Cazana Weekly Pricing Insight

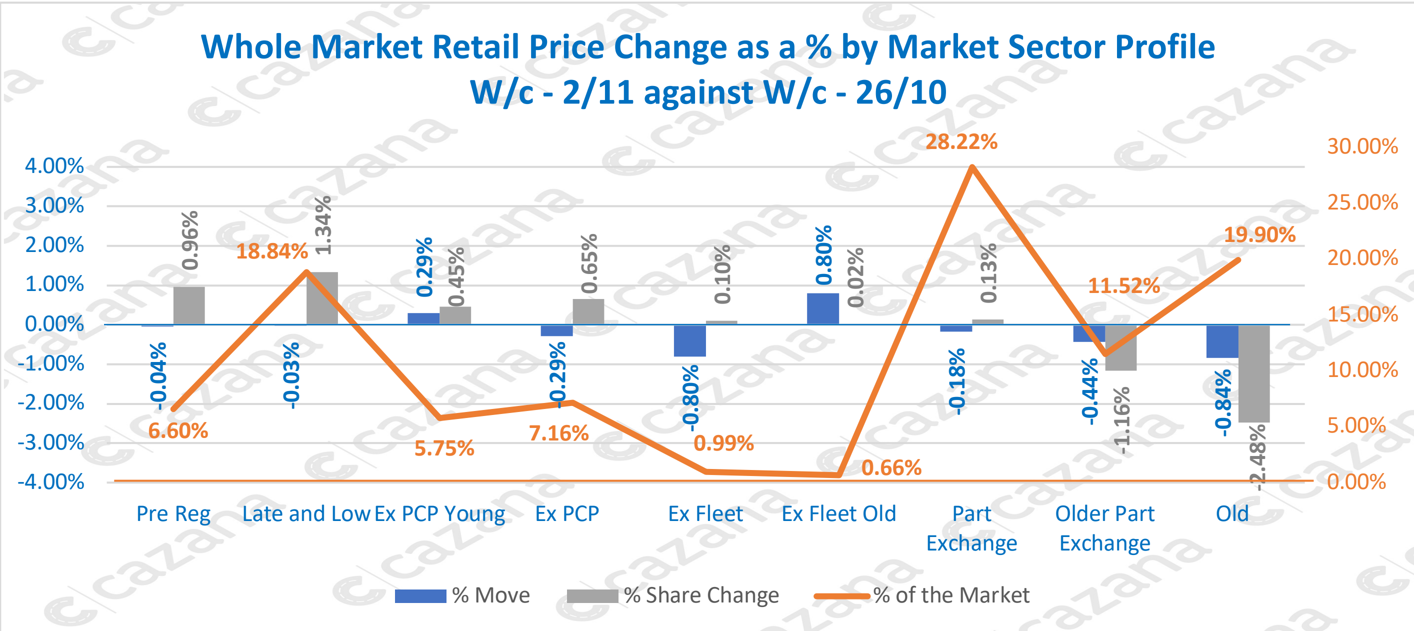
Week Commencing November 2nd

- **Lockdown 2 is Less Stringent in England**
- **Retail Pricing Down by -0.06% Overall for the Second Week Running**
- **Some Wholesale Vendors Venting Stock to the Wholesale Market**

The last 7 days have seen England return to Lockdown and Wales come out of a 17-day firebreak period aimed at halting the spread of the COVID 19 virus. The somewhat irritated retail consumer has been through an adjustment period in the last week, during which time many buyers spent significant sums of money on a variety of items before realising that the second lockdown appears to be less restrictive than expected. Or could it be that fewer people are taking this second lockdown seriously, which would appear to be the case in certain areas? Commitment to obeying government guidelines and rules is crucial at this point to minimise the lockdown period whilst at the same time trying to balance the needs of the economy.

However, there has also been some positive news and it has been confirmed that there has been some significant success with a COVID vaccine. The rate at which the vaccine can be shared is yet to be verified and besides the efficacy may be lower than ideal. Unfortunately, the news in itself may bring an air of arrogant confidence to the general public that the "end is in sight" and people may try and surge back to normality. It is vital that this mistake is not made, or it is likely that Christmas may also become a lockdown period which is not what either the population or the economy need.

From a used car perspective there has been much speculation on the impact that the latest round of restrictions will have on demand, retail pricing, sales levels and therefore wholesale pricing. It is still early to say what impact it will have but the chart below looks at high level retail pricing performance in the last week showing some interesting nuances.



