

Redefining Rental for Materials Handling Equipment



Executive Summary

Digital disruptors are influencing every aspect of business-shaping growth, inspiring change and prompting new business models. As a result, organisations are looking for more flexibility from suppliers in every aspect of the business - and that includes the acquisition of essential equipment. According to research undertaken by Sapio Research on behalf of Jungheinrich UK Ltd into the forklift truck market, existing patterns of acquisition are looking dated and there is evidence that short term rental (STR) is being considered as an alternative to traditional three to five year contracts.

Almost two thirds (61%) agree that the 9-5 approach to short term rental (STR) is out of sync with today's 24x7 demand.

51%

Agree they could benefit from quicker delivery of hired forklifts.

25%

Agree that the options currently available are mostly outdated compared to other rental markets.

STR has clearly failed to evolve to meet the changing needs of a market that is facing a raft of challenges from political and economic uncertainty to rising consumer expectations.

The shift in attitude to equipment acquisition is underpinned by the changing concept of 'Short Term' within the rental model - with 40% considering short term to be in excess of three months. The research also reveals increasing polarisation in the short term market - while 71% use STR between one and five times a year, at the other end of the spectrum 16% will hire trucks in excess of 15 times a year. Both of these trends reinforce the idea of using a flexible hire service as a way to effectively manage market volatility and complement traditional contracts.

As the research reveals, agile, fast moving businesses require a far more flexible approach to truck hire:



Daily Hire - While only 8% use a daily rental system today, 22% would prefer this model.



Hourly Use - 76% would be interested in a short term rental system that charged for truck usage based on the hours used rather than a fixed term agreement.



Organisations demonstrated a willingness to pay a premium for faster delivery.

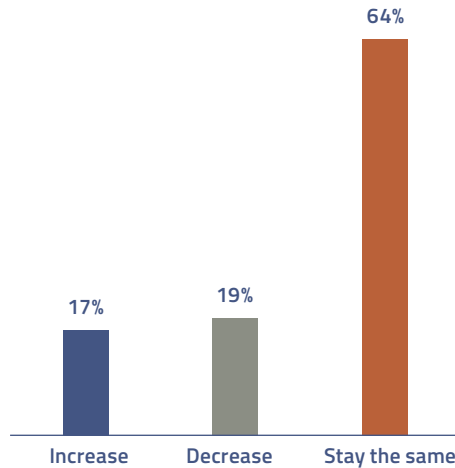
The STR market needs to evolve and offer the flexibility demanded by organisations responding to the challenges of a 24x7 marketplace.

Introduction

Understanding Short Term Rental

At first glance, the short term rental (STR) market appears to be stable, with almost two thirds (64%) of organisations expecting their use to stay the same for the next 12 to 18 months.

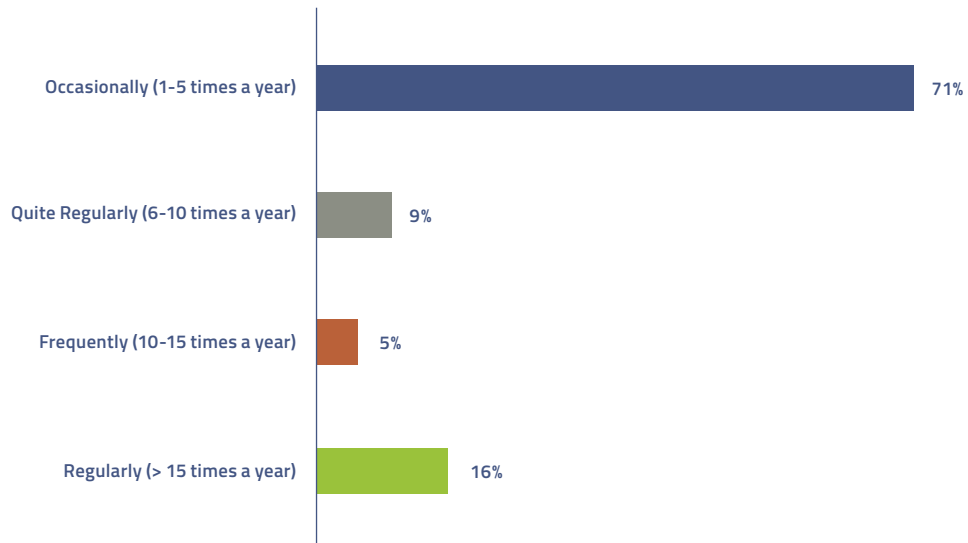
The market for the short term rental of fork lift trucks appears to be stable.



