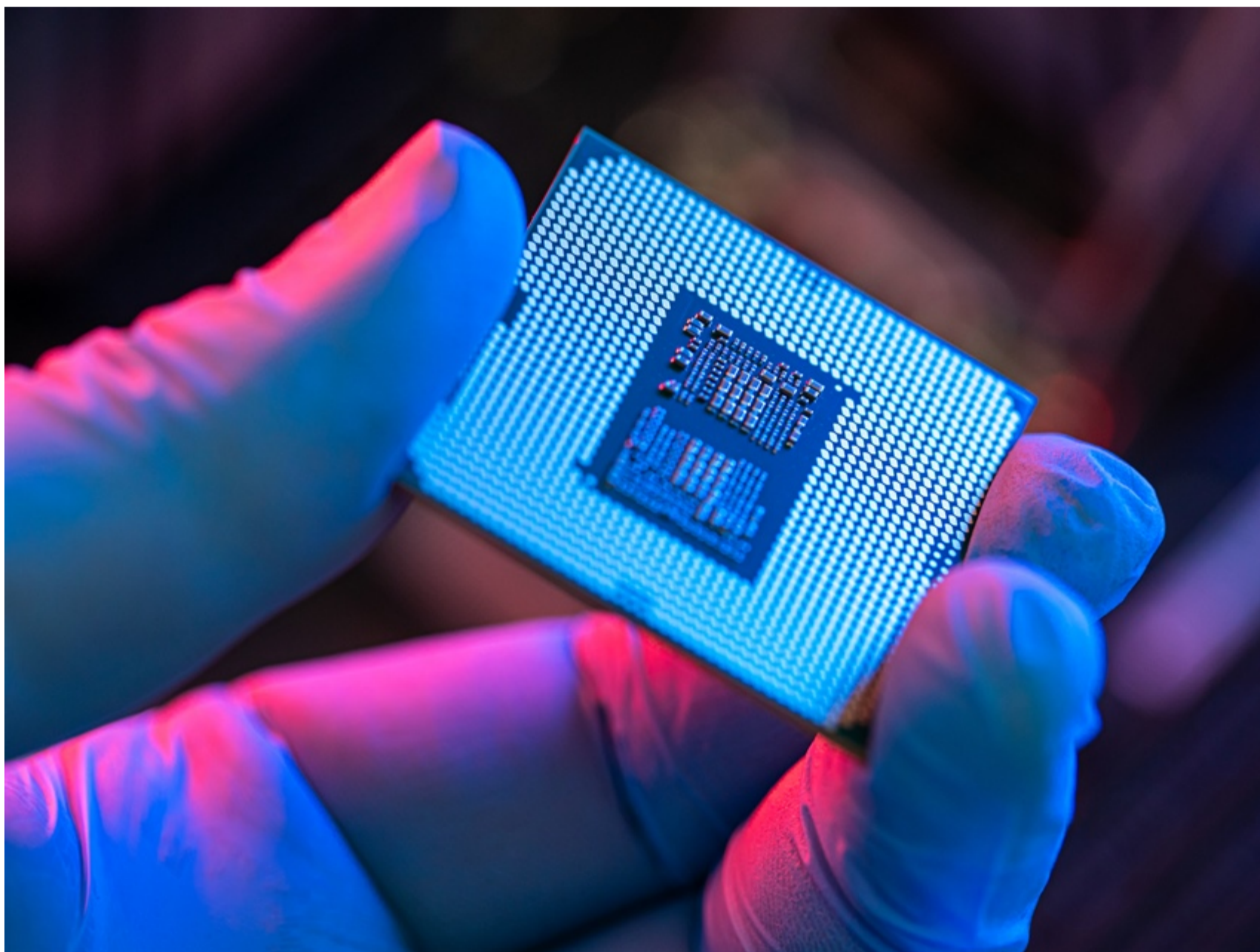


Semiconductor crisis: Here's how fleet managers can adapt – and benefit

01 March 2022 / Theme(s): All articles, Fleet Strategy



Fleet managers have enough on their plate. Their favourite problem is the kind that resolves itself before it reaches them. Unfortunately, the semiconductor crisis is not one of those. It's already lasted longer than many predicted, and it will affect new-vehicle deliveries for a good while yet. High time, then, to find the right answer to three crucial questions: What is going on? How should fleet managers adapt? And does this cloud have a silver lining?

