages to be able to support these new demands.**

from their leasing companies? If one starts at the most macroeconomic level – funds are, and will continue to be, in short supply. The age of almost unlimited cheap credit is past. Within this context boards and finance directors increasingly have to look at available funding and allocate it as strictly as possible towards their core business activities – and that rarely includes provision of cars.

Equally important, recession causes a lot of businesses to cease trading or to amalgamate with other organisations. At the same time as these competitive changes are taking place, so many of their customers are changing too. They may be going out of business, merging or changing the markets in which they operate.

The result? A possibly radical change in the products and services they require to pursue their businesses. These changes are often geographical too. Thus businesses may have different product and service offerings, they may be larger or smaller, they may equally be short of funding for development – and they may look to operate in different or new locations. To be able to service these

new market positions, many companies will have already reorganised, or may be in the process of reorganising, to provide the most cost effective and efficient service they can to their clients. Their clients may be doing the same too.

Thirdly, these restructured, reorganised and go-ahead companies may also be impatient to put the past behind them and take market share and profit while their clients develop. Time is of the essence.

Does this scenario apply to your business, to your clients and service providers?

It's almost a matter of 'out with the old – in with the new, but retain and develop the best from the past'. How many leasing companies have this forward thinking strategy today – and are able to respond to clients' developing needs?

### **Product & Service**

So what is the new product and service the lessee would appear to be demanding?

To fulfil this new personal business mobility requirement, lessees may be seeking subtly different products.

Given they will often have reorganised, there may be a

demand for a new range of vehicles; has business repositioning led to a different level of person receiving a management car – or different personnel working in the field and offering a totally different service? These field staff may be in short supply and need to be 'protected against competition' – this may mean a different business car – but at the same time there may be tax changes or environmental pressures which influence model choice, focusing on lower carbon issues. This may mean smaller engines or diesels.

If the client base has reorganised, who will manage the fleet on behalf of the client – or will there be an opportunity to expand the service offering to embrace a wider level of administration and reporting? If so, what might that mean for the lessor?

Perhaps the biggest challenge however, may be the management of the transition from the now often out of date fleet hierarchy and the introduction of the new fleet. The successful management of such a transition demands the qualities of a Saint and the patience of Job. Is that part of the role of the leasing company? It probably is – and

the player that can offer such transitional support management has a substantial advantage.

Do you recognise the macroeconomic picture painted? Certainly not every country, every market and every business will be affected in exactly the same way but the market is probably changing faster than it has ever done in the past. In terms of providers, the changes are equally radical, as discussed elsewhere in the magazine.

While vehicles themselves may be in near free supply, capital to acquire those vehicles is not; costs are critical but so are flexibility and the level of management available.

It is likely that in the very near future we will be able to look back on the European leasing market and provider industries and barely recognise what we see compared with the industry at the start of the recession in 2008.

How does this fit with your scenarios for development?

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