In the next 12-18 months, do you expect your use of short term rental trucks to: **(Total)**

However, this research also revealed two very distinct aspects of the STR model: the polarisation in the way rented trucks are used - either very frequently or very rarely. There is very little middle ground. While 71% use STR occasionally (between one and five times per year); 16% will use the service more than 15 times a year.

There is a polarised pattern to short term rental - very occasionally or very regularly



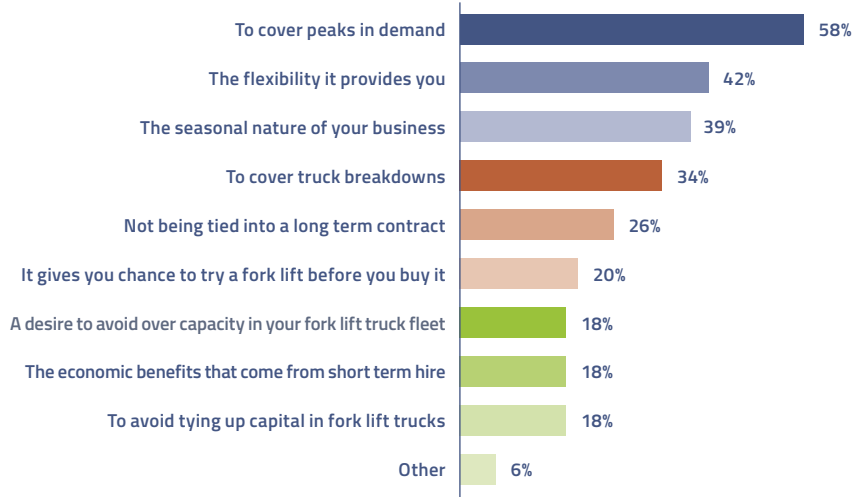
Which of the following best describes your requirement for short term rental trucks? **(Total)**

It is clear that STR plays a key role in enabling organisations to manage exceptions – from covering peaks in demand (58%) to managing the seasonal nature of the business (39%) and covering truck breakdowns (34%). In addition, however, 42% are looking at STR for the flexibility it provides and...

26%

Consider STR as an alternative to being tied into a long term contract. The view of this significant minority reflects the growing influence of consumer expectations and experience affecting business to business (B2B) markets.

Is short term rental starting to be considered as an alternative to longer term contracts.



Which of the following are key reasons for hiring trucks on a short term hire basis? (Total)

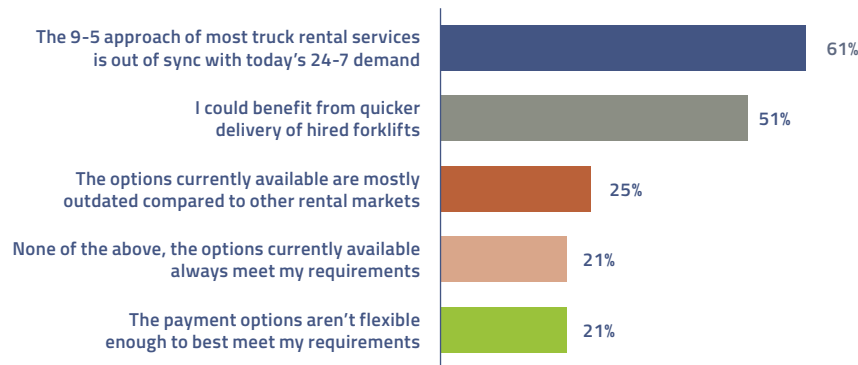
Today’s commoditised lifestyle is increasingly purchased as a service without any long term commitments, from cars that can be rented for an hour via an app onwards. This ‘on demand’ approach provides consumers not only with immediate access to products and services, but also full visibility and control over that experience. And it is this expectation that is increasingly feeding into the business world.

