



## EXPERT INSIGHTS #7

# WHY LEASING IS THE RIGHT CHOICE DURING A CRISIS

**One of the best ways fleet managers in Latin America can be better prepared during times of crisis is to take advantage of the innovation and flexibility offered by vehicle leasing companies. Besides shedding light on the lingering health pandemic and its correlating impact on the fleet business, this expert insight highlights the importance of connectivity and innovation and gives you an update on the evolution of vehicle leasing in the region.**

Latin America has been severely hit by the pandemic. In mid-November, total COVID-19 cases in the region was 11.3mn and deaths from the virus summed up to 408,200, representing 21% of the world's cases and 31% of the reported deaths while the sub-continent represented only 8.2% of the world population. This equates to 21,750 cases and 783 deaths per 1mn people. The worst hit countries have been Peru, Brazil, Bolivia, and Chile.

As for GDP, the two largest markets (Brazil and Mexico) are expecting a 9.1% and 10.5% drop respectively in 2020 but both are expected to go up by some 3.6% in 2021, according to the IMF. Meanwhile, automobile registrations were down 32.9% and 30.5% respectively in 3Q20 but sales are expected to gradually return in the months to come.

### COVID and its impact on Fleet & Leasing

While 2020 automobile production in Latam could drop by as much as 28% year-over-year, the corporate leasing market looks quite stable. Considering new contracts and extensions, leasing portfolios have remained solid as companies are working with assets where revenues are not necessarily affected. Leasing enables asset demobilisation, allowing companies to invest more in their core product all while reducing financial risk.

For the most part, corporate customers have not reduced their fleet so far in a context where working from home has increased. However, overall mileage has reduced, contracts were extended and fleet managers are looking for some flexibility for the future.

As uncertainties have emerged and alternatives like shorter term contracts are on the rise, car-sharing and MaaS solutions are expected to be on offer more than ever.



Pascal Serres

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## ABOUT THE AUTHORS:

Pascal Serres is a recognised expert in mobility, having been elected in the Fleet Europe Hall of Fame in 2013. From 2002 to 2017, he was deputy CEO of ALD SA. Since 2017 Pascal Serres has been the Chairman of the Fleet LatAm Advisory Board.

Daniel Bland is editor of the media Fleet LatAm and Global Fleet, in charge of developing Fleet & Mobility content and expertise for the Latin American market. He was previously foreign correspondent and transportation infrastructure analyst in Latin America.

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There is still room for a growing penetration of company cars on the continent, however, and we expect further growth in the years to come. The number of active fleet management systems in Latin America, according to market research firm Berg Insight, is expected to jump to 6.5mn in 2024 from only 3.8 million in Q419 (+12.6% CAGR).

### Innovation & Connectivity

Many fleets are already using telematics in Latin America and fleet managers are seeking innovative ways to cut costs and increase efficiencies, especially in the wake of the Coronavirus pandemic. This calls for creating more connected fleets by implementing telematics and other technologies, thus focusing on maximising fuel usage, lowering CO<sub>2</sub> emissions, controlling driver behaviour and other aspects.

One way to achieve optimal results is to improve driver behaviour, which requires concise data analysis and steadfast governance. Besides assuring seatbelt usage and controlling after-hours driving, these actions help rid drivers of bad habits and, in turn, reduce traffic tickets as well as accidents. As for driver distraction and drowsiness, this can be identified through facial identification monitoring, a tool used more and more today.

Remember that connectivity is one of the main ingredients for achieving vehicle fleet management success and for the best results, fleet managers must first define the technology they will use to collect key data on a daily, weekly and monthly basis.

Technology has improved a lot recently and most software providers have evolved from a locally installed tool to a cloud-based one as it delivers the advantage of data becoming easier to access and to process.

Whether delivered by OEMs or through aftersales solutions, connectivity is becoming an industry standard and this means there is a need for storing and consolidating new datasets, which requires a dedicated platform.

Besides giving you access to key information, keep in mind that your supplier should enable remote supervision from a computer, cell phone or tablet. Finally, remember to use technology that actually interacts with managers in addition to training them.

## BENEFITING FROM DIGITISATION

Initiated years ago to facilitate and improve the customer experience in many fields (particularly fleet management), digitisation has been spurred by COVID-19.

Telematics devices have flourished as they allow a considerable amount of data to facilitate an optimise car usage. Create appropriate databases and KPIs that monitor:

- Costs reduction and controls on mileage and fuel.
- Accident management and insurance optimisation through better driving.
- Flexible contract solutions and a progressive powertrain switch toward EV solutions.

