



Charting a safe path through
the minefield of challenges
facing UK businesses

Contents

Foreword	3
Chapter 1: The Research Base	4
Chapter 2: The UK Business Landscape	5
Chapter 3: Future Prospects	7
Chapter 4: Planning for the Unknown	10
Chapter 5: On the Road	12
Chapter 6: Long-term Hire: An Alternative to Ownership	20

Foreword

Managing the numerous external factors that can influence success or failure make running a business a daily challenge, never mind coming up with the ideas and evolving products and services to remain competitive. In today's unpredictable economic climate, decision makers in UK companies, small and large, are facing more challenges than ever to stay ahead of the game.

Playing a key role in underpinning the operations of UK businesses, Europcar UK has undertaken research into the business landscape. This white paper looks at how firms are feeling about the current challenges they face as well as their expectations for the near future. It also examines how businesses are adapting to the challenges.

With a particular focus on mobility, the Europcar commissioned research also examined how the evolving world of 'usership' is bringing important flexibility and control, whilst freeing-up business capital.

According to the research, it seems that the mood amongst UK businesses is one of caution and mild pessimism. Businesses of every size need to play a crucial balancing act – managing operational pressures with a need to invest for the future, whether that be new headcount, bigger premises or a focus on research and development.

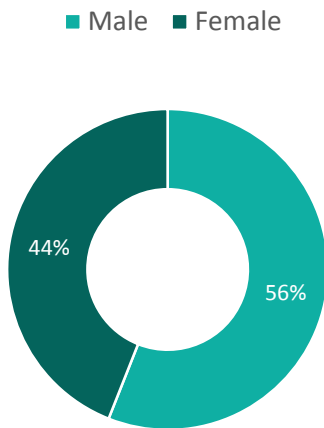
With over half generating their revenue through monthly contracts, it is clear that there is a constant challenge for UK businesses to stay efficient and productive, whilst also being able to focus on innovation and growth.

Successful firms and organisations are looking for ways to manage risks and cope with the unexpected, which means flexibility is central to the solutions that work for them.

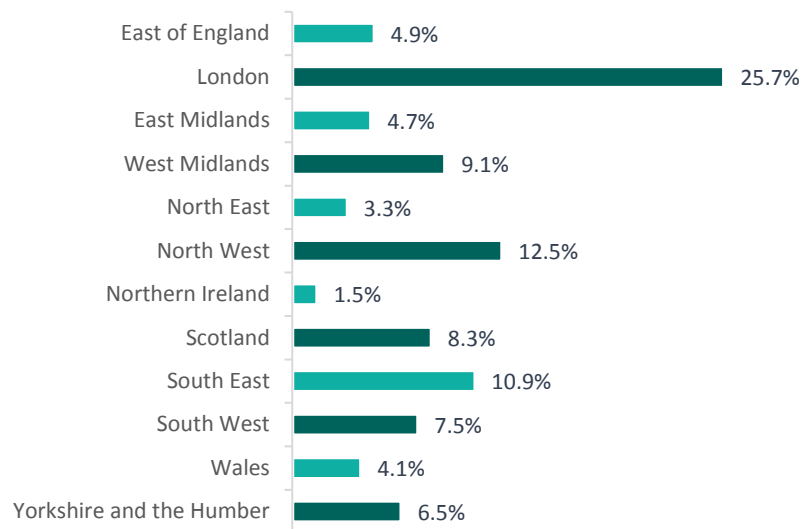
Chapter 1: The Research Base

Over 500 senior business decision makers took part in the survey, from all areas of England, Wales, Scotland and Northern Ireland.

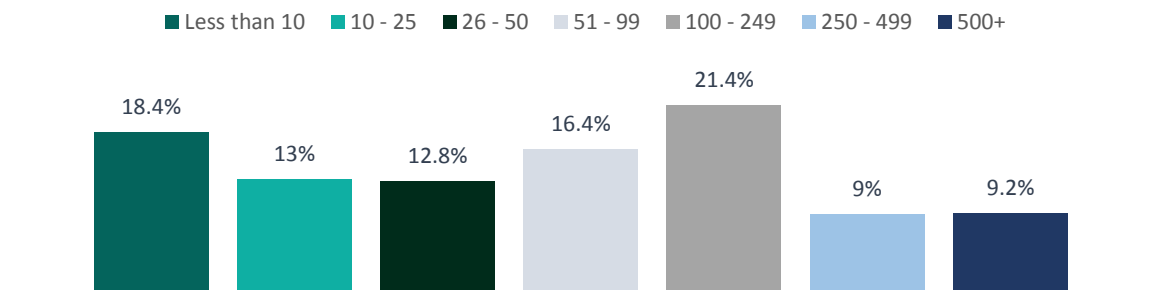
Respondents by gender



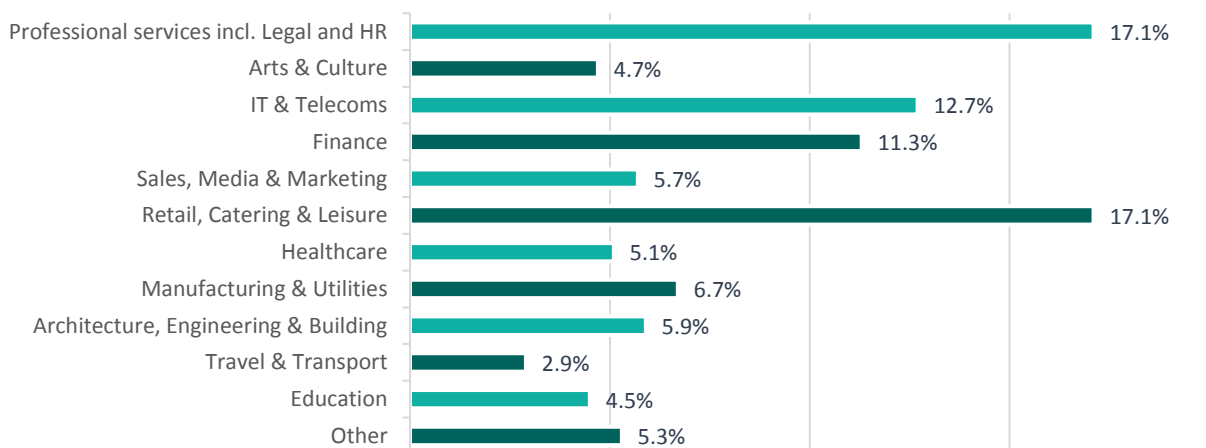
Respondents by region



Breakdown of company by number of employees



Breakdown of company by sector



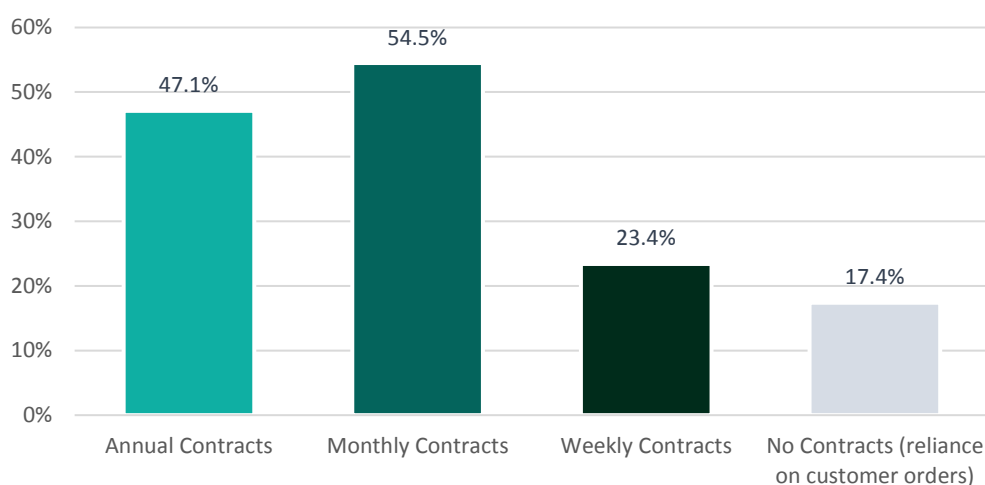
Chapter 2: The UK Business Landscape

According to the Europcar UK research, under half (47%) of businesses mainly rely on annual contracts, with over half (55%) generating the majority of revenue through monthly contracts. 1 in 5 stated that, overall, they generate their revenue through weekly contracts.