Combining this shift in consumer expectation with global economic and political uncertainty and the change in working

practices is affecting the way in which organisations make investments. For example, the move from on premise IT systems to on demand cloud software is well documented. This research reveals increasing demand for more flexible operations in other areas, including truck usage.

Almost two thirds (61%) agree that the 9-5 approach to STR is out of sync with today’s 24x7 demand.

The traditional ‘9-5’ approach of short term rental looks to be out of sync with today’s 24-7 demand patterns and quicker delivery of hired trucks is a market requirement.



Do you agree with any of the following statements about the options currently available to you for hiring short term rental trucks in general? (Total)

A Changing STR Model

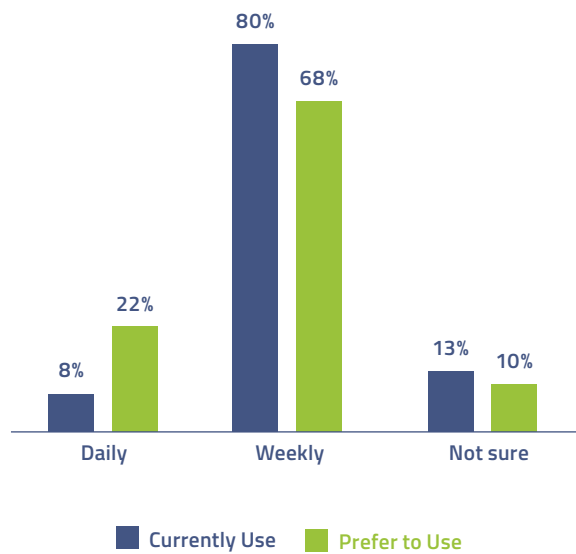
It is clear that the STR model has evolved slower than the changing needs of the market - with a quarter of respondents feeling that the truck rental market is outdated compared to other rental markets.

The question is, of course, how do organisations want to use STR to support both the faster pace of operations and demand patterns that are putting pressure on lead times, and the need to add flexibility to the business model? STR offers an opportunity to complement existing truck acquisition models - enabling organisations to build in additional flexibility, akin to that achieved through flexible employment models, including zero hours contracts. It is, therefore, essential to understand the way in which organisations want to use STR.

While the vast majority (80%) use hire systems based on weekly agreements, there is considerable interest in contracts that are based on a daily basis (22%), reinforcing the need for a more flexible approach.

In addition, respondents like the concept of flexible charging models - 65% would be interested in a lower hourly rate with an agreement to take a minimum number of rental hours; while 35% would be interested in a higher hourly rate that was fixed regardless of the number of hours used.

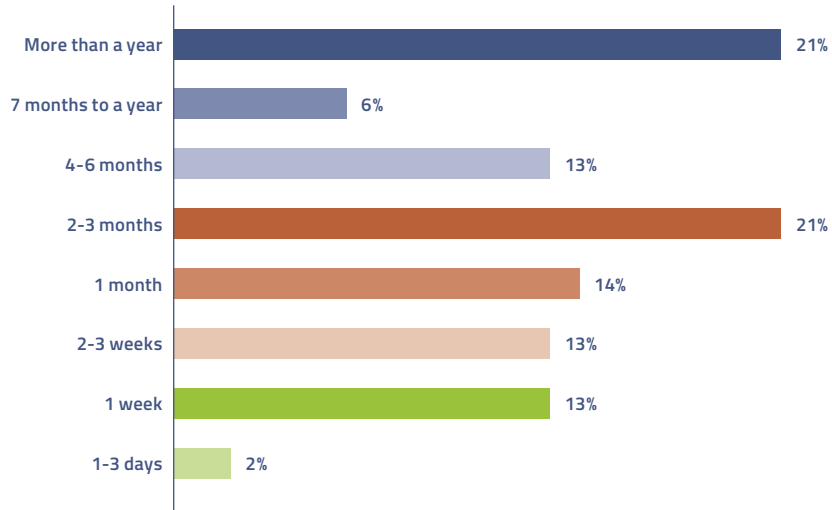
While the vast majority of people use hire systems based on weekly agreements there's considerable interest in contracts that are based on a daily basis.



