

Cazana Weekly Retail Price Watch

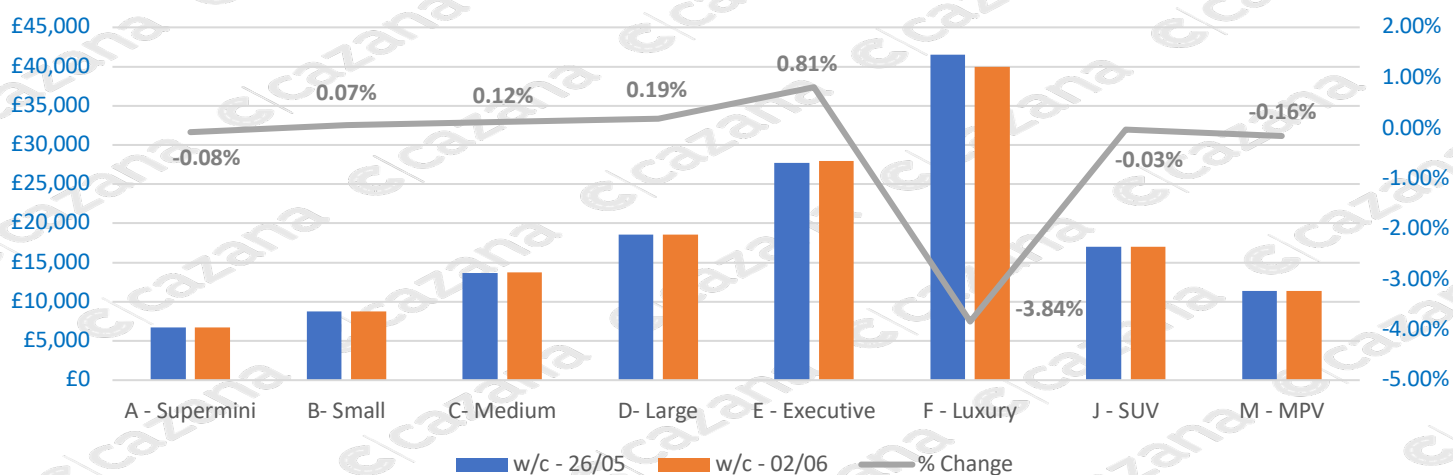
June 9th 2020

The industry is now one week into the post lockdown trading period and the question that concerned retailers nationwide has now been answered and that was whether there really would be consumer demand for cars. Indications both anecdotal and factual reflect the fact that consumers have returned to the showrooms in significant numbers, although as expected not at the pre-lockdown levels. Confidence in the social distancing and cleanliness of the showrooms has been absolutely key and post COVID retailing procedures have in many ways been welcomed.

Unfortunately, the return to business has not been without difficulty and disappointment for some. The financial pressures of such a long period of closure have resulted in a variety of less positive measures from some of the dealer groups and OEMs. Lower levels of business, improved online sales and a lack of revenue have prompted an operational review and the outcome has been the loss of some jobs, predominantly from the sales teams. Key performers have been retained and brought back from furlough whilst some members of staff still await their fate, which will undoubtedly be dependent on consumer demand in the coming weeks and the possibility of a second wave of the virus resulting in further lockdown measures is lurking in the background and will not be helping Exec teams in their decision making. Similar issues have been faced by the OEM's, and production facilities are working at varying capacities depending on brand and location

Last weeks pricing insight has been widely anticipated and the results are very interesting. The chart below looks at price changes as a percentage for petrol-powered cars week on week from June 2nd against May 26th.

Whole Market Petrol Retail Price Movement by Market Sector
7 Day Period - 02/06 against Period - 26/05