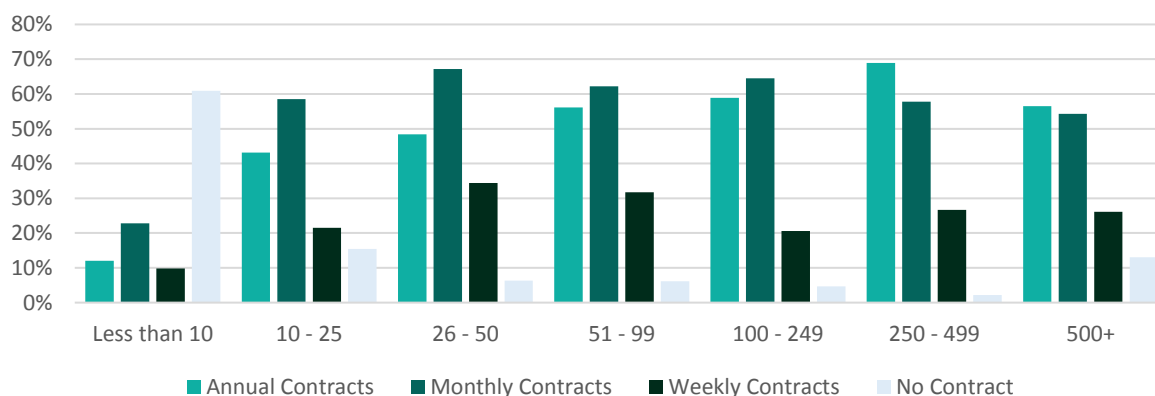
But the current UK economic outlook and ongoing uncertainty is likely to be particularly challenging for the other nearly 1 in 5 firms relying solely on customer orders, rather than contracts.

Overall, how does your business generate its revenue?

Revenue generated - by contract type



Revenue generated - by number of employees



For small businesses – with less than 10 employees - customer orders make up the largest proportion of their revenue at 61%. With a lack of certainty from monthly or annual contracts this makes life particularly precarious for the smallest enterprises in the UK economy.

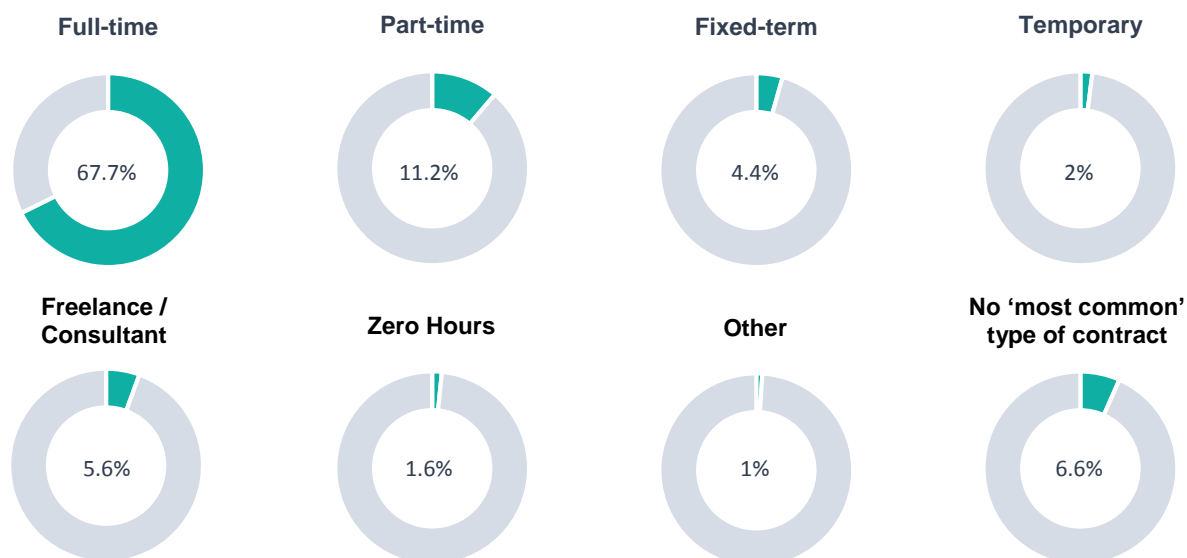
Perhaps unsurprisingly, for larger firms, employing 250-499 staff, annual contracts are the largest generator of revenue at 69%. But there's still also quite heavy reliance on monthly contracts at 58%.

With weekly contracts and customer orders accounting for almost half of revenue for UK businesses, it's clear that the types of employment contracts offered – and the level of long-term commitment required – needs careful planning.

Staff and skills

Despite the current focus on the 'gig economy', the most common type of employment contract offered to employees, according to the Europcar commissioned research, is full-time, with 7 in 10 senior business decision makers confirming this. Only 1 in 9 (11%) of contracts offered are part-time.

What is the most common type of employment contract offered to employees?



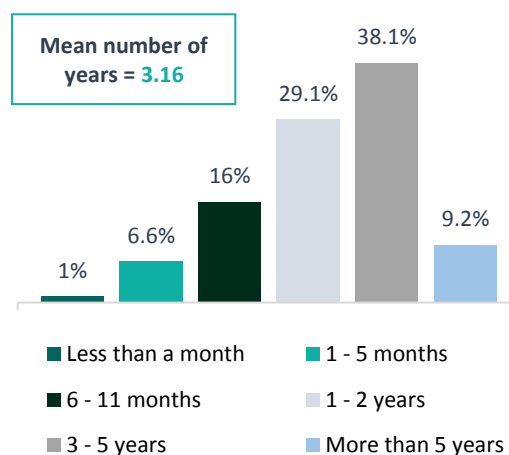
In the wake of the Brexit decision, keeping and attracting talent is a key concern for employers. The uncertainty surrounding the UK's future relationship with the EU means foreign workers are already looking for roles elsewhere. According to research by leading accountancy firm BDO, Canada leapfrogged the UK to become the second most popular destination for workers looking for new roles¹. The US remains the top destination, but the UK has now slipped below Canada, which means British businesses face the challenge of finding the best people and convincing them to stay, despite the lure of jobs overseas.

Post the EU referendum, European workers favour the US over the UK. In joint second place in 2012 as a destination favoured by European workers, the UK no longer features in the top six countries to relocate to from Europe².

The other challenge is retention. The Europcar research shows that the average length of employee service is 3 years and 1 month. Nearly 40% said that, on average, staff stay for 3-5 years, which suggests that firms are doing enough to engender loyalty and retention.

But just under a third (29%) said that the average length an employee stays in their business is 1-2 years, with 1 in 6 seeing staff leave after between 6 and 11 months. Businesses need staff to stay for at least a couple of years to recoup the investment in training; with over half reporting a retention of less than two years, this is a worry for UK firms. With a pressure on attracting and retaining talent, businesses need to look at ways to build the right environment to ensure good performance and job satisfaction.

What is the average length of employee service in your business?



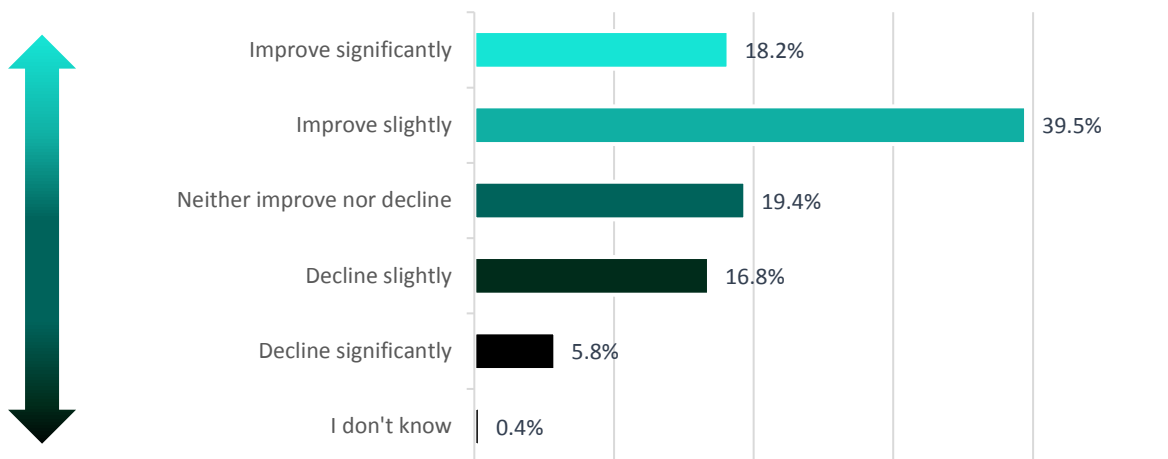
Chapter 3: Future Prospects

According to government data, the UK is lagging behind the rest of the G7, with below average growth in both output per hour and output per worker³. The latest figures show that UK productivity is 16.6% lower, compared to the average for its G7 counterparts. We are 22.8% lower than France and 26.2% lower than Germany.

With employee disengagement costing the UK £340 billion a year⁴, businesses are struggling to keep up in a highly competitive and globalised marketplace.