Which short term rental system do you currently use/would you prefer to use? (Total)

There is also a very mixed perception of the concept of ‘Short Term’ – with more than one fifth (21%) considering short term to be more than a year. Indeed, 40% believe short term to be in excess of three months – again reinforcing the trend towards using STR to add flexibility to the existing truck and as an alternative to a long term contract.

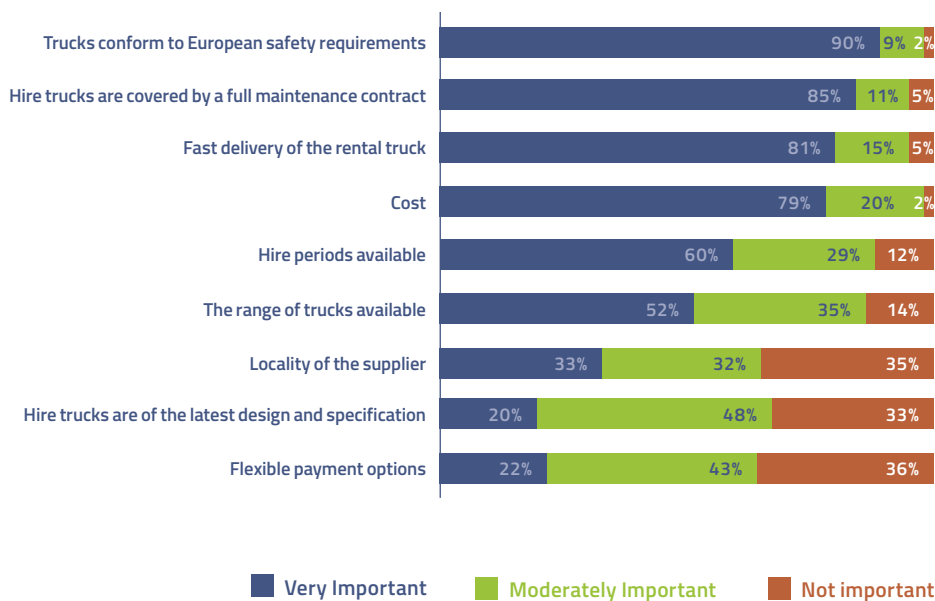
Is short term rental really short term?



Over which of the following periods do you typically require short term rental trucks? (Total)

It is interesting to discover how this demand for flexibility has influenced expectations when it comes to hiring a truck. Cost is not the primary issue - it is fourth on the list (cited as very important by 79%), with trucks conforming to European safety standards (90%), the provision of full maintenance agreements (85%) and fast delivery times (81%) rated as more important.

