

BUILT ON FIRM FOUNDATIONS – WHY SHAREHOLDERS MATTER

Corporate ownership has a major influence on the culture, attitude and approach of businesses, says Nick Hughes, CEO, Grosvenor Group

In an era of tumultuous change, stability is proving to be a cherished commodity. Over the past three years, fleets have naturally sought a port when faced by the storm of vehicle supply shortages, constant car and van price increases, and bi-monthly interest rate rises, all followed by a precipitous decline in residual values.

Through this tsunami of troubles, Grosvenor Leasing has grown steadily, providing reassuring consistency to a client base that includes many household names.

The company's success is due in no small part to its family-owned structure, which prioritises a long-term approach, said Nick Hughes, Grosvenor Group CEO. In an industry dominated by banks, vehicle manufacturers and private equity firms, with their relentless pressure for profit and growth, the UK's largest privately-owned contract hire and fleet management specialist can instead pursue a different agenda.

"We've never been tempted to grow the fleet in any other way but organically and sustainably, and that's due to our legacy as a family business first and foremost," said Hughes.

The consultants McKinsey & Co define this philosophy as stakeholder capitalism, which is focused on creating long-term value not only for shareholders, but also for customers, suppliers and employees. Profits and returns still matter, but "stakeholder capitalism defines 'value' in broader terms".

Grosvenor customers witnessed this first-hand in the aftermath of the pandemic, when long lead times saw many other leasing companies increase their rentals between order and delivery to cover the cost of higher interest rates and vehicle

In association with



price rises. Grosvenor honoured the prices it had originally quoted for their legacy customers.

"Customers don't want everything passed on to them, they want their leasing company to be agile and find solutions to buffer some of the pain," said Hughes.

There's further proof of stakeholder capitalism among Grosvenor staff, where almost a quarter of the 85 employees have been with the company for 25 years (Hughes has been with the Grosvenor Group for 40 years), so customers aren't faced by a carousel of ever-changing contacts and account managers. Moreover, in an industry where an increasing number of women have responsibility

for their companies' fleets, half of Grosvenor's 12-strong senior leadership team are female.

For all the hi-tech advancements in IT, apps and vehicle connectivity, leasing remains a people business, and "we very much see people as the key to our USP", said Hughes.

Grosvenor Leasing itself is investing a seven-figure sum in a new IT system that will automate and connect a number of manual processes to optimise internal efficiencies. From a customer perspective, the ambitious programme will also integrate online service bookings, bring tighter controls to managing vehicle downtime, and give clients access to all the data and management reports they require at the click of a mouse.

Importantly, the future-proofed IT system will liberate staff time to be proactive and enhance the customer experience. Grosvenor is not and never will



be a business where fleet managers find themselves caught up in an endless call centre loop, dialling one for X and two for Y, when they just want a straightforward answer to their enquiries, said Hughes.

"I can see among the customers that Grosvenor wins that they want the infrastructure and support of a national provider, cutting-edge technology and the automation of certain services, but they're also crying out for personal service," he adds. "They're desperate to be able to talk to somebody and get suitable advice."

Grosvenor's flat leadership structure gives it an agility that allows it to make decisions rapidly, said Hughes, without the convoluted processes and protocols that delay other leasing companies. As a practical example, he suggested that it could take as little as 24 hours for Grosvenor to set up a live salary sacrifice solution, with all of the protections against resignation, redundancy, maternity, paternity and long-term sickness that employers and their drivers could require.

Salary sacrifice has proved a runaway success as businesses have seized the opportunity not only to offer staff a highly prized benefit, but also to green the company car park and cut Scope 3 emissions from commuting.

Demand for fleet management support has also soared since the pandemic, partly due to the financial impact the crisis had on companies and their growing awareness of the time and resource required to run a fleet efficiently, and partly due to the increasing complexity of fleet responsibilities. The idea of one person being able to master the procurement, operation, compliance, data protection and cyber security issues of managing a fleet seems unrealistic, especially when so many executives share their fleet duties with another role.

"Customers are turning to Interactive Fleet Management (part of the Grosvenor Group) precisely because fleet has become so complex that it's stretching people into areas they don't always understand," said Hughes. "So, the decision often comes down to 'why are we doing all of this? Why don't we pass it to the professionals to handle?'"

For the past 15 years, Grosvenor has offered its Panel of Experts service, ready to answer any customer questions about compliance, CO₂, taxation, legal responsibilities, technical details, fleet policy, and health and safety requirements, promising that the advice is just a phone call, email or LinkedIn message away.

For fleet decision-makers, the growing rate and scale of change are only going to complicate the challenges that lie ahead. Supply chains are set to be transformed by manufacturers migrating to agency distribution models, bringing greater transparency to pricing and standardising discounts. The Zero Emission Vehicle Mandate is distorting the availability of some internal combustion engine cars and vans as manufacturers deploy varying tactics to avoid stiff penalties. And pressure is mounting on businesses to establish a decarbonised fleet operation before bans on the sale of petrol and diesel vehicles come into force, potentially as early as the end of the decade.

"Faced with this outlook, fleet managers are looking for a different style of solution to the one they've had before, a solution where they actually talk to real people and have a sensible, stable relationship, rather than constant price changes and constant personnel changes," said Hughes.

"Grosvenor is a very safe pair of hands to be working with through these challenging times."