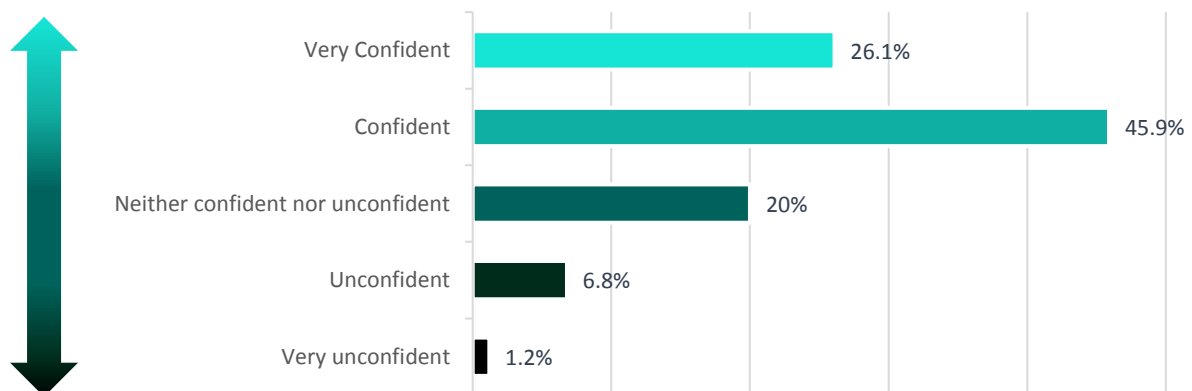
The Europcar research reveals that, thinking about the next 12 months, under 3 in 5 senior decision makers think that the outlook will improve for businesses in the UK, with only 18% feeling optimistic and stating that it will improve significantly. Over 1 in 5 think the outlook will decline for UK businesses in the next 12 months.

Do you think the outlook will improve or decline for UK businesses in the next 12 months?



7 in 10 feel confident about their own business prospects for the next 12 months and 1 in 5 feel neither confident nor unconfident. Compared with six months ago, over 62% feel more optimistic about the financial prospects of their company, with 19% saying they feel significantly more optimistic. A further 25% don't feel any different than they did six months ago, but 12% feel somewhat less optimistic about their future prosperity.

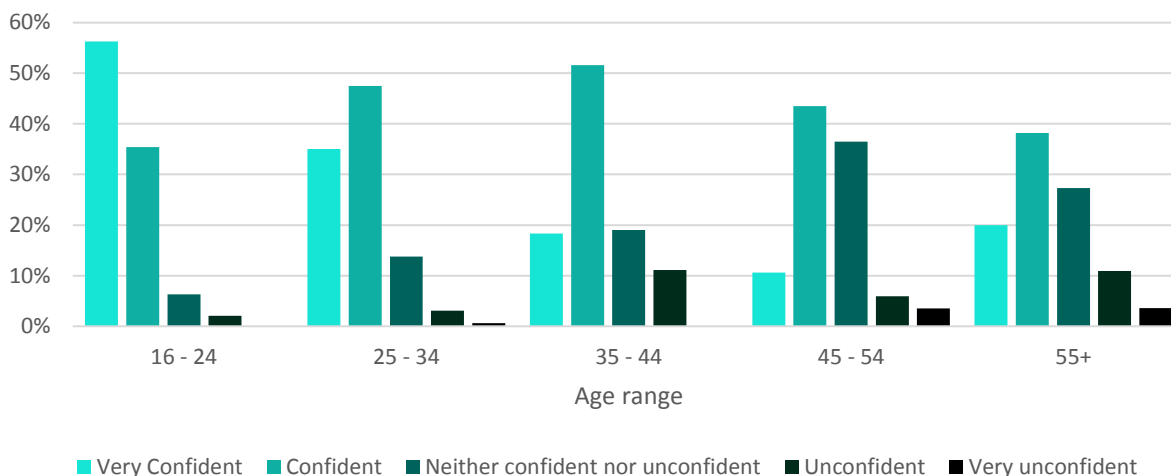
How confident do you feel about your own business prospects for the next 12 months?



The confidence of youth

There is, however, an age gap in confidence across UK businesses, according to the Europcar research. 35% of younger senior business decision makers aged 25-34 said they are feeling very confident about their business prospects, compared to just 11% of senior business decision makers aged 45-54.

Confidence across UK businesses by age

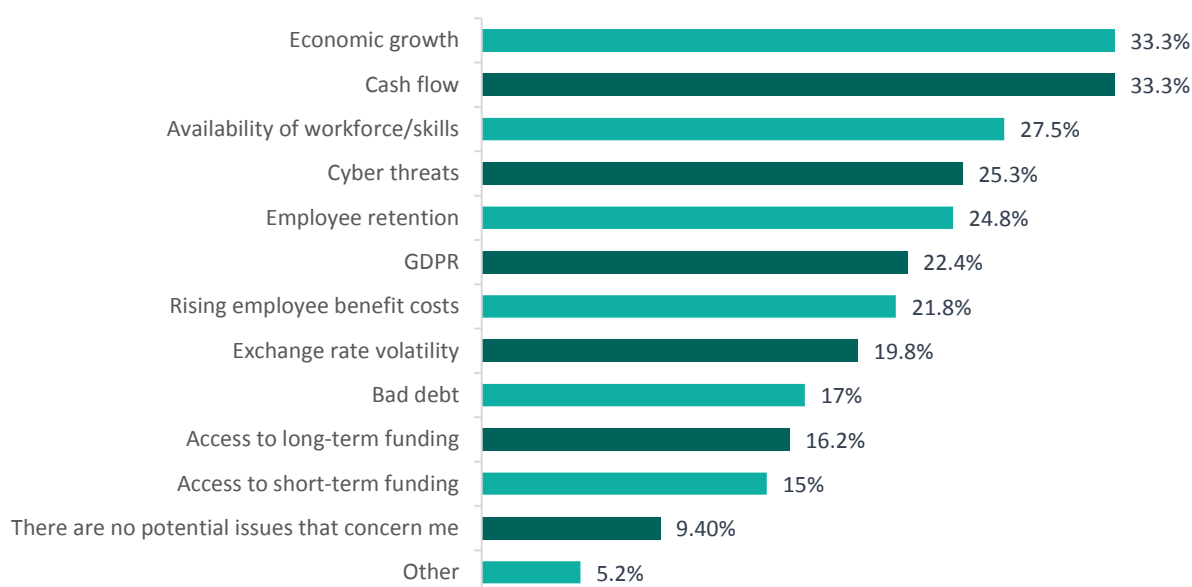


The concerns keeping businesses awake at night

Economic growth and cash flow are the top two concerns for UK firms, followed by the availability of a skilled workforce. Nearly a quarter of decision makers who responded to the UK survey, also ranked employee retention as a concern for their business. For more than 1 in 5 rising employee benefit costs are an issue.

Interestingly, and perhaps prompted by the swathe of data breaches and cyber-attacks reported in the last year or so, cyber threats was cited as a concern by more than a quarter of businesses.

Thinking about potential issues that concern your business, what would concern you in the next 12 months?



Overall, concerns about economic growth weighs most heavily for companies with over 500 employees (41%).

Cash flow is the number one concern for companies with less than 10 employees (38%) and those with between 26 and 50 employees (44%).

Companies with less than 10 employees are feeling the most confident, with 30% saying there are no potential issues concerning them in the next 12 months. This compares to an average of 9%, with only 2% of larger companies with over 500 employees saying the same.

Thinking about potential issues that concern your business, what would concern you in the next 12 months?

