

Cazana Weekly Retail Price Watch

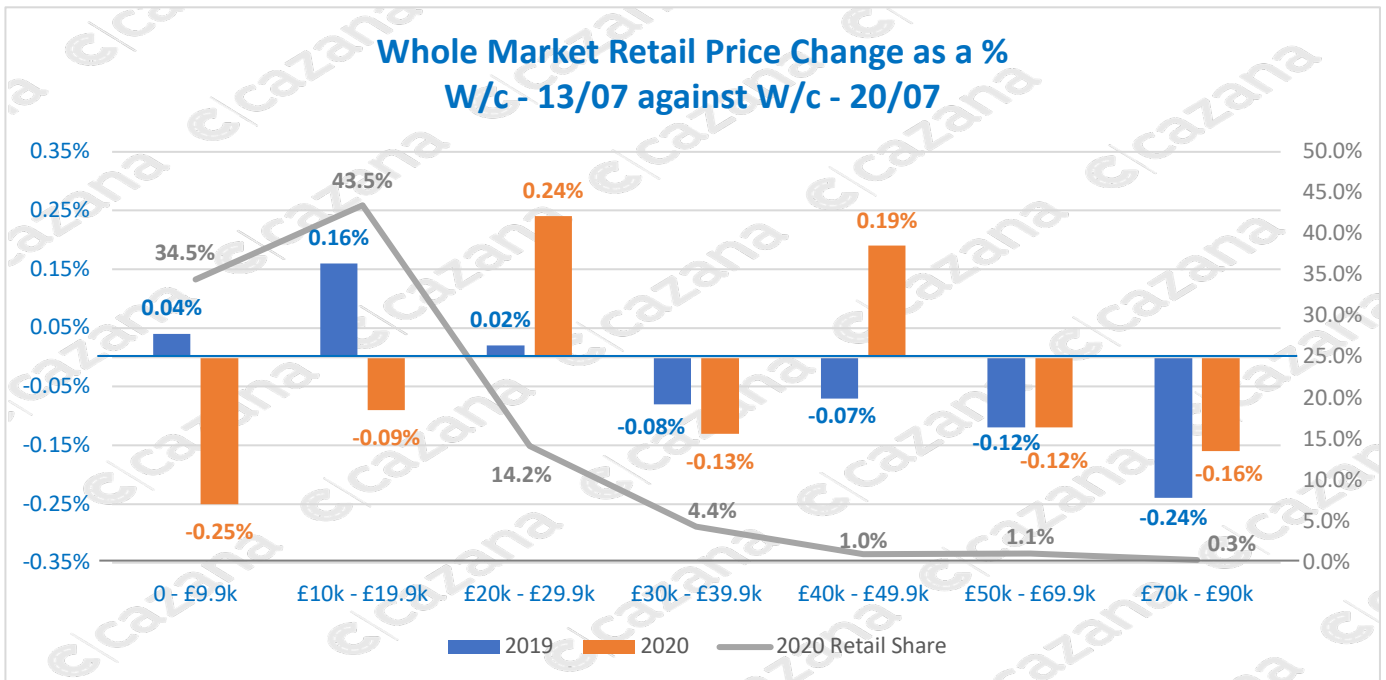
July 27th 2020

- Retail Pricing Shows Slight Decrease at 0.07% Overall
- Retailer Forecourts Better Stocked
- Used Car Margins Variable

Activity in the UK automotive sector has continued to improve in the last week despite concerns that demand may ease as the restrictions on mobility and socialising were eased by the Prime Minister. Coupled with the start of the summer holiday season and the break-up of the education programme, there had been consternation that consumers may have shifted their focus away from buying cars and towards expenditure on other social activities including day trips and holidays. To date that has not been the case and retail car buyers have continued to seek to renew their mode of transport with as much enthusiasm as they have since showrooms opened again on June 1st.

Further good news has come from the retailers as it is clear that the logistics side of the industry has been able to get a better grip on vehicle movements whilst wholesalers and auctions have been able to better manage onsite operations and movements of cars. The result has been an improvement in the volume of cars making it to the forecourts and there is no doubt that retail consumers have found more choice at their local dealers who rather than having to advertise stock on their websites as “due in” have now been able to prepare and display the car ready for new owners to view, buy and take away.

Looking at retail price performance and analysing weekly un-edited data from the whole market, the chart below shows how retail pricing has moved by Price Range as a week on week comparison.

