

Light Commercial Vehicle (Lcv) Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028) - Mordor Intelligence

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Report description:

The light commercial vehicle market is currently valued at USD 542.53 billion, and it is expected to register a CAGR of about 7.02% over the next five years.

The outbreak of the COVID-19 pandemic and the associated lockdown and restricted movement of goods impacted the market adversely. For instance, according to the data from the International Labor Organisation (ILO), during the COVID-19 pandemic, the revenues of the road freight industry declined by 40%. Furthermore, the fall in automotive production and lack of labor significantly impacted the market. However, the automotive industry witnessed a growth in light commercial vehicle sales in the second half of 2020, and it continued during 2021 as well. Post-pandemic, the manufacturers are implementing contingency plans to mitigate future business uncertainties to retain continuity with clients in the critical sectors of the automobile industry.

Over the long term, increasing regulations on vehicle emissions, advancement in vehicle safety, the introduction of driver-assist systems in vehicles, and rapidly growing logistics in the retail and e-commerce sectors have been significantly driving the demand for new and advanced commercial vehicles. The demand for LCVs is likely to increase as the logistics and e-commerce industries are growing rapidly. Additionally, rapid urbanization has created new retail and e-commerce platforms, which require efficient logistics, leading to the growth of the light commercial vehicles (LCV) market.

The transition toward electric mobility further increases the demand for light commercial vehicles, owing to the faster adoption of electric vehicles by major companies. Large-scale manufacturers are also offering several products, in partnerships with other major companies, to transform the existing majority of engine-powered light commercial vehicles to electric over the forecast period.

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Key players are launching new electric light commercial vehicles and investing in capacity expansion to address the growing demand for electric light commercial vehicles. For instance

Key Highlights

In September 2022, FUSO, the Japanese subsidiary of Daimler Truck SE, launched the next generation of electric eCanter light commercial vehicles. The sales of this latest generation of eCanter vehicles are scheduled to begin in Japan in the spring of 2023. In December 2021, Rivian Automotive, a manufacturer of electric pickup trucks and SUVs, announced investing USD 5 billion to set up its second manufacturing facility at Morgan and Walton counties in Georgia, United States. The plant will have an annual production of 400,000 vehicles and will employ 7,500 people when the plant begins operations in 2024.

The growth in the market for light commercial vehicles is also being driven by the large orders from e-commerce companies that are investing majorly in fleet expansion. For instance,

Key Highlights

In October 2022, Amazon announced it to spend EUR 1 billion (USD 1.04 billion) to procure electric trucks and delivery vans over the next five years in Europe.

In January 2022, Amazon placed an order for thousands of units of Ram ProMaster Battery Electric Vehicles from Stellantis NV. Ram ProMaster Battery Electric Vehicle will be launched in 2023, and Amazon will be the first institutional customer for the vehicle.

North America is anticipated to be the largest market for light commercial vehicles in the world due to the large presence of light commercial vehicle OEMs and the dominance of pickup trucks in the automotive markets of the United States and Canada.

Asia-Pacific and Europe are forecasted to be the next biggest markets because of the dominance of pickup trucks in ASEAN, small trucks in India, China, and South Korea, and delivery vans in Europe for intracity freight transportation, the presence of many light commercial vehicle OEMs, and rising demand from the e-commerce and logistics companies.

Thus, the confluence of all the above factors is predicted to propel growth in the light commercial vehicle market worldwide.

Light Commercial Vehicle (LCV) Market Trends

Electrification of Light Commercial Vehicles Likely to Bring Growth Opportunities

Due to the tremendous growth among sectors like logistics and supply chain industries, the adoption of electric vehicles is quite evident in many emerging markets. In 2021, the e-commerce sector grew to a Gross Merchant Value (GMV) of USD 870 billion in the United States, registering a YoY growth of 14.2% from 2020. Several companies operating in the sector are focused on having an electric vehicle fleet, which is likely to drive the market during the forecast period.

In addition, the adoption of stringent emission norms and electric vehicle targets in countries worldwide are pushing many companies to electrify their fleet, which is also playing a crucial role in the market's growth. For instance, in October 2022, the EU passed the resolution to ban the sales of new IC engine vehicles from 2035. Thus, almost all the logistics, postal, and e-commerce companies in Europe are electrifying their fleets by procuring electric vehicles on a large scale from the electric vehicle OEMs.

Big logistics, postal, and e-commerce companies have already announced to turn their entire fleets to electric. The companies have been placing orders with key players in the market to source the vehicles. For instance,

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In August 2022, Royal Mail of the United Kingdom ordered another 2,000 units of electric vans after deploying its 3,000th electric van for last-mile deliveries. The order is evenly split for electric versions of the Peugeot Partner and Peugeot Expert models from Stellantis NV.