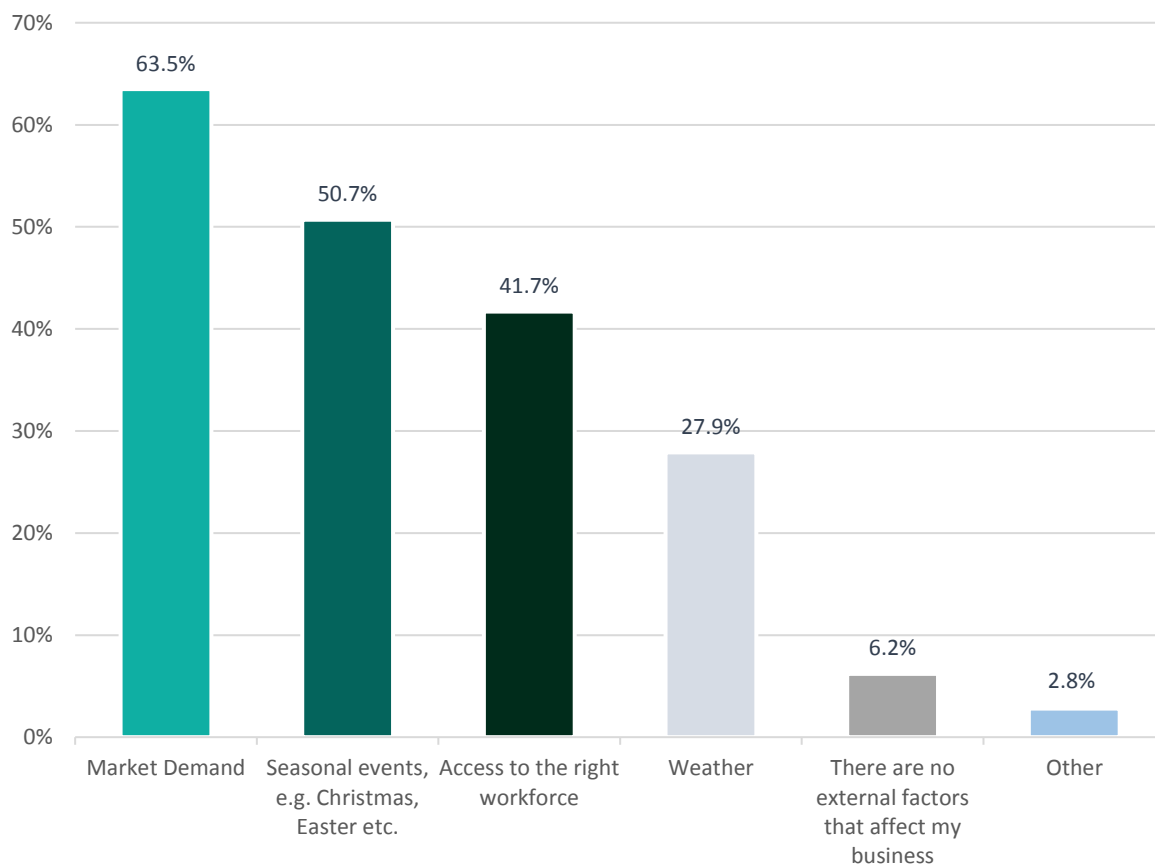
		Company Size - Number of Employees						
		< 10 employees	10 - 25 employees	26 - 50 employees	51 - 99 employees	100 - 249 employees	250 - 499 employees	500+ employees
Order of Concern (TOP 5)	1	Cash Flow	Economic Growth Workforce / Skills	Cash Flow	Cash Flow	Workforce / Skills	Cyber Threats	Economic Growth
	2	Economic Growth	Cash Flow GDPR Rising Employee Benefit Costs	Employee Retention	Employee Retention	Economic Growth	Economic Growth	Cyber Threats
	3	No Issues	Exchange Rate Volatility	Economic Growth	Economic Growth	Cyber Threats Employee Retention	Workforce / Skills Rising Employee Benefits	Workforce / Skills
	4	Exchange Rate Volatility	Cyber Threats Employee Retention Short Term Funding	Workforce / Skills GDPR	Cyber Threats	Rising Employee Benefit Costs	Exchange Rate Volatility Cash Flow Bad Debt	Employee Retention
	5	Bad Debt	Bad Debt	Cyber Threats	Workforce / Skills	Exchange Rate Volatility	Long Term Funding Short Term Funding	Cash Flow Rising Employee Benefit Costs

Chapter 4: Planning for the Unknown

When it comes to the unexpected, market demand is the top factor affecting businesses, with an average of 63.5% saying this. However, for over half of all businesses, seasonal events can also have an impact and for more than a quarter, the weather has a role to play in their fortunes, illustrating the need for agility and flexibility to respond and adjust business operations quickly.

The issue of having access to the right workforce is also a factor for UK businesses.

What external factors affect your business?



It seems that the smaller – although not the smallest - businesses – with 51-99 employees – are most affected by market demand, at 74%. Those with less than 10 employees and those with between 100 and 249 members of staff both placed the same emphasis on market demand (65%).

Companies with between 26 and 50 employees are most affected by seasonal fluctuations (55%), compared to just 45% of businesses with less than 10 members of staff.

Access to the right workforce is a key concern for over half (54%) of companies with 51 to 99 employees, followed by those with 26 to 50 staff (53%). This falls to 10% for companies with less than 10 staff. But when it comes to weather, it's companies with between 10 and 25 employees that are affected most (38%), compared to 17% for the smallest companies.

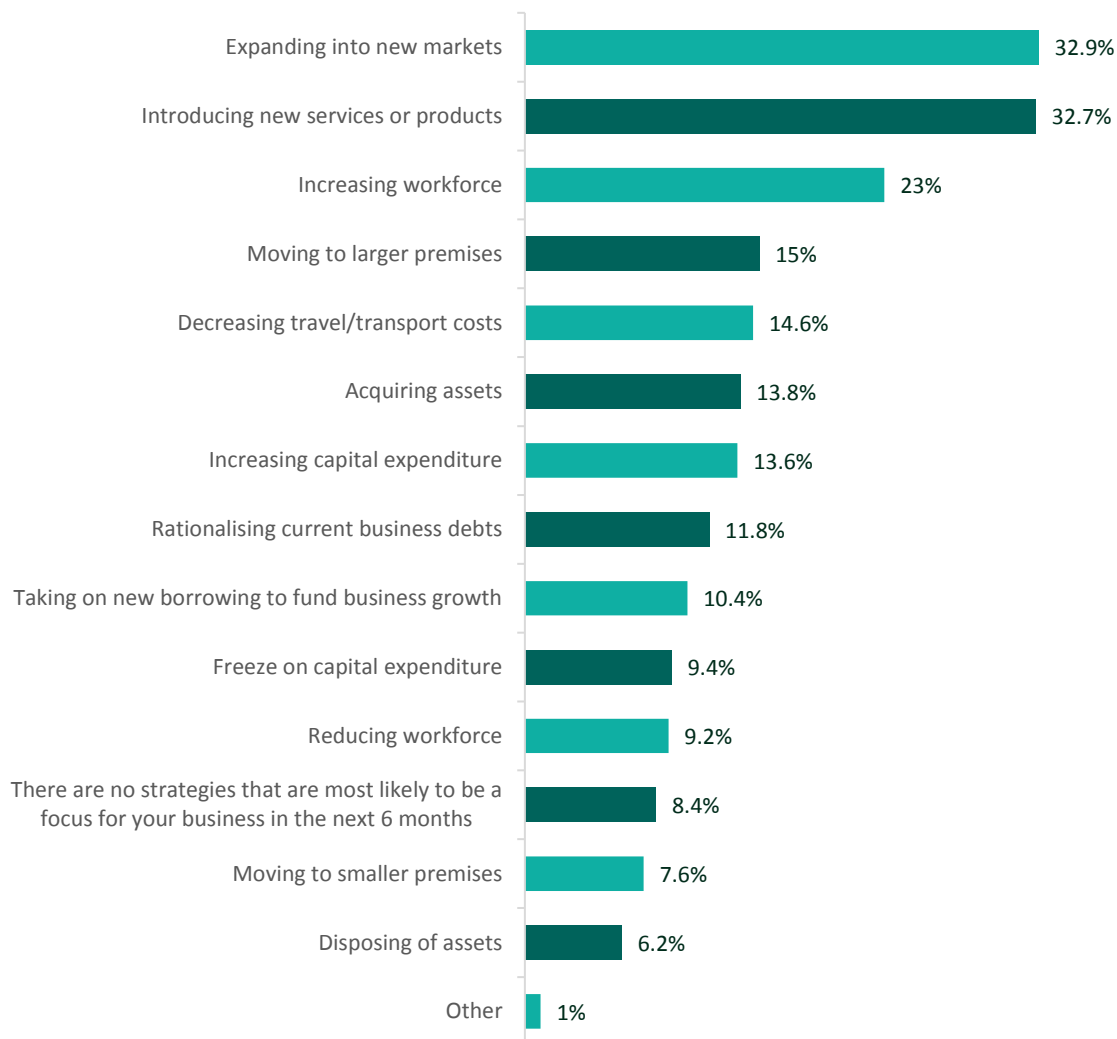
Putting a strategy in place

To manage business successfully, with the current level of uncertainty, means firms need coping strategies.

Reassuringly for the UK economy as a whole, nearly a third plan to expand into new markets or introduce new services or products. And more than 1 in 5 firms plan to increase their workforce in the next 6 months. 1 in 7 plan to move to larger premises.

However, cost cutting is also part of the strategies being adopted by UK enterprises too. For nearly 15% a focus on reducing travel and transport costs is part of their strategies for the next 6 months.

What strategies are most likely to be a focus for your business in the next 6 months?



For the smallest businesses, with less than 10 employees, the development and launch of new services or products is the main priority (40%), with over a third of the largest companies of over 500 employees most likely to focus on this aspect of their business.