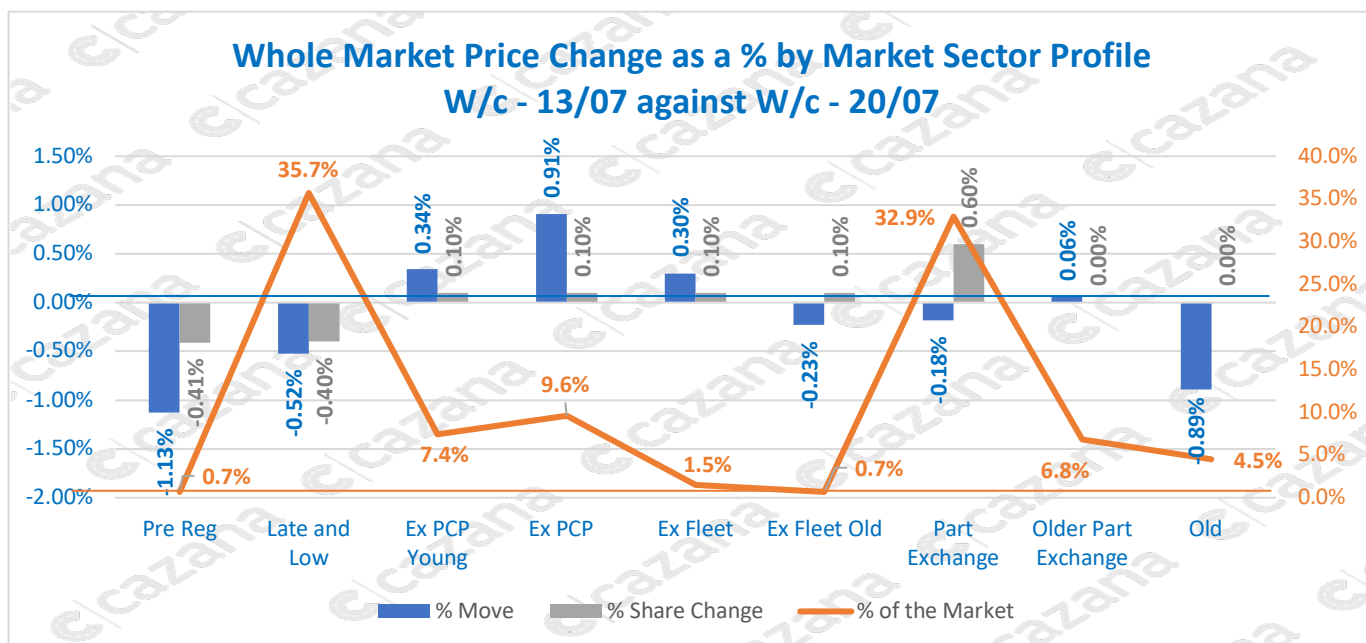


Data powered by Cazana

The chart above shows three key metrics to demonstrate the retail pricing activity in the market last week. The blue bars refer to pricing movements for the same period in 2019 as a percentage week on week. This highlights that pricing for cars up to £30k in value were increasing although cars above that price level were experiencing a drop in retail pricing. To be clear the largest price movement was a drop of -.025% so that market was fairly stable.

The orange bars show the pricing movements for 2020 and although the movements by price range only exceeded the biggest move in 2019 by 0.1%, the market behaved differently with larger movements across almost all price ranges. Of note is the fact that in 5 of the 7 price ranges prices declined slightly which is contrary to the price increases experienced in the previous week. The grey line represents the volume of retail adverts in the market by price range. From this data we can see that retail price movements for 78% of the market were negative and the combined reduction in retail pricing for these 2 price ranges was -0.26%. At an average price of £11,433 this suggests that on average the movement was just short of £30 per car.

To put a slightly different perspective on the pricing movements the chart below looks at the retail pricing changes by market profile.



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This is a detailed chart but provides some invaluable insight. The blue bars show the week on week retail price movement by market profile. The pattern here is interesting showing a drop in pricing for the younger market profiles and also the older cars. The orange line helps qualify the importance of the week on week price move by highlighting the percentage share of retail adverts across the whole market. Finally, the grey bars show the change in the volume of retail advert market share as a percentage week on week.

As such this chart highlights that pricing has dropped across 5 of the market profiles with the only retail price increases in what is essentially the 3 to 4 year-old market profiles. It would also appear that there is a direct correlation between the drop in retail price and those market profiles that have contracted in size. This is perhaps contrary to normal market expectation and as such requires more granular investigation.

When reviewed in tandem with the first chart the data corroborates the drop in pricing of sub £10k cars with the drop in retail pricing for Old cars on the chart above where the average price is £3721. Of note is that this average price has consistently been increasing since the re-opening of the showrooms. It also shows a potential link between the increase in the £10k to £20k car price profile in the first chart and the increase in retail prices in the Ex PCP market profile where the average Price is £19,950.

In summary, the retail market continues to remain stable although retail pricing movement from week to week is very evident. For the modern business it is crucial to acknowledge these shifts, and even more important to identify exactly where the pricing is changing and why. The stability in the data in these charts is encouraging although it must be noted that the number of extreme movements that lie in the detail has increased markedly in recent weeks reflecting the shortage of wholesale stock in the market. Given that the logistics supply chain appears to be overcoming their operational challenges, the volume of wholesale

stock is likely to start to balance with demand in coming weeks and the outlier movements may start to decrease. However, the retail consumer demand look set to remain good for the short term further highlighting the need for realtime, retail driven data to ensure maximum ROI on every asset.

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