In July 2022, Walmart ordered 4,500 electric delivery vans from Canoo, an electric van manufacturer, as a part of its plans to electrify its last-mile delivery fleet.

In February 2022, Norwegian Post placed an order for 29 units of Volvo FE and Volvo FL electric trucks.

It has been identified that adding light electric commercial vehicles (LECV) to the vehicle fleet led to a distribution cost saving of 3% in the separate mail and parcel network. Companies and organizations with large fleets prefer to buy electric vehicles instead of leasing them.

The government regulations, financial incentives toward electric vehicles, and the quick establishment of infrastructure supporting EVs would boost the market studied during the forecast period.

United States and China are likely to Lead the LCV Market

The Chinese e-commerce industry is continuously growing, which is driving the LCV industry in the country. For instance, Local technology companies such as Alibaba Group, Tencent, and JD.com are dominating a rapidly growing e-commerce ecosystem in the country. In China, revenue from retail e-commerce was estimated at roughly USD 1,368.457 billion last year, with a YoY growth of 8.5%, while in 2020, it was around USD 1,260.402 billion. This factor is expected to drive the LCV market's growth.

The market is growing strongly and gravitating toward European-style compact vans and commercial vehicles. Increased urbanization and the boom in e-commerce call for optimized logistics and new transport plans in city centers, both for people and goods. Final-mile deliveries in urban areas are expected to increase by 125% between 2022 and 2030. Light commercial vehicles are largely used for carrying goods for shorter distances. The demand for LCVs is likely to increase as the logistics and e-commerce industries are growing rapidly. Rapid urbanization has created new retail and e-commerce platforms that require efficient logistics, leading to the growth of the light commercial vehicles (LCV) market.

The vehicles classified by the US government under light vehicles include Sports Utility Vehicles, Vans, Pick-up Trucks, and Multi-purpose Vehicles. In December 2021, the light vehicle sales in the United States were reported to be 1,221,647 units, driven largely by the growth in the sales of pickup trucks.

Pickup trucks are the most sold type of light commercial vehicles in the United States due to the adventure lifestyle enjoyed by most Americans, the versatility of pickup trucks in hauling goods over short distances in the DIY hauling segment, the large number of self-employed professionals like electricians, plumbers, carpenters, farmers, and small contractors who buy pickup trucks mainly for their professional requirements and the masculine image the pickup trucks and SUVs portray over another type of vehicles in the minds of the average American vehicle buyers.

The introduction of electric pickup trucks like Rivian R1T, Ford F150 Lightning, and Chevrolet Silverado EV are further expected to drive the sales of pickup trucks over the next five years in the United States.

Thus, the United States and China are anticipated to remain the largest markets for light commercial vehicles in the world over the forecast period due to the aforementioned factors.

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The light commercial vehicle is highly consolidated and dominated by global players, with some local players in markets like India, China, Japan, and South Korea. Some of the major players include General Motors Company, Toyota Motor Corporation, Ford Motor Company, Stellantis NV, and Daimler Truck SE.

LCV manufacturers are developing new products and technologies, expanding their production capacities, and engaging in new joint ventures and mergers and acquisitions to increase their competitiveness and stay relevant in the market. For instance,

In October 2022, GMC, a brand of General Motors Company, launched its first electric pickup truck GMC Sierra EV, which has 640km of range on a single full charge and a towing capacity of 4,309kg.

In September 2022, Iveco, the commercial vehicle brand of CNH Industrial, a subsidiary of Stellantis NV, launched the eDaily electric van. The van will be available at up to 7.2 tonnes GVW enabling a 4.6-tonne payload and 3.5-tonne towing capability.

In September 2022, Mercedes Benz AG and Rivian Automotive signed a strategic partnership to cooperate on the production of electric vans in Europe. The purpose of the partnership is to build an all-new electric-only production facility leveraging an existing Mercedes Benz site in Central/Eastern Europe.

In May 2022, Stellantis NV and Toyota Motor Corp. signed an agreement that will see Stellantis manufacturing large commercial vans for Toyota at Stellantis' plants in Italy and Poland. Toyota will sell these vans under its own brand in Europe starting in 2024.

In March 2022, Daimler AG debuted its 2023 Sprinter Van with a new diesel engine and an AWD system. The new engine produces 208 hp, and it is expected to go on sale in the United States by early 2023.

Additional Benefits:

The market estimate (ME) sheet in Excel format
3 months of analyst support

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