Cazana Weekly Pricing Insight

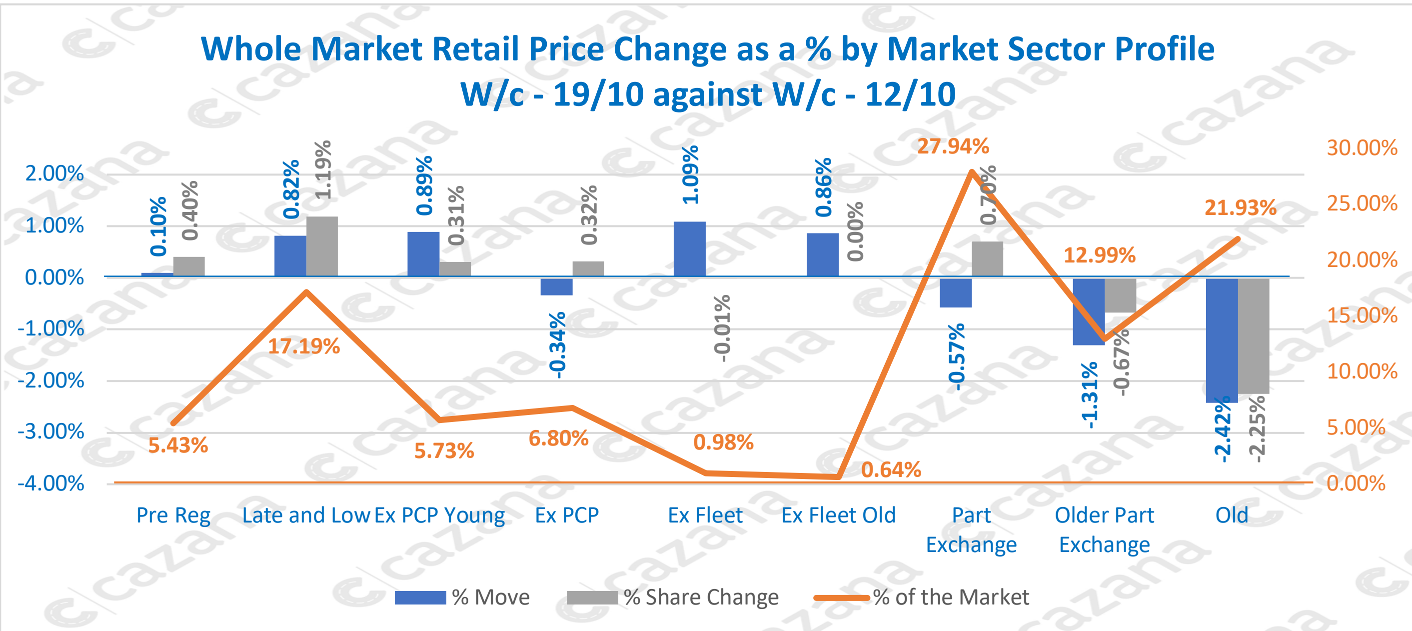
Week Commencing October 19th

- **Consumer Footfall Declining**
- **Retail Pricing Surprisingly Steady Overall at an Increase of 0.29%**
- **More Wholesale Stock in the Market**

The last week has seen a further change in retail consumer demand as the number of online enquiries and retail buyers on the pitches has continued to fall. There is by no means cause for panic at this stage, but it is a fact that market demand has fallen further in the last 7 days. Cazana predicted this scenario some weeks ago, and perhaps this is not a surprise given that the changes to the furlough scheme come into effect very soon and this drift in demand may be in part a reflection of these changes. However, it is key to remember that in addition to this the weather of late has deteriorated and the retail consumer has been harder to find as a result of further COVID lockdowns. In addition, it is also the school half-term period and as such demand may return in the coming weeks although traditionally speaking we are approaching a quieter time of year. 2020 has been such a unique period it is hard to tell what will come in the short-term future.

The other key dynamic to consider is the availability of used car stock and the last week has seen a further improvement in the volume of cars available in the wholesale market. This has resulted in a decline in conversion at the auction houses as there is more choice for the trade buyers and it is also clear that the pricing has also started to drop. This directly reflects the slow-down in retail demand and the drop-in sales levels and needs to be monitored closely in the coming weeks, specifically as there are indications that PCP returns are set to increase further. There is a chance that the drop-in part exchange numbers will offset this, but it is unlikely to be a perfect balance.

Looking at high-level retail pricing performance in the last week, the chart below highlights some interesting shifts.