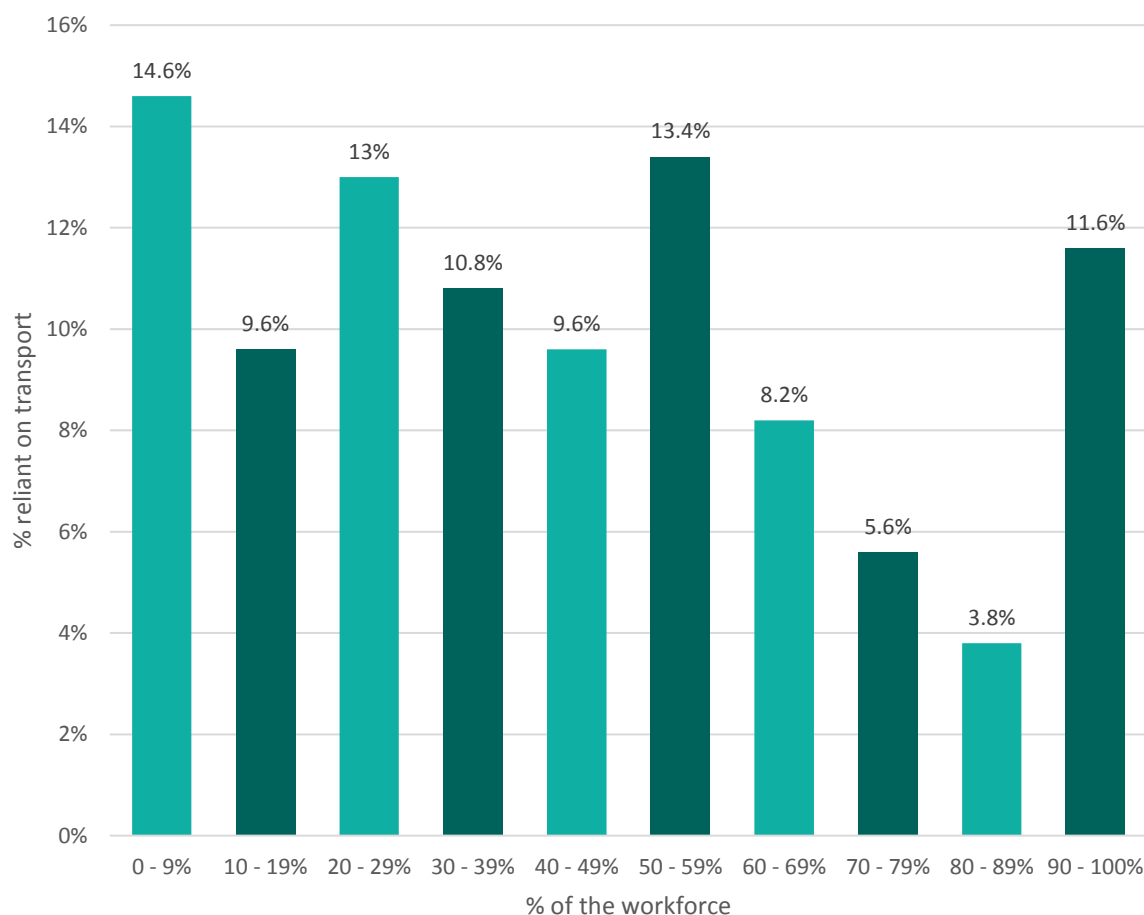
Expanding into new markets is the key focus for businesses with 10 to 25 employees (43%), compared to just 27% of those with 250 to 499 employees. However, it's the largest companies who are most likely to concentrate on expanding their workforce (35%), compared to just 9% of companies with less than 10 employees.

Chapter 5: On the Road

It is clear from the Europcar research that travel and transport are key to the operations of much of UK PLC. Across the total response base, 44% of the workforce need some form of transport to do their job effectively.

More than 15% of senior business decision makers said that 0-9% of their company's workforce relies on some form of transport. However, 13% said that 20-29% of their workforce relies on vehicles and other transport solutions, with more than 1 in 10 saying 90-100% need some form of transport to get their job done.

What proportion of the company's workforce relies on some form of transport to get their job done?



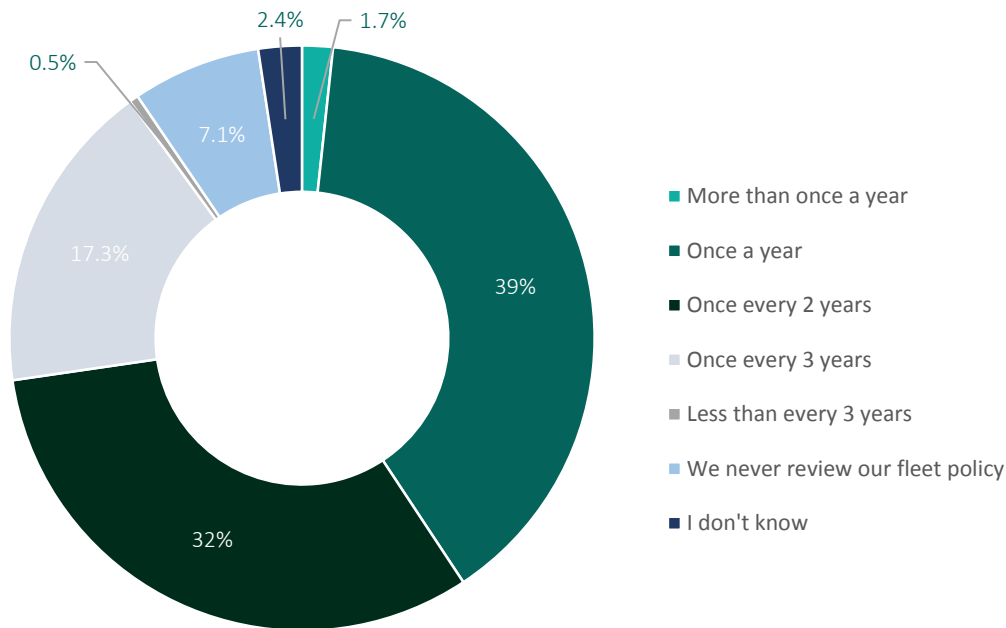
Companies in the North West have the greatest dependence on transportation for their workforce with 21% saying that this is true for over half of their workers and another 21% saying transport is necessary for 90 to 100% of staff. In contrast, only 0 to 9% need transport to work in companies in the East of England (28%), East Midlands (25%) and the South West (26%). However, 16% of companies in the East of England say that nearly 80% of their workforce relies on transport to do their job.

The role of vehicles in UK businesses isn't going to change. But what does need to change is how they are acquired and managed.

The right controls

With transportation playing an important role for UK businesses, how this is managed is also crucial. When it comes to reviewing their fleet policy, 39% of all businesses surveyed said they review it once a year, taking into account the size and type of vehicles the company owns or long-term leases. 32% review their policy every two years. Worryingly, nearly 1 in 10 said they never review their fleet policy or they don't know when it's reviewed.

How often does your company review its fleet policy?

