

Cazana Weekly Pricing Insight

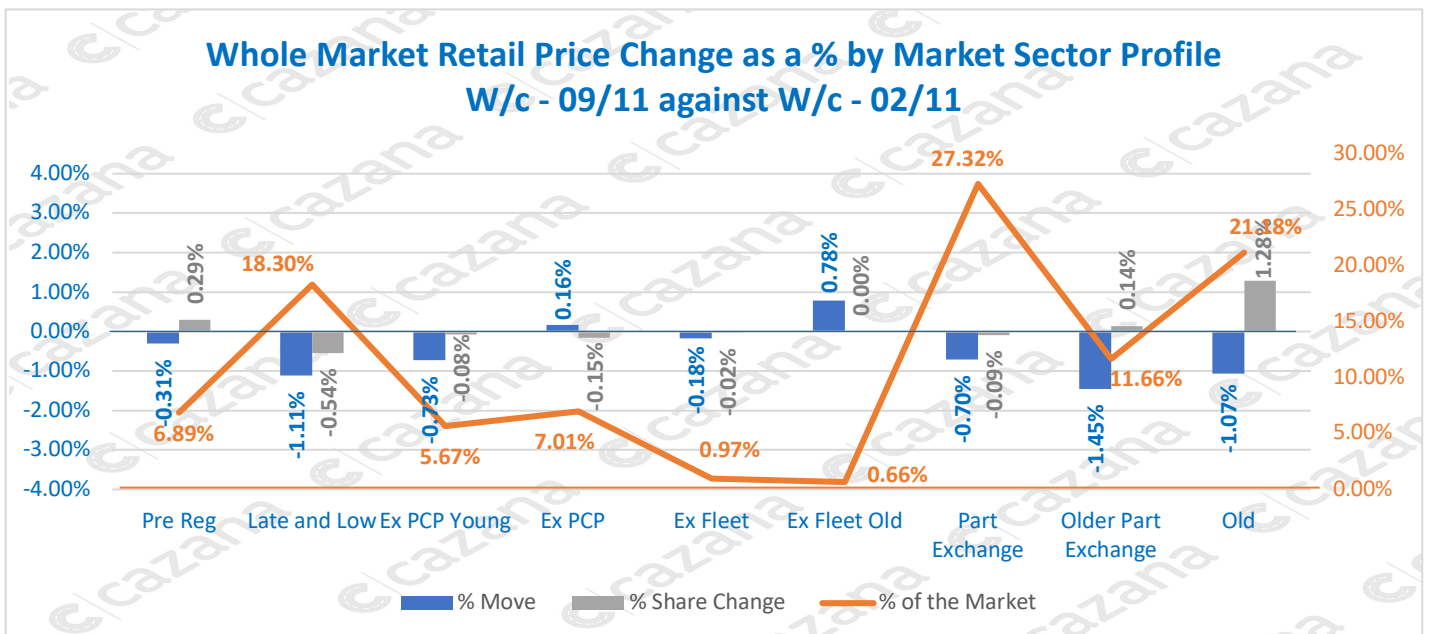
Week Commencing November 9th

- Less Dealer Staff on Furlough
- Retail Pricing Down by -0.48%
- Wholesale Market Volume Uplift

One might be forgiven for not realising that England returned to Lockdown on November 3rd as it would seem that the number of cars on the roads and the volume of people in public places and in “essential” shops appears little different than it was in previous weeks. Certain businesses have not been allowed to be open which in some cases has been noted as reasonable in the bid to battle the spread of COVID 19 and in other cases highly illogical. The closure of Retail Car Showrooms has been illogical in many eyes and there are some very strong supporting reasons for this when compared to other retail outlets. As an example, Garden Centres remain open and attract large numbers of visitors to what is at this time of year a confined space. A Retail Car Showroom also attracts people, but it is argued that social distancing measures are both easier to apply and more effective when compared to those often more relaxed measures in place in a Garden Centre.

Given the circumstances there is little surprise that retail car sales have dipped in the last couple of weeks and there has been much comment in the press around the renewed importance of the online journey that is still missing in a number of car sales businesses nationwide. Cazana are acutely aware of the efforts being made to remedy this position and, as happened during the first lockdown, the requests for data to support digital transactions has significantly increased as realisation dawns that realtime whole market insight that has not been edited or affected by human decisioning is of immense value to “Mouse to House” solutions.