## IN THEIR OWN WORDS



**Kent Bjertrup,**  
Latam Director,  
ALD Automotive

"Thanks to connectivity, we can identify initiatives to improve driver behaviour and safety as well as cost savings. Our flexible leasing offering ALD Flex is also key in helping our clients rebound from the pandemic."



**Ricardo de Bolle,**  
Latam Director,  
Arval

"Telematics provides accurate fleet and driver behaviour analysis. Contract flexibility is also in our DNA, whether for issues such as mileage and contract duration or for add-on services (e.g. insurance, relief vehicles, tyres)."



**Regina Granados,**  
CEO Mexico  
LeasePlan

"During a crisis, advisory services and fiscal benefits are the key advantages of fleet management. Once identifying your mobility needs, we are set to deliver a tailored programme to you in preparation for the new normal."

Among the connected vehicle and telematics products and services you can benefit from in Latin America are MaaS solutions and car-sharing schemes.

According to a Global Fleet Survey carried out in mid-2020, 80% of respondents state they will be using telematics in three years' time. The survey was based on input from no fewer than 113 multinational companies, jointly representing 8.5 million employees and over 1 million vehicles.

### Leasing companies update 2020

This year again, Fleet LatAm has been collecting portfolio data from leasing companies and associations to give an extensive vision of business evolution in 2020 in Latin-America.

Thanks to the Fleet LatAm Business Networking Group members, we have identified 1,418,719 contracts (against 758,770 last year). On a constant perimeter, we observe stability in the market (- 0.2% year on year for the sub-continent) in a context where registrations have been heavily impacted by the crisis (-30%). In general, market leaders have grown more than the markets in which they are operating which confirms that size does matter.

**International lessors and their alliances** compete against local heroes who lead the market in South America (not the case in Mexico). They offer both RAC (daily rental) and fleet management, thus extending their product offer and providing the flexibility that fleet managers are looking for, more than ever in this period of crisis. International alliances have experienced significant growth this year as reflected in this table:

#### International alliances (number of cars)

	2020	2019	growth
ALD/Wheels + Arrend & Autocorp	81,291	75,368	7.9%
Arval/Element + RDA, Relsa, Mareauto	121,747	116,620	4.4%

Mareauto is in the Arval/Element alliance for Ecuador only with 2,507 cars. Fleet management includes different products on the continent, i.e. funded and non-funded products (this explains important portfolio variations). Mobility evolution is inspiring **service providers** who are offering specific solutions such as maintenance contracts, fuel cards and MaaS. International providers have ambitions to develop their presence on the sub-continent. Edenred is expanding from Brazil and Argentina towards Colombia, Peru, Central America and Mexico. TraXall operates in Colombia, Chile, Brazil, Peru and Ecuador.

#### International fleet management companies (number of contracts)

	maintenance	fuel cards
Edenred	320,000	1,261,000
TraXall	5,259	

## MERGERS & ACQUISITIONS

Although not yet finalised, the most significant merger/acquisition deal in the works in Latin America today involves Brazil's two largest car rental and leasing companies, Localiza and Unidas.

With an expected fleet of approximately 450,000 vehicles (nearly 300,000 Rent-a-Car and 150,000 Corporate) and representing some 15% of the vehicle sales market in the country, it will certainly benefit from economies of scale.

The new group would be valued at more than 50 billion reais (US\$9.3bn), with Localiza worth some 39.2bn reais and Unidas 10.8bn reais. They are currently awaiting approval from Brazil's antitrust agency Cade.

Meanwhile, France-based leasing and business mobility company Arval opened up an office in Colombia earlier this year in collaboration with Chile-based Relsa, both of which already have joint operations in Chile and Peru.

Besides reinforcing Arval's presence in Latin America, the move will help accelerate the region's migration from classic fleet financing to full-service leasing and new mobility solutions. Arval-Relsa previously operated in Colombia via a partnership with local player Mareauto.

**National leasing companies (number of contracts)**

 **BRAZIL**

Brazil is the most mature country. ABLA had registered almost a million rented cars but 66% belong to only eight companies. The rest is operated by approximately 10,000 small or very small rent-a-car operators. Local heroes continue to dominate the market, combining short term (RAC) and fleet management. Most of the contracts are funded. The announced merger between Unidas and Localiza will give birth to a giant of some 450,000 cars next year (close to 50% of the market).

