

Our strategy

Measuring our strategic progress

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[Read more about our we manage risk](#)
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We aim to use our competitive advantage to make the most of the clear growth opportunities we have identified in all our markets.

Strategy	Why this is important	What we achieved	Priorities	How we measure and monitor success
1 Flexible rental – defend and grow share	Flexible rental is Northgate’s core market, and as a market leader it is important we defend it. Our network and people are set up to succeed in this market. We can win market share using the competitive advantage of our scale and our unique understanding of customer requirements.	<ul style="list-style-type: none"> We have defended our position in this market, through emphasising our superior service levels and product offer, while ensuring that pricing remains competitive. In the UK & Ireland, flexible rental vehicles on hire declined in the year as a result of increased selectivity. In Spain, flexible rental represents approximately two thirds of our current vehicles on hire. We have the largest market offering with 50% share and are growing alongside the market. Net growth this year is a little flat, having experienced high churn as customers use flexible rental to meet seasonal needs. 	Defend and grow our share of this market.	3.6% Decrease in flexible rental contracts
2 Minimum-term hire – selectively gain share	With a low share of a fragmented market, there is significant opportunity for us to grow, and we can serve this market with limited variations to our operating model. We offer a range of minimum-term commitments with levels of service typically associated with flexible rental, these are attractive propositions to cross-sell within our existing flexible customer base. Most medium and large fleets have a requirement for both flexible and minimum-term rentals. Minimum-term is also the natural landing point for customers who transition from vehicle ownership to term-hire. Customers no longer feel the need to own their vehicles outright and are attracted to the upfront cash flow advantage, predictable cash flows, and the potential for whole-life costs to be lower than ownership.	<ul style="list-style-type: none"> We have seen significant share gain in this market as a result of our compelling offers, which attract customers who no longer feel the need to own their vehicles outright, and allow greater flexibility for customers through the life of the contract. In the UK, we have built on the momentum generated in late FY 2018 in vehicles on hire, with strong growth this year. We have continued to see growth in the ‘we buy, you rent’ proposition where we buy existing used fleet from customers and provide them with a cash injection, taking the pain out of disposing of second-hand LCVs. Simultaneously we move them into new vehicles, under competitive minimum-term contracts. In Spain, we gained share and grew VOH, this growth being a mix of existing customers and customers converting from ownership. We have focused successfully on moving SMEs from ownership to minimum-term, as this is where we exploit our competitive advantages in the market, including our pricing. 	We continue to see this as a substantial opportunity for the future for Northgate, as the market is twice the size of the flexible market and growing faster. We continue to invest in targeted marketing in each territory to support the transition from ownership to term-hire where adequate returns are achievable.	126.2% Increase in minimum-term rental contracts
3 Broaden our provision of capital-light fleet solutions	There are a number of complementary service solutions across the lifecycle of B2B vehicle rental. Expansion into these areas in an organic or inorganic way, would allow Northgate to provide a comprehensive LCV rental proposition to our customers. Many of these adjacencies provide technology-led solutions to enable customers to manage all aspects of their fleet in the most efficient and cost-effective way.	<ul style="list-style-type: none"> New strategic priority for FY 2020 	We see an opportunity to strengthen Northgate’s B2B LCV service proposition through expansion into a number of complementary services solutions.	We aim to report on success in this area from FY 2020
4 Optimise and increase participation in the disposal market	We can make the most of our scale through our national Van Monster network in the UK & Ireland, and Northgate Occasion in Spain and thus offer customers the widest range of vehicles and service in the market. This allows us to maximise cash returns on sales of vehicles, reduce the overall holding cost of our vehicles and ensure we can invest in rental fleet.	<ul style="list-style-type: none"> In the disposal markets and particularly through Van Monster, we are exploring the opportunities that exist to make markets in used LCVs in each territory more efficient and more transparent. Van Monster has traded strongly, achieving good sales prices, offsetting the reduction in vehicles de-fleeted from our rental fleet due to the change in the holding policy. In Spain, we have streamlined operations in response to the lower volume of defleets as we hold vehicles for longer. We also opened a flagship retail sales outlet in Madrid which will enable us to maximise returns through this channel. 	We continue to see rich opportunities in increasing the proportion of disposals made through higher margin retail channels and minimising the holding cost of vehicles.	41% UK retail sales penetration 16% Spain retail sales penetration

Supported and mobilised by our strategic pillars

Leadership
Our strong leadership teams in each business will ensure we can achieve our strategic opportunities. Our leadership drives cultural change and will therefore help us to achieve growth.

Culture
Culture is an integral part of our business and enables our people to align behind our growth strategy.

Systems
Our growth will be supported through our business infrastructure. In particular, our processes and systems are being updated to drive our business and our service offering.

Scale
Northgate has a vast service offering and, combined with a large geographical presence, this ensures we are well placed to achieve growth. We can leverage our scale to achieve our growth strategy.