Press release: For Immediate Release

Cazana's Used Car Market Update for June 2019

Key points:

- Retail Consumer Demand is Patchy
- Sub 12 Month Retail Pricing Still on the Rise
- 3-Year-Old Retail Pricing Softens

Generally speaking June can be a stable used car month for the UK Automotive industry and surprisingly, given the unique political backdrop at the moment, it would be fair to say that 2019 has not been an exception. Consumer footfall has varied depending on the source of information that is reviewed and much can be said of the quality digital marketing campaigns that have in many cases proven invaluable to dealer groups seeking to keep a steady stream of used car buyers coming to their forecourts.

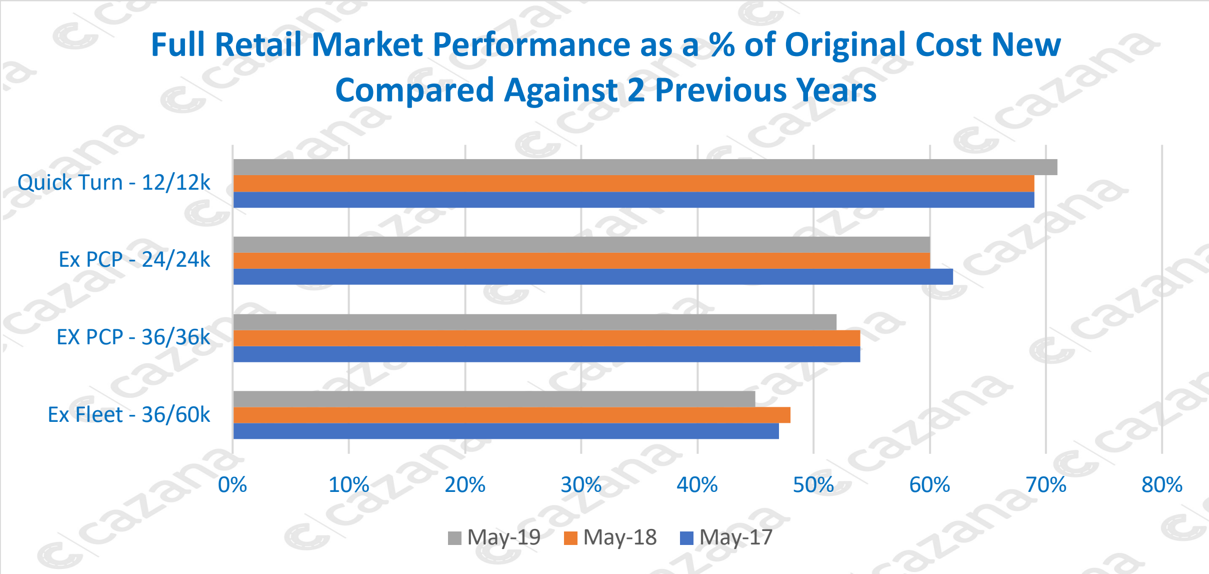
Keeping customer engagement is absolutely key right now and maximising buyer interest and subsequent sales continues to be one of the greatest challenges facing dealers today. Recent press releases have shown varying financial performance results for the largest dealer groups and this has been a surprise for some. The reality is that for the last few years used car sales have been very consistent and as such many businesses seem to have become a little complacent. Staying in front of the competition and making timely commercial decisions has never been easy, but the emergence of realtime big data solutions means that help is at hand. Comparison of historical performance against what is happening today helps guide forward thinking dealers to enhanced success.

Looking forward is essential and reviewing the sales performance in other retail sectors can be helpful at times whilst also serving to highlight that matters could be worse for the automotive sector. The latest consumer confidence chart from Trading Economics shows another drop and this is likely to reflect the Johnson-Hunt political battle and the continued Brexit malaise. None of the parties give the population confidence that they are doing anything other than seeking their own security.

Looking directly the performance of the used car market and the picture is more balanced than it might first appear. Yes, customer attraction and retention are very important but sourcing the right stock is also vital and often more difficult than expected. New car supply constraints in the last 9 months have meant that finding certain types of used cars to meet demand has been difficult and this continues to be the case for some vehicles. However, supply for certain models is beginning to ease and from a market profile perspective certain sectors are beginning to show signs of oversupply.

Acknowledging where there are issues and where supply is easing is critical to being able to buy and stock the forecourt appropriately. In recent weeks the market has shifted slightly and retail pricing has shown a little more volatility for certain vehicles.

The following chart shows the comparison at key age and mileage profiles against the same period over the last two years:-