	2020	2019	2020 with RAC
Unidas	85,963	85,000	158,320
Localiza	60,637	67,589	279,885
Movida	42,505	37,000	112,430
ALD	36,000	32,000	36,000
Arval	24,500	22,500	24,500
LM	23,135	23,000	23,135
Ouro Verde	14,284	22,000	14,284
LeasePlan	10,656	13,300	10,656
others (ABLA estimates)			338,206
<b>Total</b>	<b>297,680</b>	<b>302,389</b>	<b>997,416</b>
TraXall	500		
Edenred	300,000		
<b>Total fleet management</b>	<b>300,500</b>		
<b>Yearly growth (constant perimeter)</b>	<b>-1.6%</b>		

 **ARGENTINA & URUGUAY**

Fleet management is more popular than full-service leasing in Argentina due to the very high inflation and interest rates in the country.

RDA is part of the Arval-Element alliance.  
Autocorp is part of the ALD-Wheels alliance.

 **MEXICO**

Mexican vehicle leasing association Amave reported a 9% growth year-on-year at the end of Q3. This shows a remarkable performance, according to executives in the country, partially due to contract extensions facing a low number of registrations and new contracts. Element is reinforcing its leading position with 11% growth. The market is split in three segments: Government, International Corporate, and Small Corporates. Leasing operators tend to specialise in one of those three markets.

	2020	2019
Element	70,000	63,000
VW Finance	55,000	55,000
Casanova Renting	40,700	46,000
LeasePlan	34,000	34,000
Ariza	33,242	22,000
Jetvan	28,000	28,000
TIP	27,265	26,000
ALD	25,000	26,000
Integra Arrenda S.A.	9,000	9,000
Credito Real	500	10
<b>Total</b>	<b>322,707</b>	<b>309,010</b>
<b>Yearly growth (constant perimeter)</b>	<b>4.4%</b>	

- TIP includes trailers
- LeasePlan, VW Finance and Integra (2019 figures only)

	Argentina	Uruguay
RDA	11,900	390
Autocorp	2,500	100

**National leasing companies (number of contracts)**


The Chilean market looks a bit like the Brazilian one: local players are leading the market, having both RAC and fleet management products. They work in the mining and fishing industries, representing a large part of their activities.

	2020	2019
Mitta	17,000	13,000
Tattersall Europcar	13,000	8,000
Salfa rent	11,830	12,000
Gama	8,520	3,000
Arval/Relsa	6,500	7,000
Econorent	4,800	
ALD	4,300	4,000
First	2,000	
Grandleasing	1,900	
Budget Avis	1,200	
TraXall (not funded)	450	450
<b>Total</b>	<b>71,500</b>	<b>47,450</b>
Yearly growth (constant perimeter)	30.1%	



In 2019, Arval bought Renting Peru and leads the market in 2020 with more than 50% market share.

	2020	2019
Arval/Reisa	5,850	5,800
ALD	2,500	2,000
Mareauto	1,500	1,500
TraXall	973	1,000
<b>Total</b>	<b>10,823</b>	<b>10,300</b>
Yearly growth	5.1%	



Colombia is one of the most dynamic and promising fleet and car lease markets. Renting Colombia dominates the market with 65% market share.

	2020	2019
Renting Colombia	20,889	15,000
TraXall	3,143	N.A.
ALD	3,000	2,000
Mareauto	2,500	3,000
RDA	190	0
Arval/Reisa	100	0
<b>Total</b>	<b>29,822</b>	<b>20,000</b>
Yearly growth (constant perimeter)	34.1%	

- Renting Colombia total fleet (with RAC) is 26,787
- Mareauto (numbers from 2019)