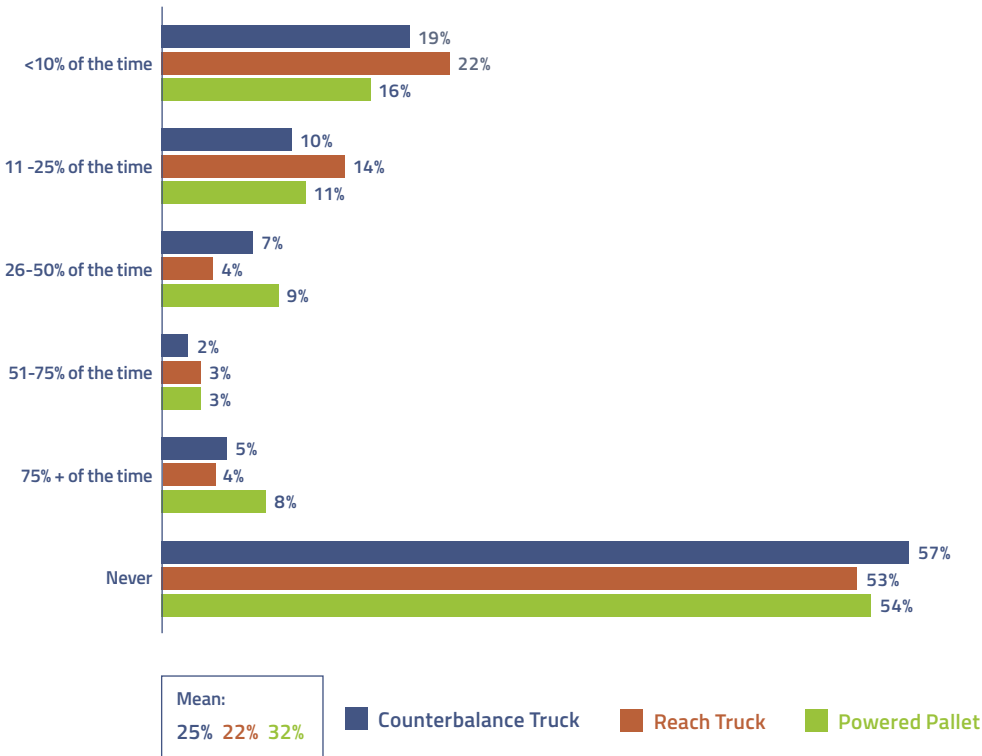
Cost of rental isn't necessarily the key driver



When looking to hire a truck how important are the following to you? (Total)

The delivery time issue is thought provoking as the industry has a good track record. Expectations are high and manufacturers are under pressure to continually raise standards. Just over half of organisations are happy with the length of time they have to wait for a short term rental truck. However, with mean delivery times just under eight days, those who are disappointed at the length of time they have to wait for a truck are typically disappointed 22% of the time.

While just over half of the organisations are happy with the length of time they have to wait for a short term rental, there's significant disappointment around delivery times.



How often are you disappointed by the length of time you have to wait to receive the short term rental truck? (Total)

The priority of delivery times over cost is also reflected in a willingness to pay a premium – albeit a small one – for faster delivery.

A significant number of respondents (60%) also cited the hire periods available as influential in the decision to hire a truck. This again reinforces the need for more flexibility within the rental market and reflects the two distinct ways in which organisations used STR: days or weeks to cover demand variability and three months plus to add agility to the existing fleet.



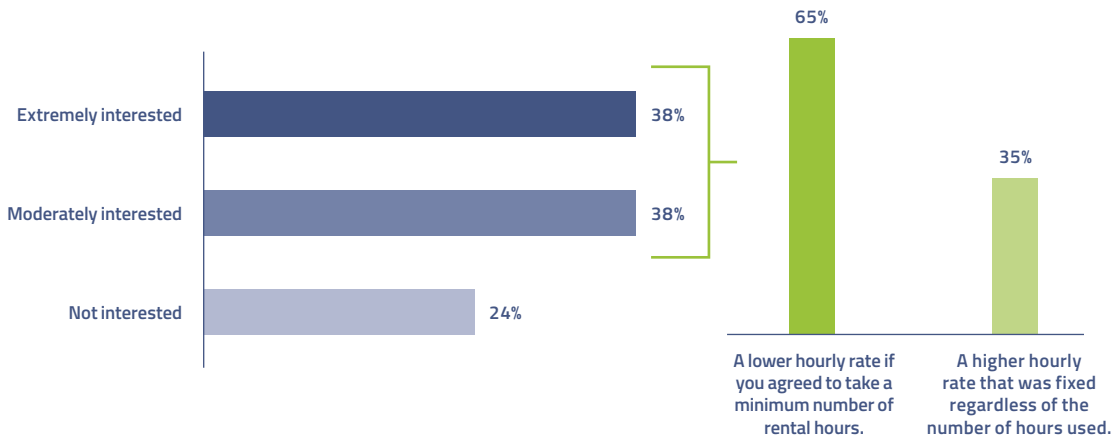
The fact that safety and maintenance are more important than price underlines the point that STR is not just an add-on. Flexible hire is an alternative to long term acquisition and must therefore deliver the same level of product quality and robustness as the rest of the fleet.