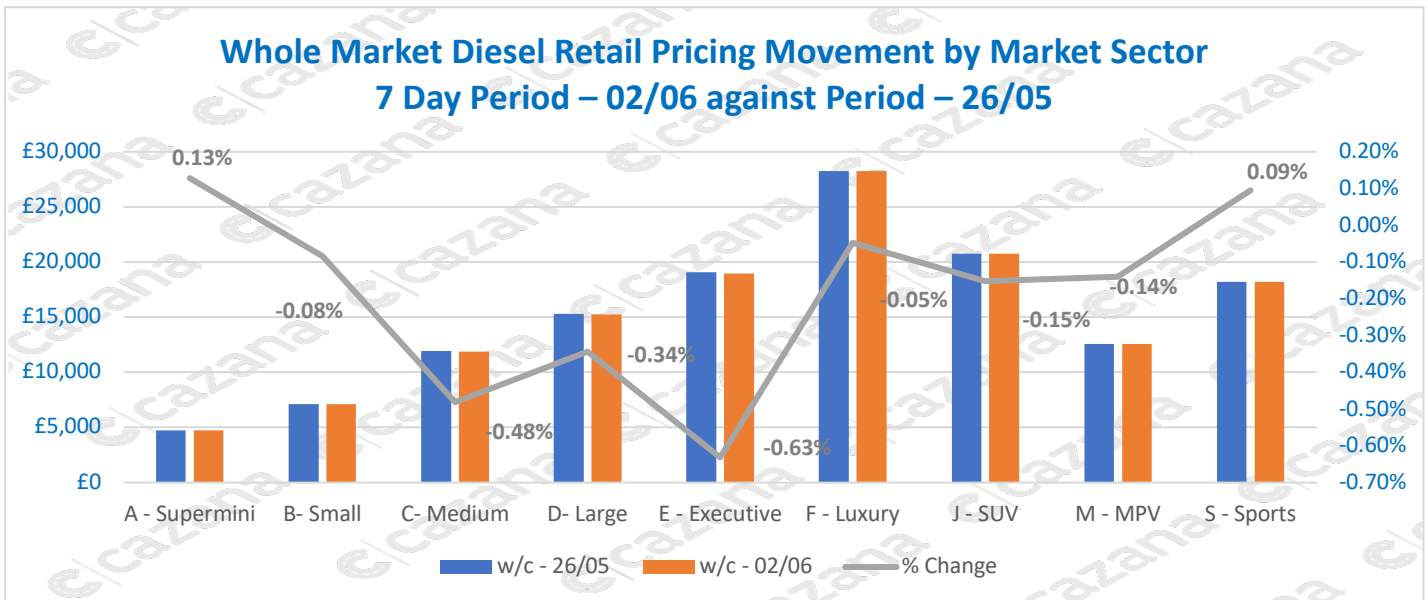
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During the previous week, petrol prices increased by a nominal 0.03% perhaps as the market steadied for reopening and last week the movement across all sectors was downwards by -0.92%. This represents a shift of £162 per car on average although this is predominantly influenced by a drop of -3.84% in the luxury car sector.

Whilst most of the remaining sectors experienced minimal adjustments the largest increase was 0.81% for the Executive cars sector which represents £225 per car and suggests increased consumer enquiries and

reduced stock availability. It is also worth noting that this chart excludes movements for the S sports sector which has seen a number of newly advertised vehicles creating a significant market shift of -16.65%. This sector represents 3.88% of all advertised cars and for the purposes of accurate data representation, these cars have been excluded from the data for this week's report due to the nuances of the type of vehicles advertised.

Retail pricing for diesel powered cars has also remained firm, although unlike the previous week the nominal movement has been a downwards shift of -0.20% overall.



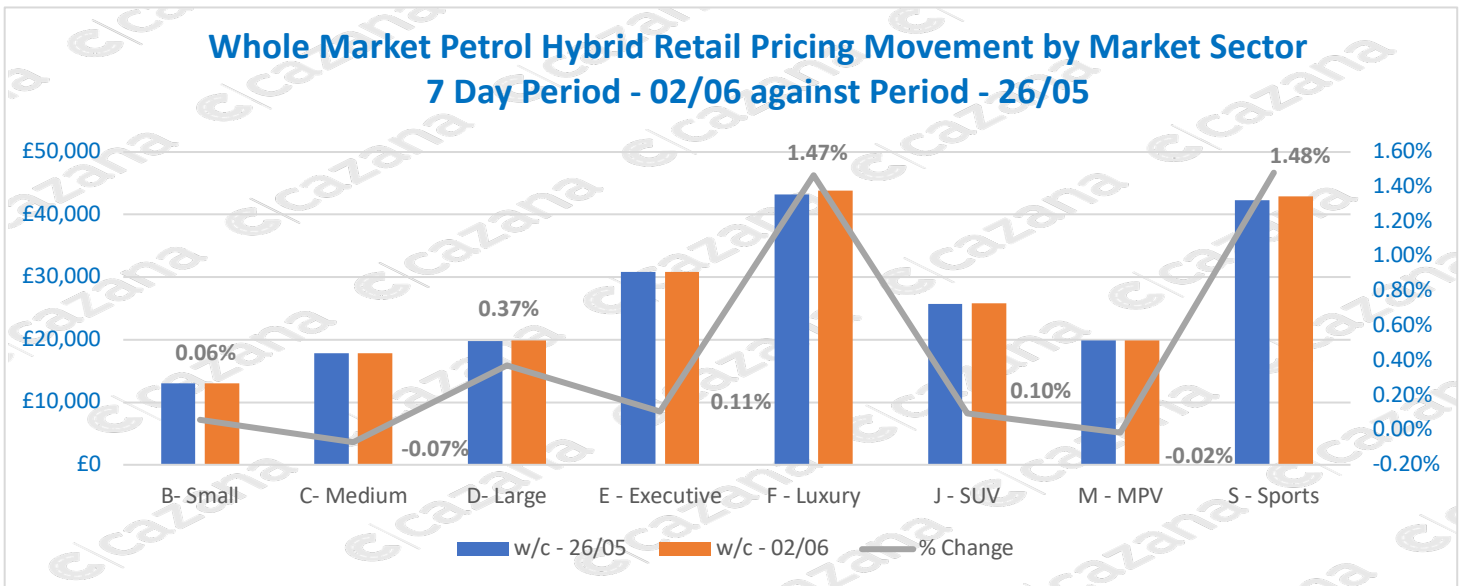
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Looking at the chart it would seem that the majority of retail price moves have been negative with positives only showing in the Supermini and Sports sectors both of which hold very low volumes of the total retail advertising market. The largest drop came for the E or Executive sector where the average price is now £18,937 after a decline of £121 per car. This perhaps reflects either an increase in the number of cars in the market or a dip in consumer demand.