**CENTRAL AMERICA**

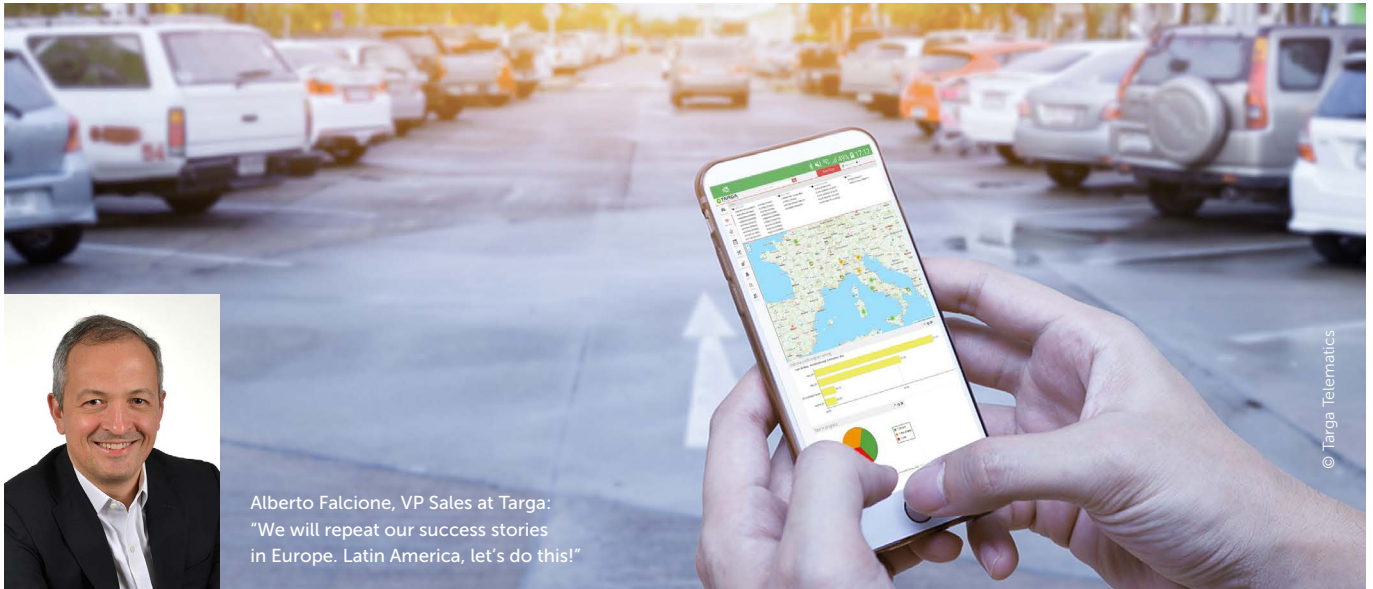
Arrend (ALD-Wheels alliance member) is by far the biggest operator in the area with a fleet of 7,891 cars and 30% growth year-on-year.

	2020	2019
Guatemala	6,105	4,125
El Salvador	222	204
Honduras	868	624
Nicaragua	310	189
Costa Rica	186	74
Panama	200	152
<b>Total</b>	<b>7,891</b>	<b>5,368</b>



# “Latin America, let’s do this!”

“Targa is coming to Latin America to co-create new mobility products with leasing and rental companies,” says Alberto Falcione. Success is guaranteed. Here’s why.



Alberto Falcione, VP Sales at Targa:  
“We will repeat our success stories  
in Europe. Latin America, let’s do this!”

Targa’s expertise means it can count on the loyalty of its oldest customers and on a fast-growing base of new clients.

Based in Italy but active worldwide, Targa Telematics is a global reference when it comes to enabling connected mobility. That’s because none can match the maturity of its expertise, explains Mr Falcione, VP Sales at Targa.

“We’ve been working with major leasing and car rental companies since 2013, when the first ones adopted telematics. Back then, it was not yet to offer services to their end users, but to optimise their internal processes. This means they adopted telematics for their entire fleets.” So, Targa knows about implementing its products on a massive scale.

But the company is a pioneer in both quantity and quality. “In 2014, we were among the first telematics providers to offer carsharing technology, then still a ‘white space’ – unexplored by both suppliers and customers,” explains Mr Falcione. “Over the years, we’ve built up an expertise in the many tools and apps that make carsharing work and be profitable. We’ve been on a journey of discovery with our customers, and both sides have benefited greatly.”

## Spectacular growth

Many of Targa’s customers have now developed their own mobility platform and products – and Targa has adapted too: “We still deliver end-to-end solutions, but also offer single vertical components they can fit into their own platforms.”

Such expertise means Targa can count on both the loyalty of its oldest customers and on a fast-growing base of new clients. The result is solid, spectacular growth: in 2014, the company managed a fleet of connected vehicles some 40,000 units strong. By the end of 2020, the half-million mark will be reached.

Over the past five years, turnover increased from €5 million to €45 million and is expected to pass €60 million in 2021.

Propelled by the demand for its know-how in connected cars, Targa now has offices in major European cities, and is helping its customers – many of the world-leading leasing and rental companies, but also large corporate fleets, car manufacturers, mobility operators and dealer groups – in markets across the world.