What is going on?

Many products these days, including all vehicles, contain semiconductor chips. Due to the pandemic and resulting factory closures, semiconductor supply is limited – even more so when economies reopened, and demand surged. The result: delays in production and longer waiting times, in particular for new vehicles.

When will the semiconductor crisis end?

The goal posts keep moving, for the simple reason that nobody knows, exactly. In the second half of last year, the crisis was predicted to be over by the start of this year. But now we're here, the most optimistic predictions are that it will last until the end of 2022. The most pessimistic one? Until the end of 2023.

Why is this crisis proving so hard to overcome?

Just before the pandemic, the world's semiconductor factories, mainly in East Asia, were already operating at 95% capacity. Considering that it takes about 4 years to build a semiconductor plant, and an additional 24 weeks to start up a production cycle, this means there is little to no buffer to accommodate the increased demand.

Also, the semiconductor crisis is now part of a much wider supply-chain crisis, which also includes a shortage of rare-earth minerals and other raw materials, plus inflationary pressure on production and transportation cost, driving up prices.

How is the semiconductor – apologies, *supply* crisis impacting vehicle delivery times?

Delivery times vary according to a number of factors: for various brands, various models, various motorisations. There's also a difference per country. For example, Germany, Poland, the Netherlands, Spain and Austria are more seriously impacted by delivery delays. That issue is less prominent in France, Belgium, Italy and Romania, among others.

Also, BEVs are less affected than ICEs, or even PHEVs. But in general, we can say that the average delay between ordering a vehicle and getting it delivered is 9 months to one year. That is very long indeed, but there is some good news: delivery times have been decreasing slightly since the peak of delays, which occurred towards the end of last year.

What is the effect of this crisis on fleet managers?

The most obvious effects are increasing pressure on prices, and on delivery times. We at ALD, with our market-wide experience, are keen to assist and advise fleets to minimise these effects. If they want, we will help them consider alternatives, in terms of brands, models and especially trim levels.

For example, it doesn't make much sense to wait for additional months just to obtain a vehicle with equipment that is not specifically necessary for the job.

And how are OEMs dealing with the ongoing crisis?

We see a lot of cooperation springing up between vehicle manufacturers and their suppliers, be it in terms of semiconductors, EV batteries, or even more basically, for the rare earth minerals that are required for many of the finished products. So, where previously OEMs would rely more on the free market and on the just-in-time principle to get the supplies they needed, they are now building partnerships and joint ventures with the suppliers, in order to ensure they have what they need, when they need it, and at a predictable price.

In general, one can say that OEMs headquartered in Asia are having an easier time accessing the supplies they need. For geographic and geopolitical reasons, they are closer to the source – both in terms of the semiconductors, and other essentials.

Considering this crisis isn't going to end tomorrow, how should fleet managers adapt their mid-term strategies?

We at ALD see four approaches that fleet managers can take to the supply crisis, and our key account managers can help them with each of those.

- **Anticipate your renewals.** Start thinking and talking about what you and your drivers want when it comes to new vehicles well ahead of time. As mentioned, because of the delays, in some cases that can mean up to a year before the renewal is up.
- **Extend your contracts.** Many fleet managers will already be familiar with this solution, as it helped many through the pandemic. But it may still apply, especially when considering that homeworking has limited the mileage driven by many company cars.
- **Consider the alternatives.** If your regular brands and models are particularly affected by delays, we can help you explore equivalent brands and models.
- **Choose flexible solutions.** If you need cars for a limited yet unspecified period – say, new employees, or temporary projects – ALD Flex offers you the flexibility both you and your employees need.

Crises are opportunities, as the Chinese saying goes. What's the silver lining on this one?

This supply crisis is a good chance for fleet managers to develop a new fleet and mobility strategy. It presents them with an opportunity to **optimise** the fleet and mobility operations of their company, to **review** the cost of their operations, to **find** the right partners for optimising that cost, to **open up** to new brands, and to offer **more flexibility** to their customers.

EVs can and should be an important element of a renewed, revitalised fleet and mobility strategy.



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If you would like more info, please contact us: consultancy@aldautomotive.com

More about that in the next blog post... Stay tuned!

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