Of more note is the decline of -0.48% for the C or Medium car sector which represents 7.9% of the total volume of retail adverts. This is a faster turn sector than most and the drop-in price was £57 per car. The larger sector price movements need to be monitored very closely to ensure maximum margin and the lowest possible days to sale.

Pricing for the petrol hybrid fuel type was also positive overall once again and this is an interesting reflection of growing demand for cars in this sector of the market. There is no doubt that pollution levels in the UK and indeed globally have dropped significantly during the respective lockdown periods and this has highlighted further the damage being done to people's health by fossil fuel powered cars. The positive pricing position is in all likelihood a reflection of an increase in consumer enquiries and this is likely to continue as we head towards the ban on fossil fuel powered cars in 2035 that is currently still in place.

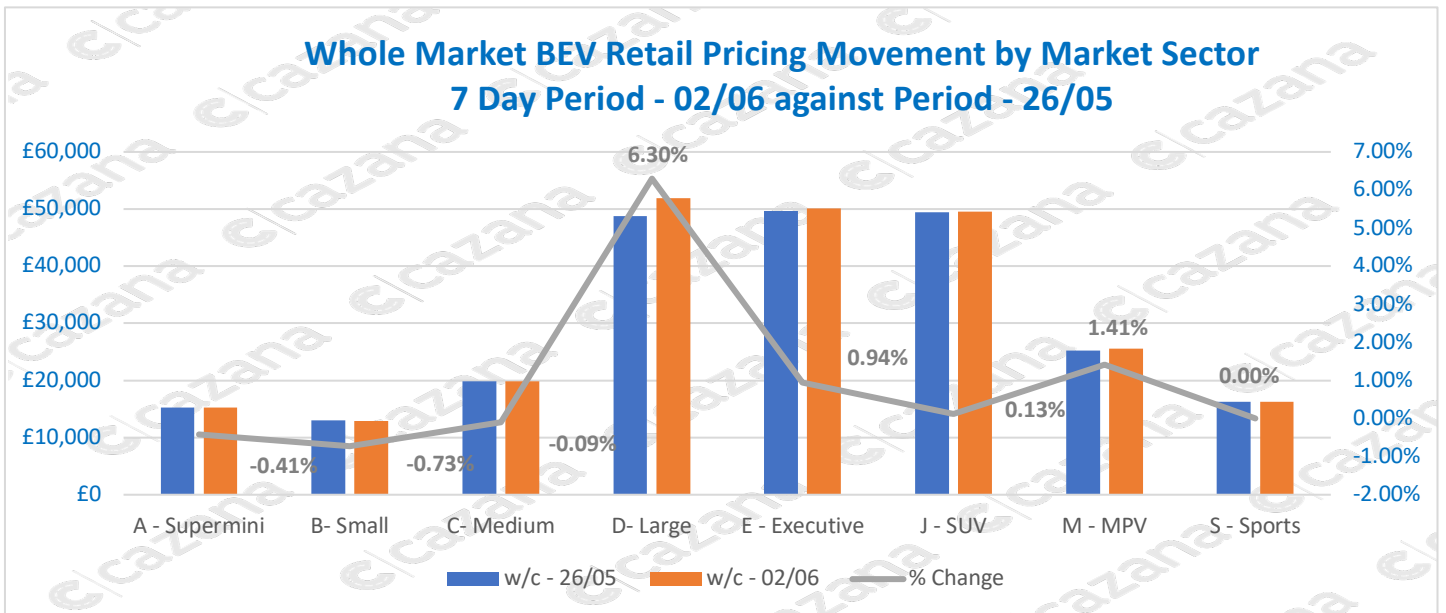
The overall market move for petrol hybrids across all sectors was an uplift of 0.65% which translates to an increase in price of £172 per car where the average used car price across all sectors and ages is £26,743.



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There are in fact, two sectors that have shown a decline in pricing but in both cases, the move is minimal and could just be regarded as a minor shuffle.

