

Car and Van Hire - UK - March 2010

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What is this report about?

The UK has experienced its severest recession since the 1940s and arguably car and van hire should be a market that would have felt the full effect of the recession as consumers cut back on discretionary spending with reduced car usage, less travelling and fewer UK holiday breaks.

Profitability in the car and van hire market is dependent upon car hire companies achieving maximised levels of fleet utilisation. If demand falls significantly then car hire companies are faced with a choice of either reducing hire rates to levels that stimulate demand and winning market share from competitors, or reducing the size of their vehicle fleets to achieve higher levels of utilisation.

The need to achieve maximised levels of utilisation of vehicle fleets increases pressure on hire rates, which results in a highly competitive price-led market. To avoid outright competition on price in terms of hire rates, hire companies can offer consumers value-added services and this has resulted in hire companies offering customer collection and delivery as well as competitive hire rates.

What have we found out?

- Car and van hire turned up in 2008 and 2009 and has benefited from the recession as company failures and higher unemployment resulted in an increase in private hire and a fall in business hire.
- Just over four percent of all adults hired a car at the peak of the economic boom in 2007, but the penetration of hire increased to 4.9% and 5.6% of all adults in 2008 and 2009 respectively.
- The market is underpinned by house moves and holidays in Britain. 29% of adults intend to hire a car or van in future for house moving and 11% intend to hire for a holiday or take a group of friends and relatives on a night out or day trip.
- A major future opportunity for the market rests with persuading consumers to hire cars rather than purchase and maintain cars themselves. If consumers hired cars as an alternative to purchasing, this would result in an £80 billion saving in consumer spending.
- Although the purchase costs of new and used cars have fallen as a result of lower new car prices and used car values, car maintenance costs continue to rise as a result of higher garage labour and replacement parts costs. These costs can be avoided by hiring rather than buying cars.
- High household debt, higher unemployment and lower earnings will make it harder for consumers to afford car purchases in future. Car hire companies have an opportunity to encourage consumers to hire and avoid the high cost of car purchasing, especially the increasing cost of car replacement as used car values fall faster than new car prices.

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