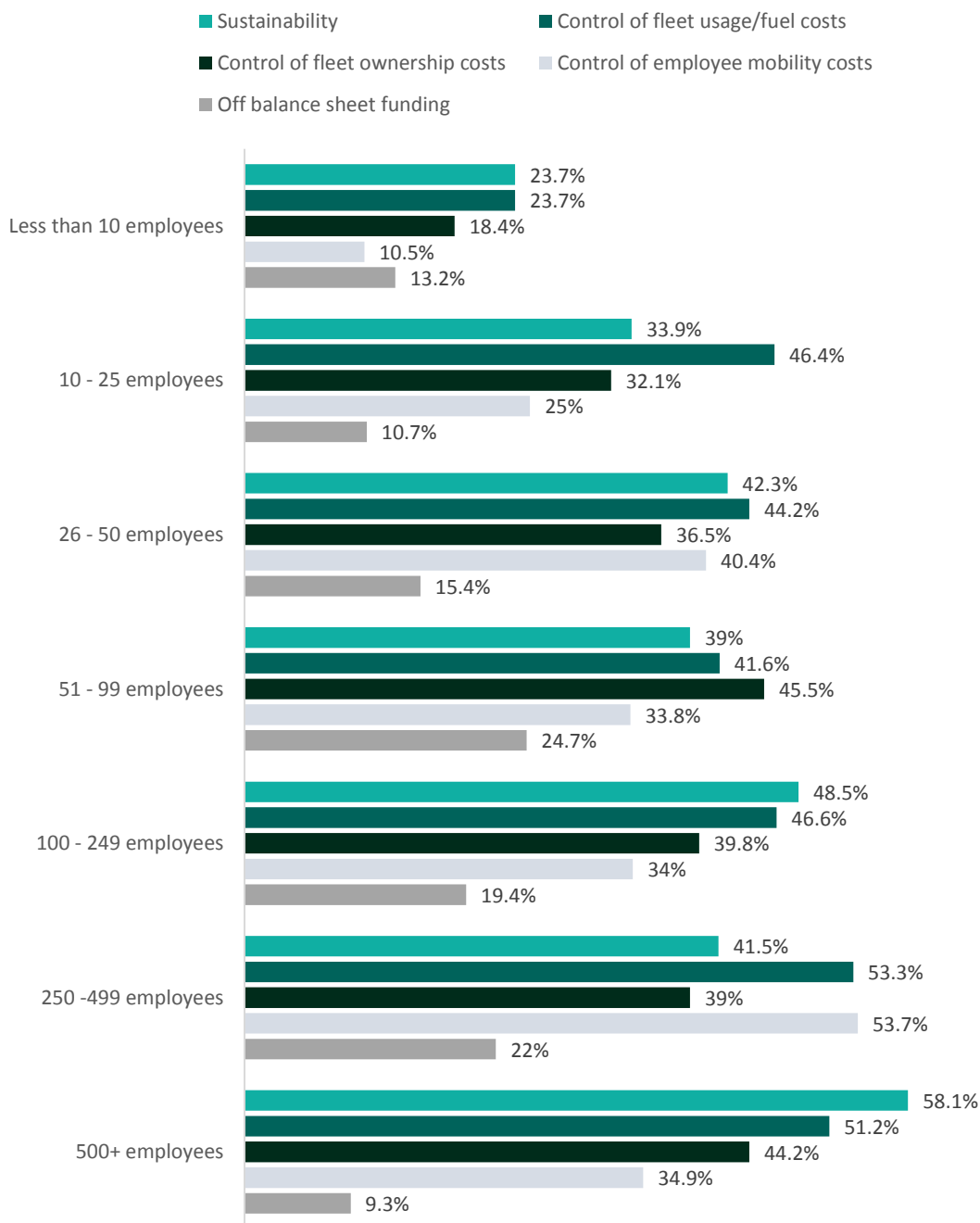


The top three goals that senior decision makers consider the most important for their fleet policy are sustainability (43%), control of fleet usage and fuel costs (43%) and control of fleet ownership costs (38%).

The larger the business, the more sustainability matters. Companies with over 500 employees put sustainability top (58%), followed by 250 to 499 employees (56%) and 100 to 249 employees (49%). This compares to under a quarter (24%) of the smallest companies saying the same. Companies with over 500 employees (51%) also put control of fleet usage and fuel costs as a prime fleet policy goal.

What are the most important goals of your fleet policy?

Fleet policy goals by number of employees



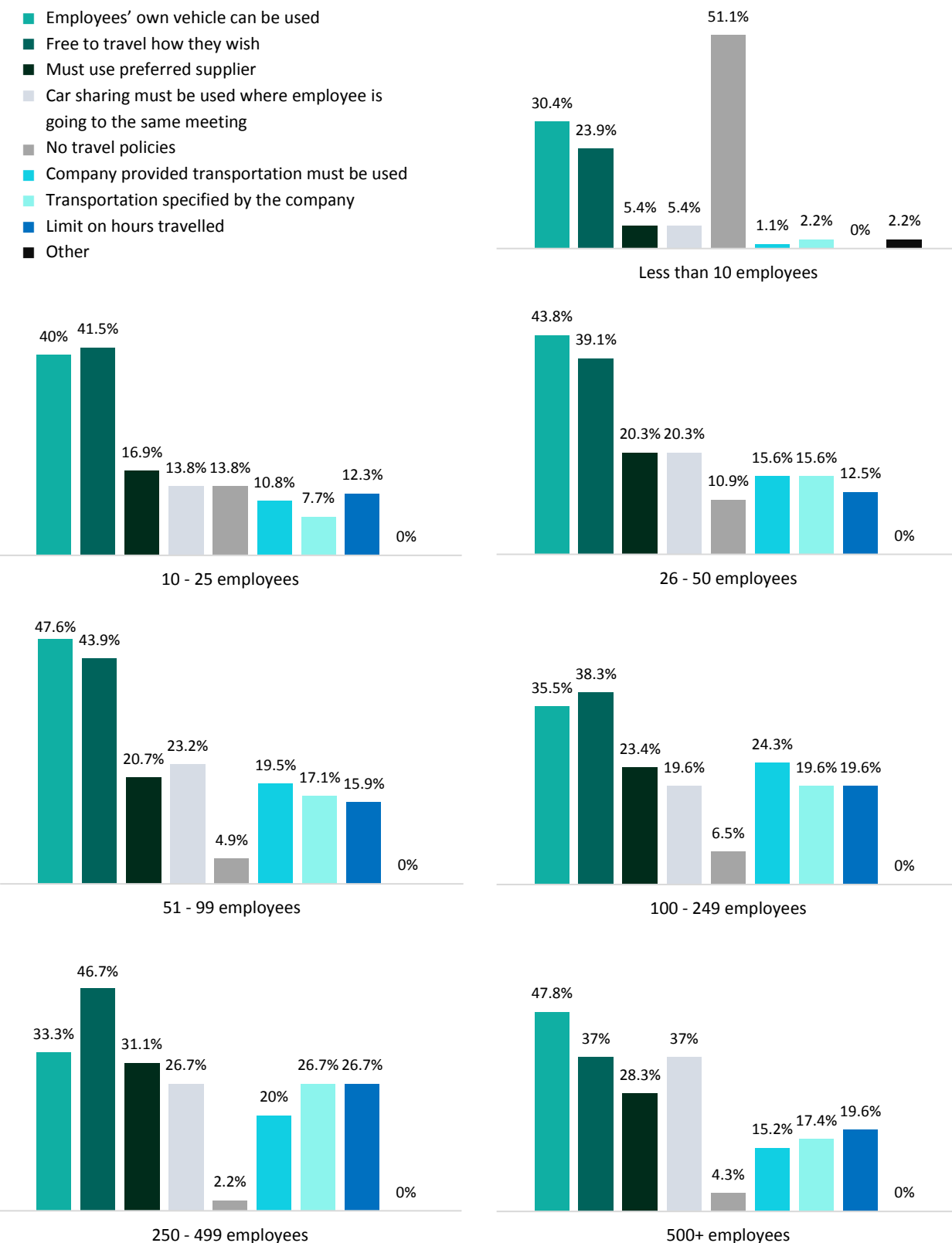
Duty of care

Nearly 2 in 5 respondents stated that when travelling for work, the travel policy that applies to their employees is 'employee's own vehicles can be used'.

38% said that employees are free to travel however they wish, with 1 in 5 stating that employees must use a preferred supplier. Nearly 1 in 5 companies stipulate that car sharing must be used when employees are going to the same location or meeting, when travelling for work, reducing costs and their carbon footprint.

And whilst it seems travel policies do not exist in over half of the smallest companies, the size of firm does not seem to have much influence over whether employees can use their own vehicle for travel. Indeed, it is actually the largest firms of 500+ employees that are most likely to allow employees to use their own vehicle for work travel at 48%, compared to just 30% of the smallest firms.

When travelling for work, what travel policies apply to employees?