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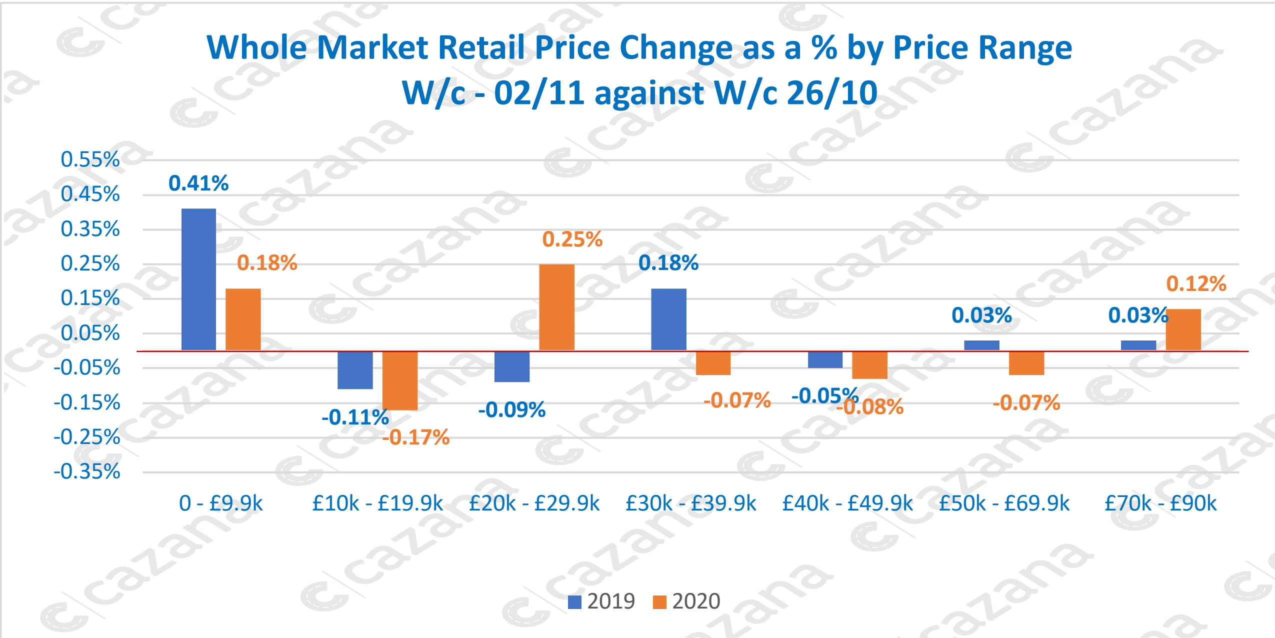
The chart reviews retail pricing by market sector profile in the week commencing November 2nd in comparison to the previous week. The blue bars show the retail pricing move week on week and the grey bar shows the change in retail advert market share based on whole market data. The orange line highlights the current market share as a whole.

This week's data is interesting as it is more difficult to identify clear trends in the way in which it has been for some months. This is perhaps indicative of the current market and economic dynamics. The largest move in pricing terms is claimed once again by the Old Car profile with a drop of -0.84%. Retail price moves in this profile have been volatile for the last 3 weeks switching between increase and decrease week on week. Surprisingly, the overall market representation for this profile has also dropped by 2.48% and under normal circumstances where market representation drops one might expect to see prices increase. This instability is likely due to reduced consumer demand and some unpredictability around individual vehicle supply.

Looking at positive market movements and it is surprising to see that the Ex Fleet Old profile has shown a 0.8% increase in retail pricing following the decline in pricing the previous week of 1.89%. Although this profile covers just 0.66% of total retail adverts, there had been an expectation that pricing would be dropping once more given the increase in the volumes in the market of late and more specifically reduced consumer interest in this age of car.

The chart below looks at the market from a slightly different perspective and shows retail price changes as a percentage by looking at the 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 individual vehicle volumes can be low and volatility can be high. This chart also highlights that whilst the overall market retail price movement in 2019 was an increase of 0.03% compared to the 2020 figure of 0.01%, the shifts by price profile were not consistent.

This comparison is also interesting because it suggests that year on year retail pricing performance was actually very similar. A small high-level movement but with individual characteristics that suggest minimal realignment across all different pricing profiles. The largest movement in 2019 was an increase of 0.41% in the sub £10k price profile and for 2020 an increase of 0.25% on the £20k to £30k profile. The latter movement has been a consistent increase present for a number of weeks, but is also tied with the activity in the Old Car Profile. Looking in more detail there is without doubt evidence that older executive and sports cars have shown uplift in average retail price. Greater analysis will highlight the risk and opportunities associated with this age and price profile combination.

In conclusion, retail pricing over the last week has shown minimal movement as the market appears to hold its breath whilst waiting to see the impact of retail consumer demand on the sales volumes. This temporary pause was to be expected, and a second lockdown was inevitable, although the challenges experienced first time round in relation to online selling have been resolved by a number of switched on retailers who if they did not have online “mouse to house” capability in March this year, certainly have it now. It is prudent to acknowledge that a small number of wholesale vendors have gone into the market to vent stock in the last week. The Cazana wholesale pricing accommodated this change as it has happened using the factual data and machine learning to make the appropriate pricing changes. What is also evident from the whole market data is that there has not been any immediate drop in retail price for the affected product.

Cazana customers indicate that there is no need to make an adjustment based on the data and those few that have dropped individual retail price points against the greater advice have not benefited from the expected increase in retail sales.

Understanding market trends and nuances will be the key to ensuring that the appropriate commercial strategy is developed to suit the evolving market conditions in the coming weeks. The need to be flexible and responsive specifically in pricing terms has rarely been stronger and the resulting stocking policies will be critical in the coming weeks. Using retail driven realtime insight is a marvellous, accurate and cost-effective way of ensuring funders, retailers and remarketers are fully aware of fact-based retail pricing trends in order to facilitate continued enhanced financial return.

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November 10th 2020