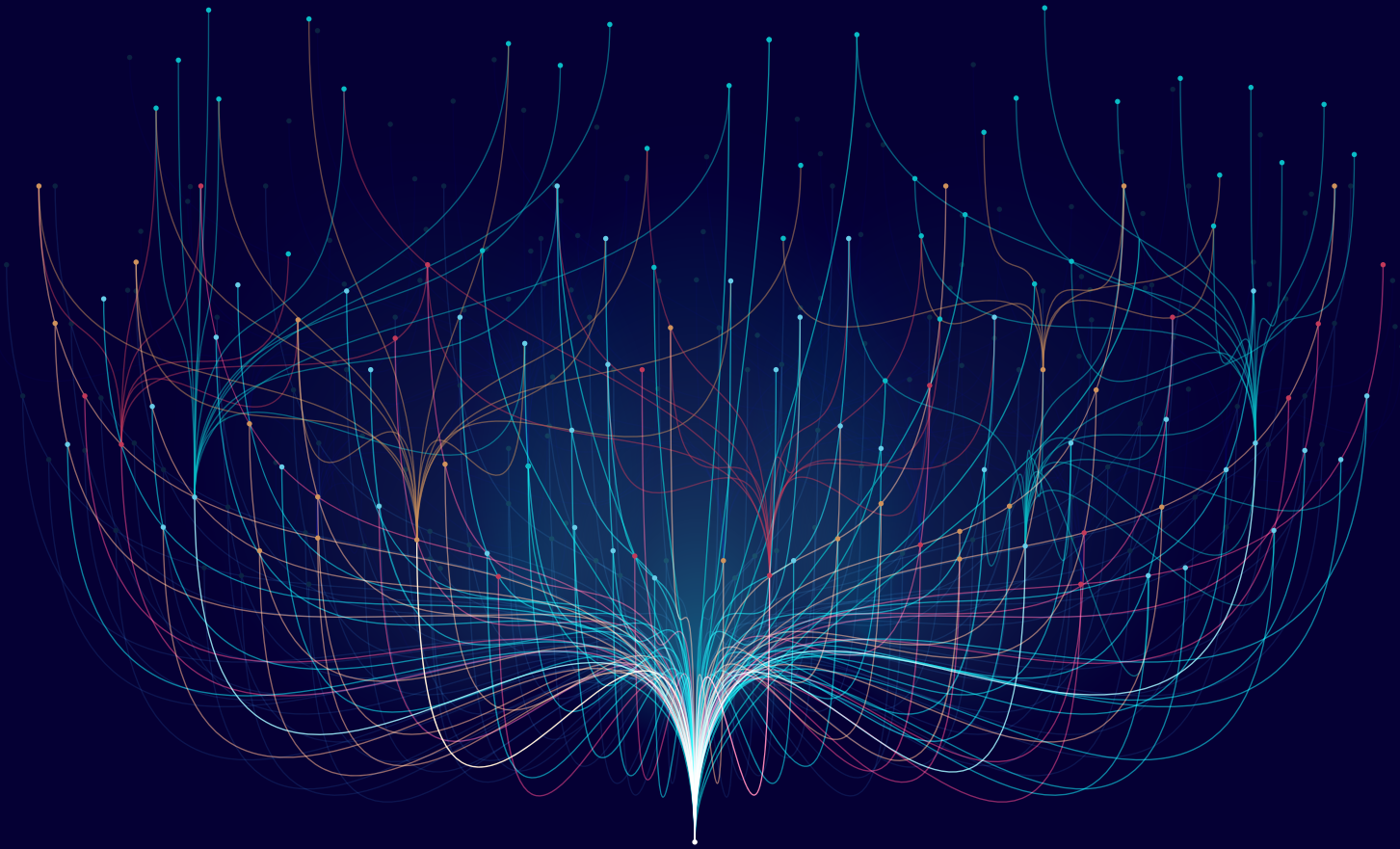
## Latin American focus

But the company has decided to focus specifically on expanding into Latin America, where it has sensed a great demand for exactly the kind of telematics expertise that it can offer.

“There is a willingness among mobility operators in Latin America to explore various carsharing formulas and other innovative mobility offers. We offer the products and services they need to do so. And we can prove that they are effective – in reducing cost, improving safety and streamlining operations.”

Targa is not the only telematics company in Latin America, but none match its experience and its skills. At the same time, Targa is fully engaged to satisfy the demand for its services in the region. “We know this works,” says Mr Falcione. “We will repeat the success stories we created in Europe. Latin America, let’s do this!”

For more information, visit Targa at [www.targatelematics.com](http://www.targatelematics.com) or contact Paulo Akira Yuaso: [paulo.yuaso@targatelematics.com](mailto:paulo.yuaso@targatelematics.com)



## Join the Fleet Latam Business Networking Group

We facilitate networking, grow awareness and provide visibility to our members with one goal in mind: support growth and spread fleet and mobility solutions in Latin America.  
We also meet (virtually) to discuss specific fleet and mobility topics.

### AGENDA OF OUR MEETINGS IN 2021:

12 January | 16 March | 18 May | 13 July | 14 September | 30 November

Interested? Contact our president, Pascal Serres: [pserres@nexuscommunication.be](mailto:pserres@nexuscommunication.be)