Usage vs ownership

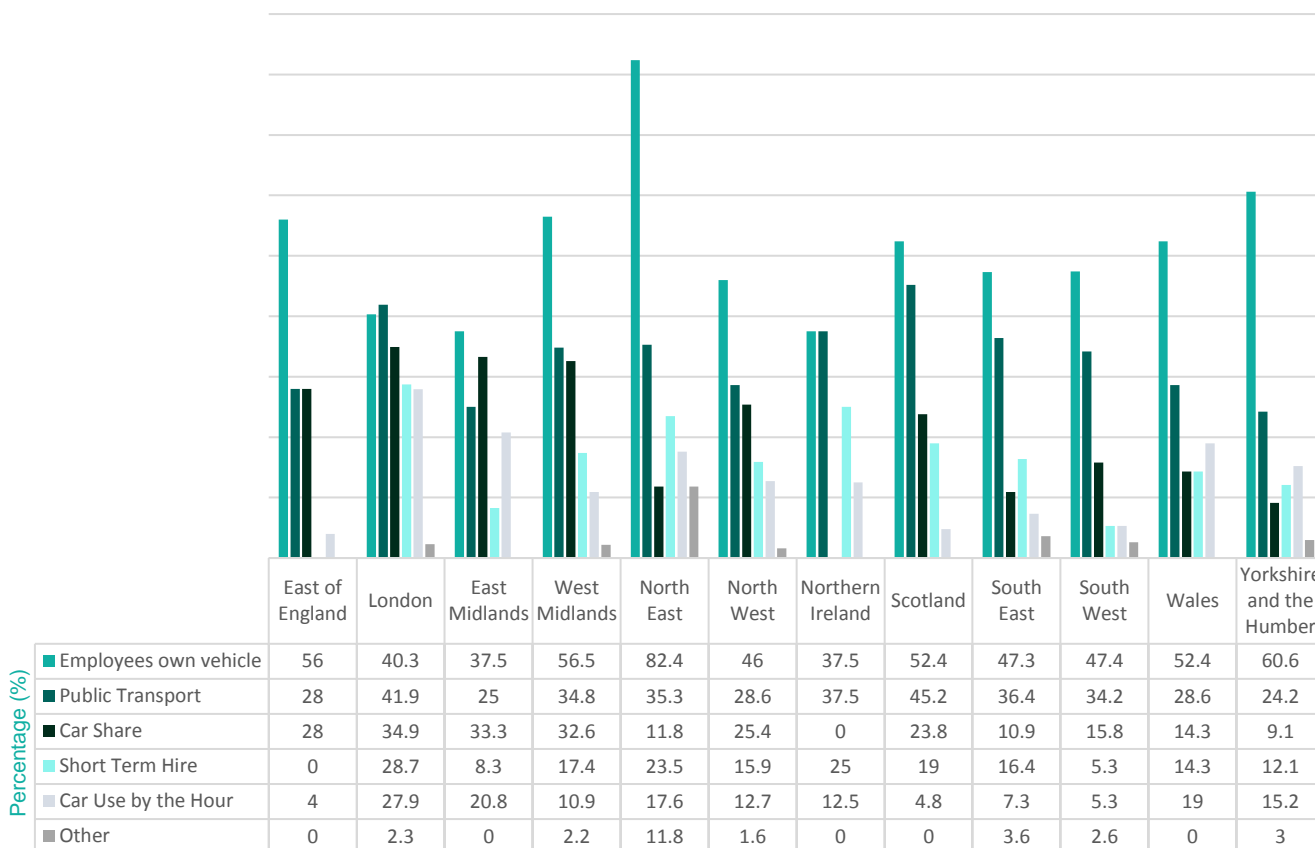
Car ownership is still a major component for many businesses with 60% saying their company currently owns cars, rising to 66% for employers of 10-25 people. This includes long-term leasing, as well as outright ownership.

More than 3 in 10 say their company currently owns small commercial vehicles, compared to 23% owning large commercial vehicles. Interestingly, 1 in 8 firms currently own bicycles, suggesting a move towards greener transport options, perhaps prompted by the Cycle to Work scheme.

Other than company owned vehicles, the other most common methods companies use to keep staff on the move include grey fleets, which accounts for just under half (49%). Public transport accounts for over a third (35%) of mobility solutions, followed by car sharing (24%) and short-term hire (18%).

Other than company owned vehicles, how else does the company facilitate employee mobility?

Transport alternatives to ownership by region



Grey fleet vehicles dominate for businesses in Yorkshire and the Humber (61%), whilst over half of companies in the East of England (56%) and the West Midlands (57%) also rely on staff driving their own vehicles. Nearly half (47%) of senior business decision makers in the South East said they rely on grey fleet, allowing employees to use their own vehicles.

It's perhaps no surprise that London comes top when it comes to employees relying on public transport (42%). However, London is also top (29%) when it comes to short term vehicle hire, compared to 5% in the South West.

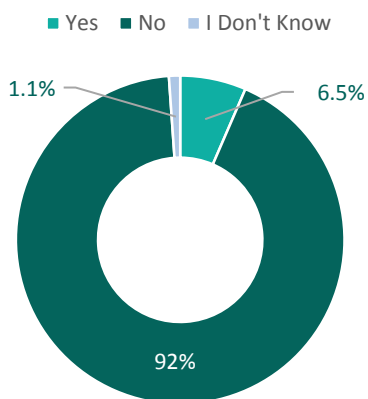
Transport alternatives

Less than half of respondents (47%) operate a car pool for employees. But this is definitely a favoured option for larger firms.

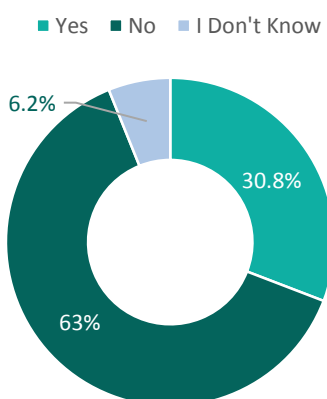
Whilst only 7% of companies with less than 10 employees offer a car pool – the lowest – 71% of those with over 250 employees opt for this alternative form of transport.

Does the company operate a car pool where employees can access vehicles just when required for business journeys?

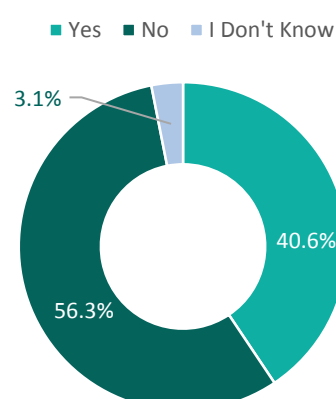
Less than 10 employees



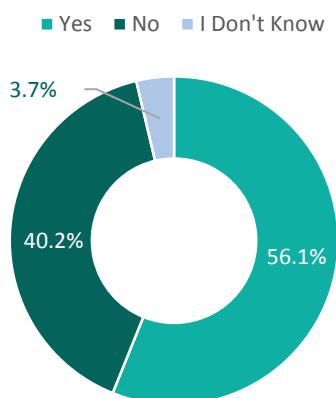
10 - 25 employees



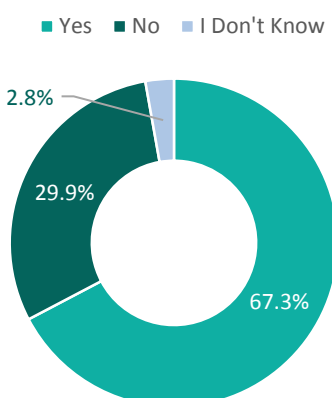
26 - 50 employees



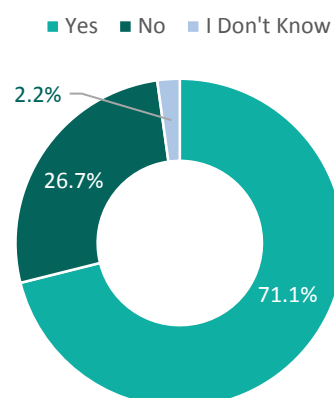
51 - 99 employees



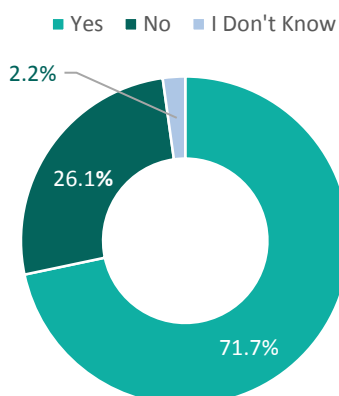
100 - 249 employees



250 - 499 employees



500+ employees

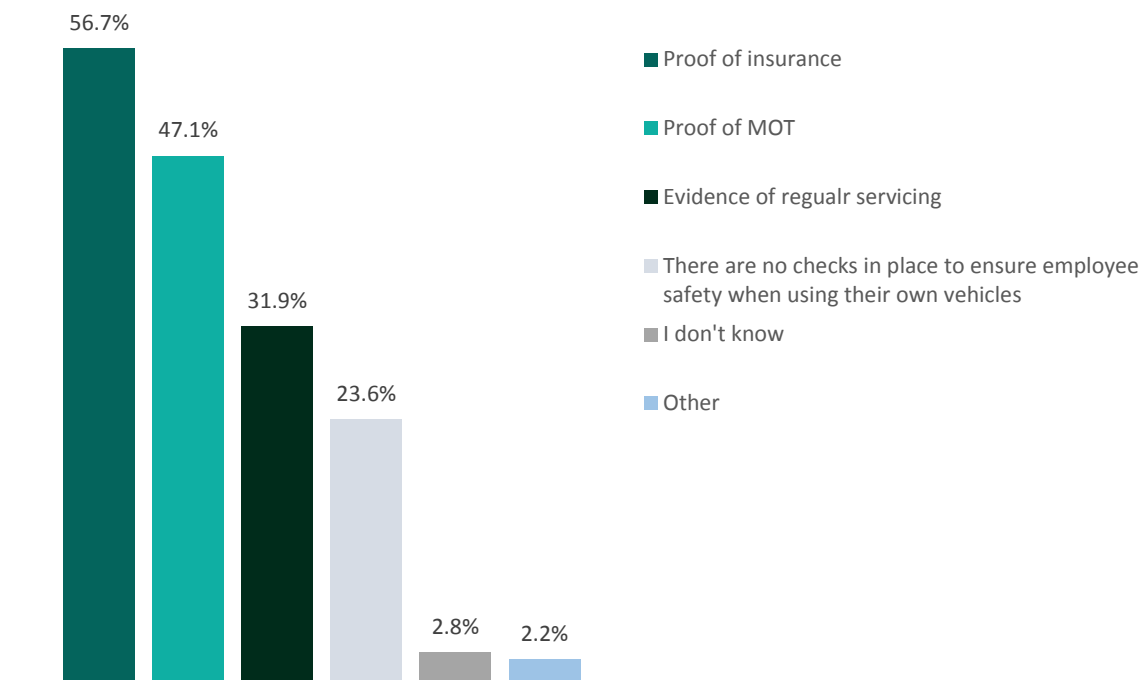


How's your driving?