Telematics Drives STR Innovation

One of the most significant findings of this survey was the strong interest (76%) in an STR system that charged for truck usage according to the number of hours used – based on telematics data – rather than a fixed term agreement.

This confidence in telematics data again reinforces the fact that technology is enabling new ways of working in so many areas – from smart meters to tracking mobile phone usage - and STR should be no different.

There’s significant interest in a system that charged according to the number of hours used but the majority would prefer a rate based around minimum hours taken.



How interested would you be in a short term rental system that charged for truck usage according to the number of hours it was used, based on data from a telematics system, rather than a fixed term agreement?
 Would you prefer a system that offered? **(Total)**



Telematics opens up new areas of innovation, providing not only data on vehicle usage but also information such as overspend, vehicle status and warning alerts.

Indeed, telematics has a fundamental role to play in improving the way in which organisations maximise the utilisation of trucks.

Increasing technology sophistication provides telematics data that can inform the manufacturer when a service is due - based on the 600 to 1,000 hour usage model rather than every six months. With this insight, maintenance schedules can be better planned to minimise duplication, maximise utilisation and avoid downtime. In addition, telematics can provide alerts if a truck is running too hot, for example, enabling a proactive repair and avoiding costly downtime.

Telematics can also address safety concerns. Links to the driver PDA can track that drivers have completed legal checks - as well as daily checks on oil and water. In addition, a company can track driver activity, through speed and fuel consumption, to flag any potential problems. Linking the telematics to driver PDA can actually prevent the truck being turned on until the checks have been completed, further reinforcing safety; even preventing usage by untrained drivers.

This depth of information is increasingly being expected by organisations as they look to integrate every aspect of day to day operations to drive efficiency.

From warehouse management systems to manufacturing solutions, the ability to capture telematics data from every piece of equipment - including forklifts on STR - is becoming essential.

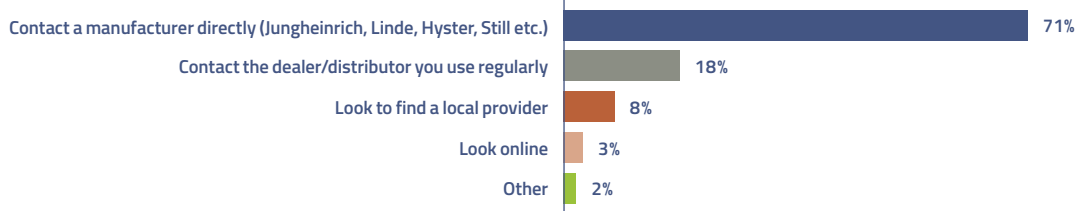
With the growing demand for, and expectation of, full cost transparency and visibility over operational performance, telematics has a key role to play in supporting 'on demand' services.

The use of telematics is already supporting innovation within the STR market, and in combination with GPS, telematics is enabling the market to address the need for faster delivery times - moving from the standard seven day wait towards a next day model with no premium delivery charge. Telematics also open up new rental systems with the option to charge by the hour, offering a highly flexible approach to rental in the UK.