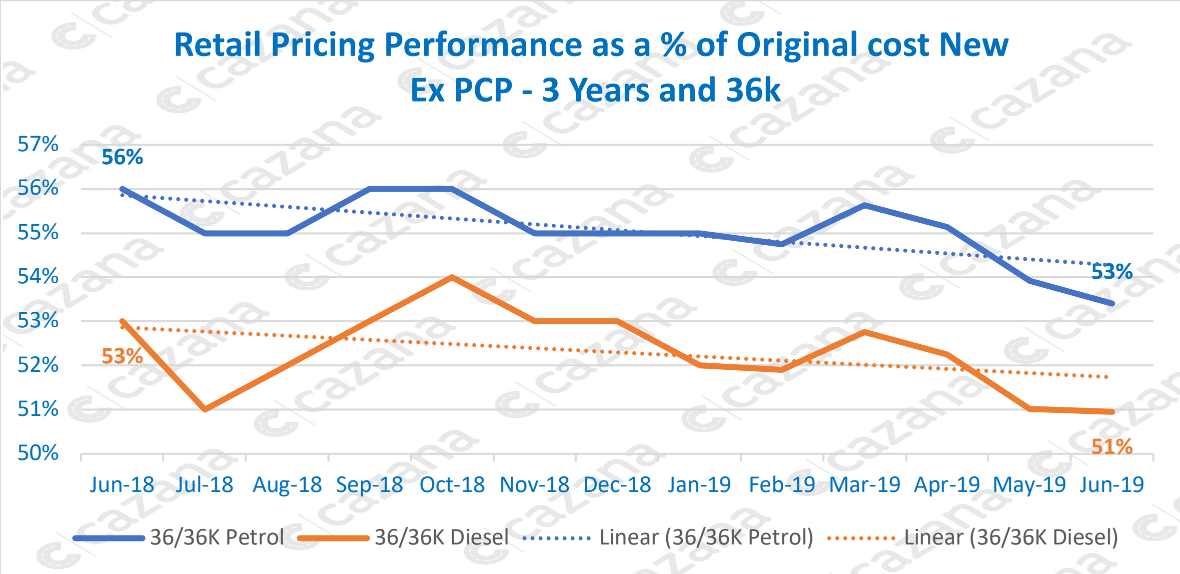
Data powered by cazana.com

The data in the chart measures retail pricing as a % of original cost new and therefore directly reflects market activity driven by the consumer. Year on year this chart highlights some interesting trends. As in previous months the quick turn sub 12-month-old profile continues to outperform recent years with pricing up 2 percentage points over June 2017 and 2018. This is probably a result of lower pre-registration activity following the introduction of WLTP and is to many, a welcome surprise. Stability appears to have retuned to the 2-year 24k ex PCP profile and contrary to last month, pricing remains in parity with the same period last year although lower than in 2017 by 2 percentage points.

However, the 3-year-old product appears to be the issue this month as there is evidence that at both ex PCP profile and ex Fleet profile retail pricing has softened. Ex PCP cars have dropped in price by 2 percentage points when compared with the levels of the 2 previous years and presumably reflects the sales push in the new car market three years ago. However, ex fleet profile cars have dropped by 3 percentage points. This is likely to be due to the fact that more cars are coming to the market as fleet sales three years ago were strong and product is now being defleeted at the contracted age and mileage due to new car supply facilitating company car driver orders rather than causing delivery delays.

Last month's Cazana market data highlighted that there was some weakness in the 2 year old ex PCP profile retail pricing and this month this weakness appears to have shifted. Given that there appears to be some instability for the PCP product, it is worth understanding what is happening at a more granular level. Market analytics are a critical indicator of where there may be pricing weakness and a potential reduction in profit, so understanding what is happening from realtime information can be an exceedingly valuable asset to current less informative market intelligence sources.

The following chart looks at performance of ex PCP cars at 3 years old and shows diesel propulsion against petrol.



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Looking at these traditional propulsion types and it is interesting to note that it is petrol powered cars that have seen the largest decline in pricing over the same period last year. A drop of 3 percentage points is significant in today's largely balanced used car market. This shift is potentially due to the pressure that was put on the private sales sector from some of the key OEM players 3 years ago who were keen to be pushing smaller petrol engine cars on the consumer post dieselgate. At this point new car diesel supply was actually still difficult as specifically the VAG group struggled to get diesel engines compliant and on sale.

The other point of specific interest in the chart is the drop-in diesel pricing in July 2018. The initial reaction may be that the data does not read consistently, but this coincides with a period of particularly bad diesel focussed press. July is the only blip that takes the overall trend away from that of petrol-powered cars.

Considering Cazana review the whole market in realtime rather than working on just wholesale information, it is interesting to see that some market commentators have continued to report significant market wide used car value drops, although recent less sensationalistic releases have been welcomed by the industry given the disconcerting tone of the message given. The reality is that market pricing is driven by the retail consumer and not the wholesale market and has been for some years, rendering trade driven market pricing models as outdated methodology. This has been proven over the last couple of months as competitors "realign" their values to the market having in all likelihood been unable to manage market wide manual editing processes in a timely manner.

To summarise, the June used car market has proved to be challenging for many amidst perhaps unfounded warnings of heavy vehicle value drops and a still unique political backdrop. The reality on pricing is that the market seems pretty stable, although attracting and then closing customers is still tougher than it has been for some time. In addition, financial performance of some of the key UK dealer groups has been wide of the mark but this just serves as a wake up call that the used car market is not as easy as it has been in recent years.

Cazana's truly live retail-driven data is unique in providing up to the moment market insight and intelligence being driven from over 25,000 websites each day in the UK alone. Seeking more focussed information relating to specific market sectors or time periods ensures maximum vision and the most comprehensive insight required to maximise profit, ROI and asset management. With market conditions shifting and the used car market becoming more of a challenge, top quality up to the minute commercial data will identify market variations quicker than any other data provider and will be vital to ensure modern automotive organisations are in a position to make the most effective strategic decisions.

Written by Rupert Pontin, Director of Insight at Cazana, July 3rd 2019

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Notes to editors

- Cazana provides global automotive insights, enabling the next generation of vehicle access.
- Founded in 2012, Cazana originally set out to gain a better understanding of the prices of classic cars by using big data. Although it started as a hobby for founder Tom Wood, Cazana has become the largest car search and indexing engine for used cars on sale in the UK. The business now tracks millions of vehicles for sale across in excess of 9 countries on a daily basis.
- Cazana's search technology shows every car on-sale, unearths hidden history on every vehicle and tracks a car's value and history with a timeline of events from manufacturer to present day.
- Cazana provides a wealth of data to manufacturers, dealers, finance and leasing companies to help them better understand residual value risk and the changing prices of vehicles in the market. Cazana is the first car valuation engine to use real-time retail data and correctly value vehicle condition and specification, which helps its clients price products more effectively and with greater certainty.