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Car Fleet Leasing Struggles for Its Niche

By Roland Oliphant

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The car rental business is hindered because many companies believe the resale value of their own cars is rising. **Igor Tabakov**

The domestic anomaly of unusually high automobile resale values and a habit of rewarding staff with purchase rights to company cars is making it difficult for leasing firms to break into the Russian corporate car fleet market, new research shows.

A survey by the Corporate Vehicle Observatory, an industry think tank sponsored by French fleet leasing firm Arval, found that nearly half of Russian firms surveyed said they thought the resale value of their cars would grow — compared with less than a third of businesses in Europe.

"Full ownership is probably our biggest competitor," said Sergei Dianin, general director for Russia of Arval, which is owned by banking group BNP Paribas. "Licensed vehicles account for only about 24,000 cars in the whole country."

There were 2.1 million cars and light vehicles in corporate fleets in 2010, out of a total of 37.7

million on the nation's roads, which means that only about 1 percent of company transportation is leased.

"So we are just at the beginning of the story," said Dianin, whose company entered the market in 2006 and today operates 6,000 vehicles across the country.

Its main competitor for corporate customers is Audi Automotive.

Market watchers say the biggest challenge is the local business culture preference to own one's assets outright.

That is underpinned by bullish optimism about the value to be realized from resale. Forty percent of Russian companies with less than 100 staff and 48 percent of larger firms said they expected the resale value of their cars to grow — compared with 16 percent and 27 percent in European companies, according to Corporate Vehicle Observatory.

Thirty percent of companies with less than 100 employees and 49 percent of those with more said they expected their fleet to grow. In EU countries the figures are 15 and 24 percent, respectively.

Many firms use the option to sell or present cars to employees as an incentive for them to keep vehicles in better condition.

Corporate Vehicle Observatory was founded in France in 2002 by Arval as a source of independent expertise offering research and analysis on the corporate car business globally and in specific countries.

It produces an annual report based on a survey of more than 4,000 businessmen in charge of transportation policy at companies in 15 countries, including much of Europe, Brazil and India.

This survey conducted in the first quarter of this year is the first to include Russia.

Arval and its competitors see the greatest challenge in winning hearts and minds over to the leasing model as the weak ecosystem for automotive support services across Russia's huge geography.

"The availability of services is rather limited from a geographic point of view," Dianin said. I'd also like to have a better level of service from dealers and repair shops than we have today, he said.

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