E-LCV switch when it's suitable

When you've met one van fleet, as the saying goes... you've met one van fleet. Different permutations and combinations of duty cycles, mileages, payloads, towing requirements, and single or multiple driver rosters give each fleet unique characteristics. This makes van fleet management difficult at the best of times, but when electrification and charging complications enter the equation, the challenge increases exponentially. Put bluntly, there is no universal plug-and-play solution to the struggle of transitioning to zero-emission light commercial vehicles (LCVs).

Conscious that these factors mean each LCV fleet is following its own timeline,

Grosvenor has developed an innovative product called Electric Van Switch.

"We appreciate that fleets cannot stand still, so we created this programme which allows businesses that order a traditional internal combustion engine (ICE) vehicle to exit those agreements without penalty and transition to an electric van that's suitable for them, as and when an appropriate vehicle becomes available," said Nick Hughes, Grosvenor Group CEO.

"This provides them with the reassurance that they're not locked into a leasing contract for four years – if technology moves on at pace, they don't necessarily need to miss out on an early transition."

He emphasised Grosvenor's determination to put itself in its customers' shoes and fully understand the business and operational issues they face on the road to decarbonisation. No company wants to be paying highly trained engineers to sit idly while their van recharges, or risk late deliveries because a vehicle is still plugged in. The wheels of business have to keep turning, literally and metaphorically.

This means some organisations are having to reconsider their entire

operating model in order to meet their sustainability commitments.

"Grosvenor has been working individually with our commercial vehicle clients to offer support, analyse their operations and help them to identify the vehicles that they may be able to transition now and which they will need to delay as they wait for better product," said Hughes. "Plus, we're providing demonstrator vehicles so customers can trial how they could make electric vans work for them."

He has also seen a number of operators start to consider hydrogen vans as a viable alternative to the complications of battery-powered vehicles. Vauxhall is due to start factory production of the Vivaro-e Hydrogen, which promises a range of up to 249 miles, and a three-minute refuelling time, although running the zero emission vehicle will still involve challenges, most notably access to a refuelling network and sourcing 'green' hydrogen.

"LCV operators are taking a balanced approach at the moment and keeping an open mind as to whether an EV is the right solution for them right now, while keeping one eye on what develops with hydrogen," said Hughes.

"Firm foundations that extend beyond shareholder responsibilities. Ownership structure has a major influence on the culture, attitude and approach of businesses"

says Nick Hughes, Grosvenor Group CEO





Evaluate: try before you buy

A quick glance at Grosvenor Leasing's order bank reveals that 83% of new additions to its car fleet this year will have a plug, a sizeable increase on the 54% of its current fleet that is either battery-electric or plug-in hybrid.

With every fleet facing the Government-promised 2030 deadline for an end to the sale of petrol and diesel cars, Grosvenor has developed its EValue product, targeted at the 20% of customers still resistant or reluctant to switch to battery power. The innovative solution offers used EVs over flexible lease terms of one month to three years, so customers can trial zero emission motoring without an early termination penalty if the technology does not satisfy their transport needs.

"Our customers can dip their toes in the water and try an EV without a long-term commitment. If it doesn't work for them, fine, but for most people, once they have a go in an EV, they realise how it can work," said Nick Hughes, Grosvenor Group CEO.

The product is one element of Grosvenor Leasing's multi-award-winning Ozone solution, which has been designed to guide fleets to a more sustainable future, tackling the environmental, operational and financial implications of operating ultra-low and zero-emission vehicles.

The service incorporates EV funding, charging solutions, the establishment of a robust green car policy, and driver education to ensure a smooth transition to cleaner vehicles.

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How understanding the used vehicle market underpins RVs

With its own megastore retail site for its ex-lease vehicles, Grosvenor Leasing has a direct insight into the used market and the demands of secondhand buyers. The facility plays a key role in helping the company manage its residual value (RV) risk and provide consistency in its contract hire pricing, especially at a time when the entire leasing industry has been rocked by volatile shifts in the fortunes of electric vehicles.

All end-of-contract vehicles pass through Grosvenor's de-hire centre, where they are inspected, triaged for repairs and refurbishment, before being channelled to the company's retail operation or sent to auction.

With an in-house bodyshop, the centre helps Grosvenor minimise its fair wear and tear charges and maximise its remarketing proceeds by presenting vehicles at auction that are ready to retail.

"We don't operate it as a profit centre, but simply a means to an end," said Nick Hughes, Grosvenor Group CEO.

Grosvenor is currently investing heavily in the centre to deal with the rising volumes of vehicles that it will be selling as the company has grown, a volume that includes a rising share of electric models. It is not immune to the residual value pain that has afflicted the industry, but Hughes sees early signs of the

long-term decline in EV RVs stabilising. Where a specific make and model has an electric and petrol version, the ICE vehicle is now carrying a slight premium, and "logic tells me that EV vehicles should still hold some sort of premium over ICE", he said.

The market is not yet at this point, but Hughes is more confident in Grosvenor's RV setting than he has been for the past two years, with data from the company's retail site showing that EVs are taking, on average, 28 days to sell, compared with 44 days for ICE vehicles.

"That tells me that consumer demand for used EVs is actually quite robust," said Hughes. "I think retailers' appetite for used EVs is probably less confident than the buyers' appetite."

This is understandable after the experience of watching assets depreciate on forecourts, but there are early promising signs now that EV residual values may have stabilised, he added.

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