For the second week running the BEV fuel type has also shown an overall increase in retail pricing as detailed in the chart below.

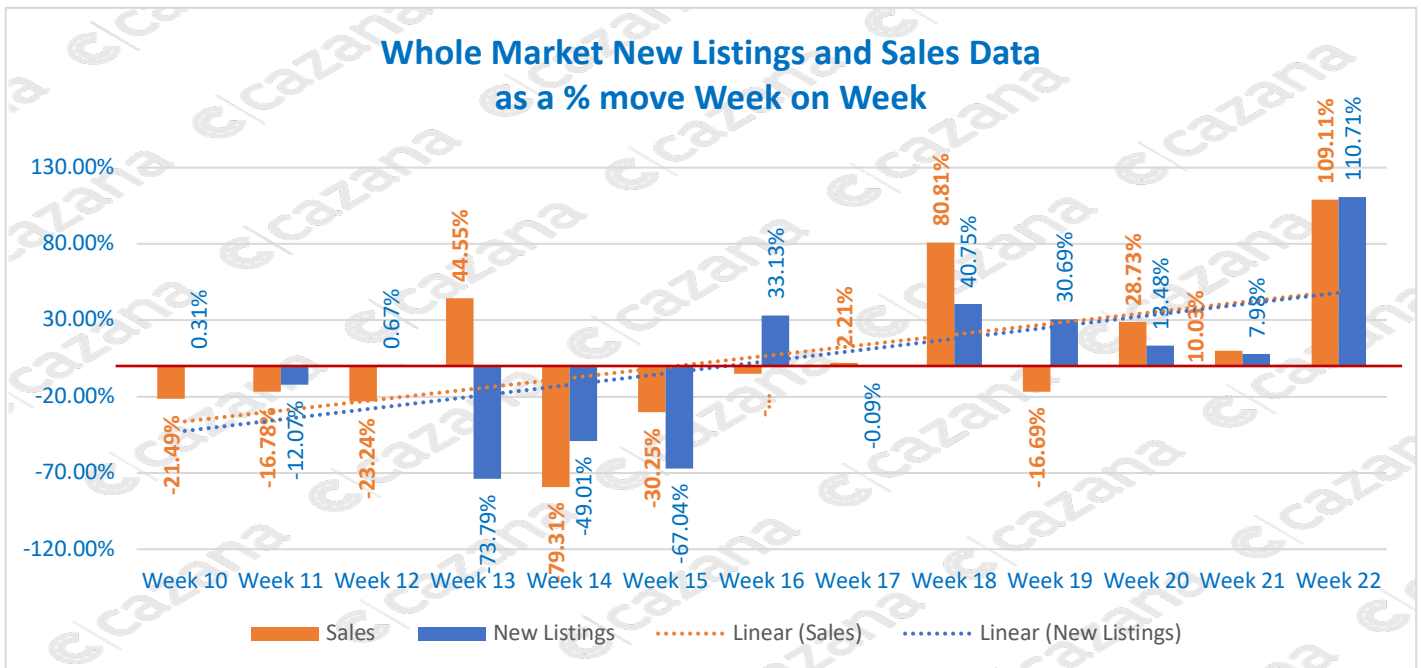


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Unfortunately, the headline increase in retail pricing of 1.59% for this fuel type overall, masks the fact that three of the main sectors actually recorded a decrease in prices. This is a little surprising given the strength in the petrol hybrid pricing in the previous chart and the potential supporting factors already discussed.

The largest increase of 6.3% came in the D or Large car sector and reflects an uplift in pricing of £3074 per car taking the average price to £51,877. It is important to acknowledge that this sector accounts for less than 0.01% of total retail advertised vehicles and if this data that may be considered spurious by some were removed the average price move across the fuel type would actually be an increase of 0.38% which is more reflective of the true position.

New for this week Cazana looks at the data relating to market performance since the reopening of the showroom doors a week ago. The chart below looks at both the volume of newly advertised vehicles and the volume of cars sold, represented by the number of retail adverts that dropped from the data on a week by week basis since the beginning of March.



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The chart shows the percentage movement week on week and the impact of lockdown is immediately clear in listing terms as highlighted in week 13. With the retailers closed, the number of newly advertised vehicles dropped by almost 74% with this decline continuing week after week. The first improvement in listing volumes came in week 16 as the initial period of lockdown came to an end. Week 18 saw the impact of the allowance of socially distanced vehicle delivery and collection, and week 22 the immediate effect of the showroom doors reopening to the consumer. It is important to note that the sales data follows a similar pattern

There is a myriad of immensely useful data that sits behind this headline information although the messaging is very clear across all the charts. Perhaps of most interest is the final chart but these all serve to highlight that at the moment, factual insight is so much more valuable than data based on the very limited wholesale data volumes manually interpreted by some data providers.

Rupert Pontin
Director of Insight
Cazana
June 9th 2020