Over half (57%) said that proof of insurance was in place to ensure employee safety when using their own vehicles. 47% said proof of MOT was part of their process, with less than a third (32%) stating that evidence of regular servicing was in place to ensure the roadworthiness of their grey fleet.

Worryingly, nearly a quarter admitted to having no checks in place to ensure employee safety when using their own vehicles. This shows a lack of awareness of the risks of operating a grey fleet.

Where employees use their own vehicle, what checks are in place to ensure their safety?



The environmental impact of grey fleet vehicles is also an issue that firms need to address.

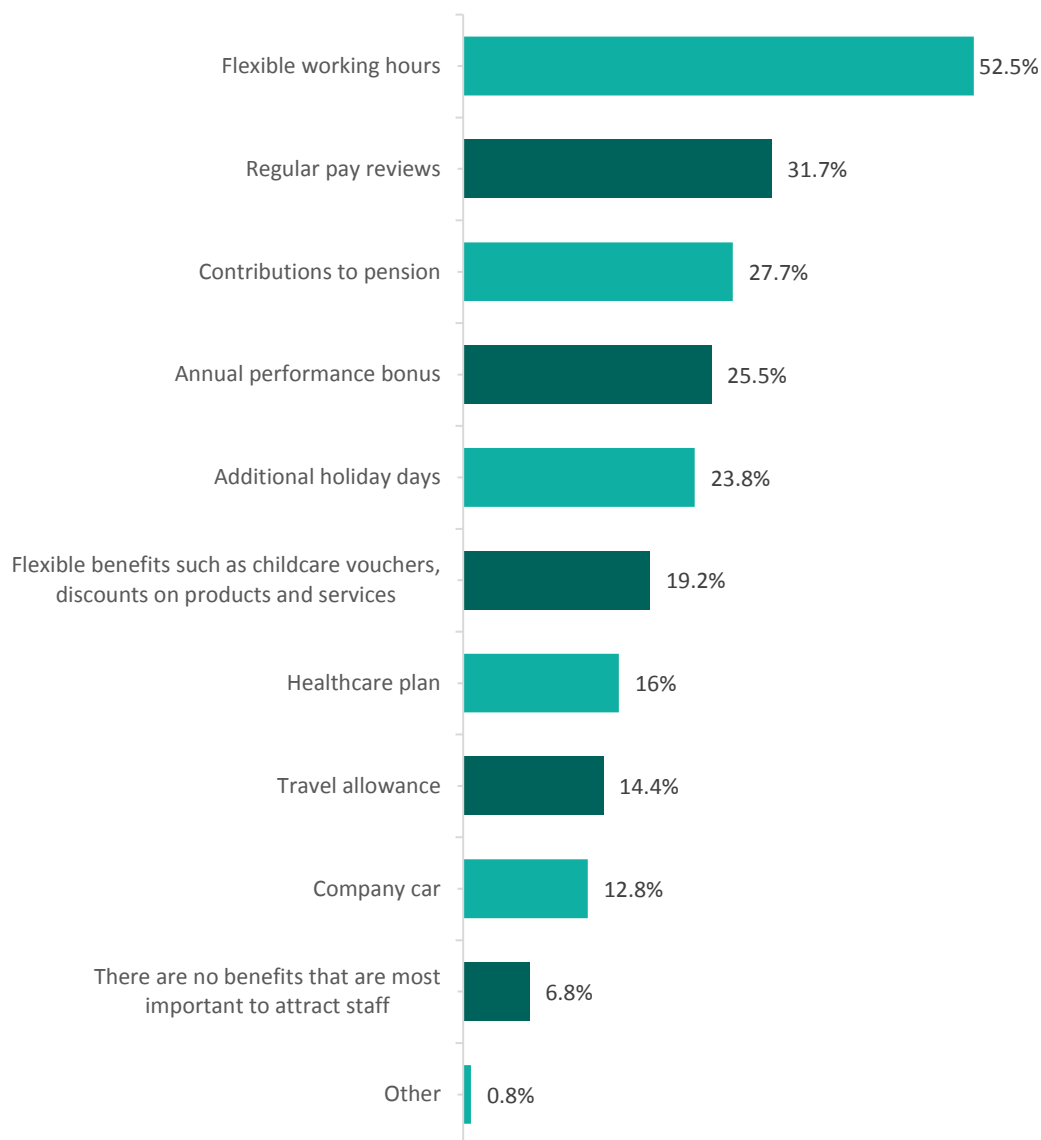
Grey fleet vehicles have an average age of 8.2 years⁵ and they produce 8,156 tonnes of NOx, which is equivalent to twice the emissions from Transport for London buses. With this in mind, the British Vehicle Rental and Leasing Association (BVRLA) is calling for company bosses and policymakers to tackle these issues.

The association wants to see a 50% reduction in grey fleet mileage and costs by 2020, and is urging government ministers to help by highlighting the alternatives to grey fleet use and offering best practice guidance, particularly for public sector organisations. According to the BVRLA, cutting grey fleet mileage by just 15% would be the equivalent of taking 225,000 cars off the road in emissions terms.

The role of the company car

Of course flexible working hours and fair remuneration rank highest in terms of benefits to attract employees. But the company car still has a role to play in the total package for more than 1 in 10 businesses. There does, however, seem to be a trend towards more flexible benefits – such as a travel allowance or discounts on products and services.

What do you think are the most important benefits to attract employees?



The company car benefit is a higher priority for bigger businesses with only 3% of those with less than 10 employees valuing it. It's a key focus for those with 100 to 249 employees (21%) and over 500 staff (20%).

Chapter 6: Long-term Hire: An Alternative to Ownership

Fleet managers keen to stay in control of costs and their emissions are missing a huge opportunity if they fail to recognise the impact of grey fleet usage. Cost and convenience are going to be key factors, when it comes to convincing staff to swap their private vehicle for an alternative.

However, long-term rental can provide a cost-effective solution without compromising on the flexibility employees need. Rather than tying up capital in 3-4 year finance agreements for company vehicles, Europcar UK offers firms a flexible alternative that also tackles the bottom-line impact of higher VED charges and increases in benefit in kind (BIK) taxes.

The Europcar UK corporate long-term rental solution provides access to vehicle hire at a fixed rate, from three months up to three years. With no fixed contract to sign, it is ideal for businesses that are uncertain about their future vehicle requirements, but want to know that costs won't change.

Offering the newest cars on the road, the solution gives business drivers access to all the latest motoring technology. All cars in the long-term rental fleet are 'business ready' with Bluetooth and satnav, helping business drivers get from A to B with the minimum of fuss. And drivers can choose from a wide range of vehicles, from compact and economical to higher spec cars and vans. Crucially, firms can avoid the hassle of vehicle ownership, with servicing and maintenance of the rental vehicle covered as part of the package.

With ongoing economic uncertainty, a one size fits all approach isn't the best way to help firms manage their fleets efficiently. Instead, Europcar UK provides the flexibility to change up or down in vehicle type, without any financial penalty if an organisation's vehicle requirements alter, making it a solution that fits the needs of firms today.

Appendix

- 1 <https://www.bdo.co.uk/en-gb/news/2017/uk-slips-down-rankings-as-a-global-work-destination>
- 2 <https://www.bdo.co.uk/en-gb/news/2017/uk-slips-down-rankings-as-a-global-work-destination>
- 3 <https://www.ons.gov.uk/economy/economicoutputandproductivity/productivitymeasures/bulletins/internationalcomparisonsofproductivityfinalestimates/2016>
- 4 <https://www.haygroup.com/uk/press/details.aspx?id=7184>
- 5 <http://www.bvrla.co.uk/news/bvrla-calls-action-grey-fleet-use>

Links accessible as of 27/07/18