Data powered by Cazana

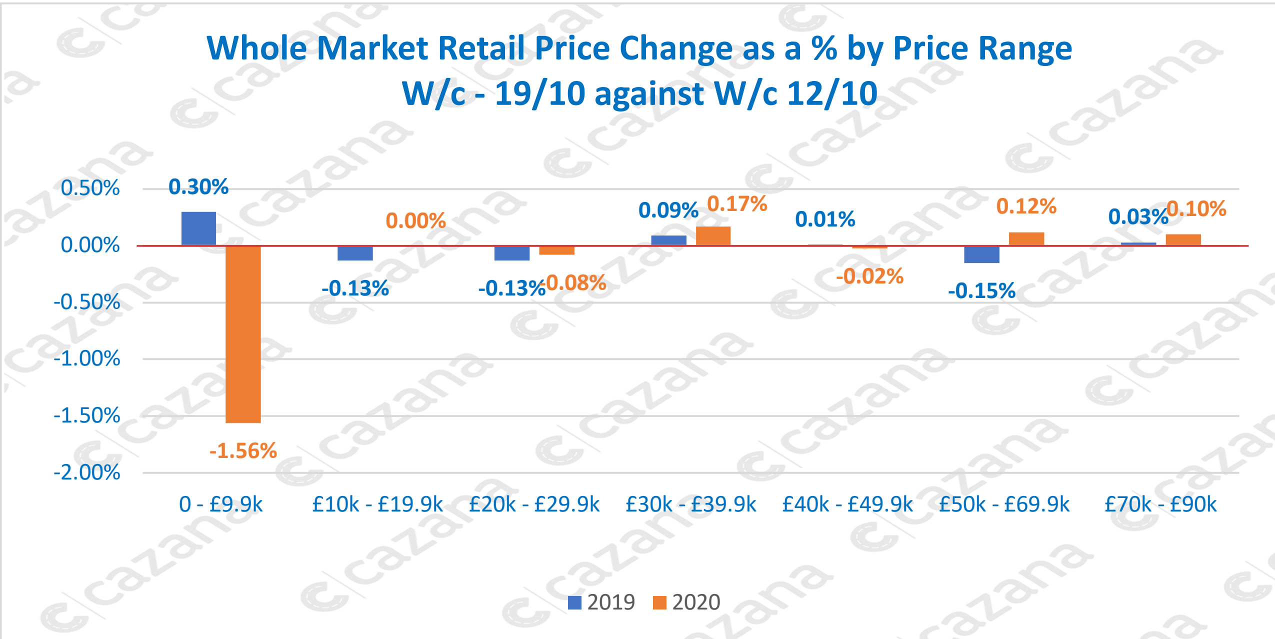
This chart looks at the retail pricing performance by market profile and shows a number of changes to previous weeks. The blue bars highlight the pricing change in the last seven days compared to the previous week whilst the grey bars show the percentage change on the total market share over the previous week by profile. The orange line clarifies the volume of retail adverts as a percentage of the total market.

It is immediately apparent that average retail pricing at the older end of the market has seen a marked drop for the Old Car profile which is cars over 10 years old. The fall in pricing has been 2.42% which is higher than it has been for some weeks. Interestingly this is combined with a drop in total market share of 2.25% and this profile now accounts for 21.93% of the whole retail advert market.

Conversely, the chart also highlights that for the younger market profiles there has been an increase in both average retail pricing and also market share. This is specifically noticeable for the Late and Low sector which covers cars between 6 months and 2 years old. This may be due to early churn on Ex PCP cars or the return of the rental product, but deeper analysis will highlight what vehicles are coming to the market and Cazana customers often delve deeper into this data to highlight possible areas of concern.

It is worth noting that the patterns here are reasonably rare and to experience both an increase in retail price and market share at the same time is a market performance flag for many. Similarly, with the Old Car data, a drop-in market share often comes with an increase in retail pricing. Therefore, it is logical to deduce that there are some market influences in play that need to be further analysed.

The chart below looks at the market from a different perspective and shows retail price changes as a percentage by looking at pricing profile and compares the same period in 2020 with 2019.



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It is important to note that the data included in this analysis covers retail pricing performance of vehicles up to £90k in value, as above this price point the volumes are low and volatility can be high. It is also evident that retail pricing performance in 2019 was more stable than it has been in the last 7 days.

This chart supports the conclusions that can be drawn from the previous chart and it is clear that the cheaper older cars in the £0 to £10k price range are having a more difficult time than of late. There are a number of potential reasons for this, although the previous chart has already ruled out the possibility that the volume of stock in the market could have been increasing and pushing pricing down. The profile of cars in the market can impact pricing performance, although it is prudent to consider that this area of the market saw a boost in demand and as such retail pricing earlier in the year post lockdown with retail buyers looking for cheap cars to avoid using public transport. It is possible that this demand has been satisfied and therefore demand and pricing have begun to drop.

In conclusion, it would appear that the used car market is experiencing some changes both from a pricing and supply perspective. The logistics supply chain is now reported to be back at a more normal level and collecting a car from an auction is now apparently at pre-COVID levels as a direct result of new socially distanced appointment collection procedures that have been put in place. With several economic concerns on the table and consumer confidence lower than had been anticipated at this point of the year, the coming few weeks will be exceedingly interesting to monitor. Understanding market trends and nuances will be the key to ensuring that commercial strategy is developed to suit the changing market. The need to be flexible and responsive specifically in pricing terms and the resulting stocking policies will be critical in the coming weeks and using retail-driven realtime insight is an excellent way of ensuring funders, retailers and remarketers are fully aware of fact-based retail pricing trends to facilitate an enhanced financial return.

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