Evolution Not Revolution

The majority (71%) of organisations want to use manufacturers rather than dealers (18%) for STR. Innovation within the way STR is packaged and offered to the market, from hourly charging to a premium one day service, will enable organisations to build in the additional operational flexibility required.

The majority of users will go direct to a manufacturer for their short term rental requirements



Which of the following are you most likely to do when you have a need for a short term rental truck? (Total)

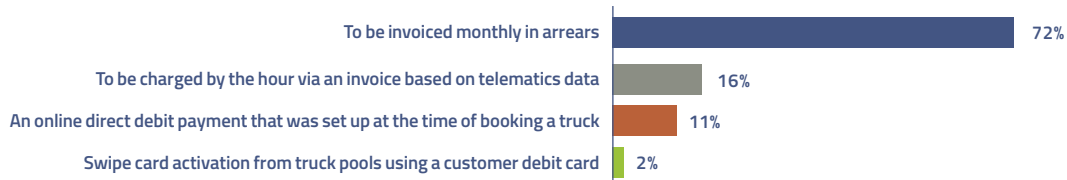
This remains a market that is embracing change incrementally rather than wholesale. There is, at the moment, minimal appetite for radical change to invoicing or ordering models.

Organisations still want to interact directly with a sales representative (34%), via telephone (35%) or email (29%). They also want to retain the traditional payment model, with 72%

preferring a monthly invoice in arrears, rather than a pay on demand service (16%). However, more flexible STR models open up the opportunity for a raft of more innovative services

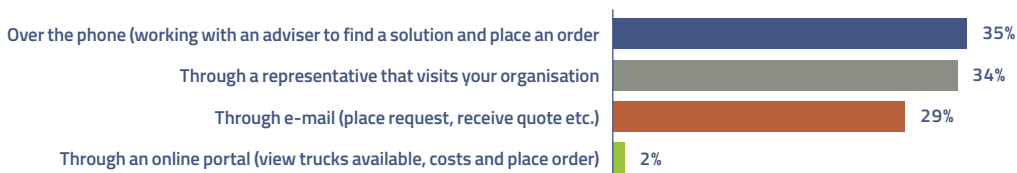
- from truck sharing within a specific location using swipe card access to the adoption of automatic charging via mobile apps or other real time payment solutions.

Traditional meets new when it comes to payment



Which of the following payment options would you prefer to use for short term rental trucks? (Total)

Omnichannel doesn't seem to apply when it comes to placing orders for short term rental trucks



When you're looking to hire a truck on a short term basis how would you ideally like to engage with a potential supplier? (Total)

In addition, extending the way in which customers can access STR services and information is also important, albeit within a model that continues to deliver the high quality face to face and telephone/email based services that customers currently expect.



Offering customers the chance to check the cost of STR trucks online and adding facilities such as Live Chat, alongside the existing interactions, will support the gradual evolution towards a 24x7, demand based STR service model.

Conclusion

The onus is on manufacturers to take the lead in this market.

In addition to the breadth and depth of forklift fleet required to improve delivery times and the importance of high quality maintenance and safety options, which require the resources of large manufacturers, the majority of organisations want to use manufacturers rather than dealers for STR.

There is no doubt that existing patterns of acquisition are becoming dated given a business model that demands agility, flexibility and improved cost visibility.

There is evidence that short term, on demand, might be considered as a complementary approach to existing acquisition models - especially when so many organisations consider short term to be longer than three months; and the market is actively looking for more flexible contract lengths and innovative payment models, including daily hire, and the option of premium one day delivery. Critically, this is required without radically changing the overall STR experience, from invoicing and sales.

It is this combination of innovation within a proven, high quality and consistent on demand STR service that will be increasingly important to support organisations as they respond to the challenges created by digital disruptors.

Research Methodology

In June 2017, Sapio Research undertook 300 interviews with individuals responsible for forklift trucks in organisations that used trucks on a short term rental basis. Sectors covered included, Distribution, Logistics & Transport, Manufacturing, Construction, Wholesale and Retail.