The question on everyones mind is what has happened to retail pricing in the last week, and as a result what was the impact on the wholesale market that is ultimately driven by the retail consumer demand. The chart below looks at high level retail pricing performance in the last week and qualifies what impact Lockdown 2.0 has had.



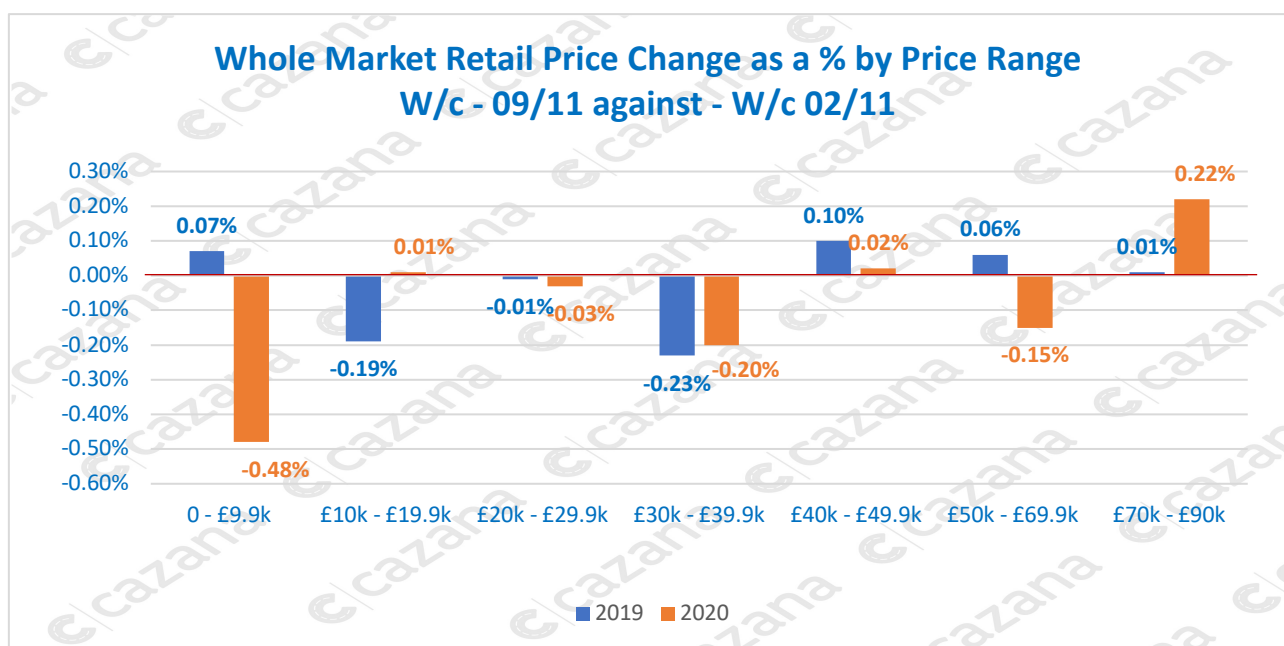
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The chart reviews retail pricing by market sector profile in the week commencing November 9th in comparison to the previous week. The blue bars show the retail pricing move week on week and the grey bars show the change in retail advert market share based on whole market data. The orange line highlights the current market share as a whole.

Retail pricing in the last week has been a little more varied than it had been in the first week of lockdown 2.0. The overall market movement was a decline of -0.48% which is higher than it has been for some time although it is imperative to understand that this is not a big move generally speaking when compared to more normal market conditions in previous years. It is also an acknowledgement that retail pricing does not need to drop to generate consumer demand. A number of retailers both large and small experimented with price realignment during October 2020 and the results almost unanimously demonstrated that price drops did not generate extra sales. The retail consumer is more concerned about safety and customer service at this point in time.

The chart above does highlight that it is the older car profiles that experienced a drop in retail pricing. The decline of -1.45% for Older Part Exchange cars is followed closely by slightly lower declines for all cars over 6 years old and this is a mild acceleration of what has been happening in recent weeks. Of equal interest is the increase of 0.78% in retail prices of older ex fleet cars which comes as a bit of a surprise given the volume of this profile of vehicles in the market. This perhaps suggests a change in the profile of cars coming to the market and greater analysis would highlight with which brands this has happened and the potential opportunity this has created for both vendors and retailers.

Taking a different view on the market the chart below looks at retail price changes as a percentage by looking at pricing profile and at the same time compares the same period in 2020 with 2019 as an indicator of market similarity and potential stability.



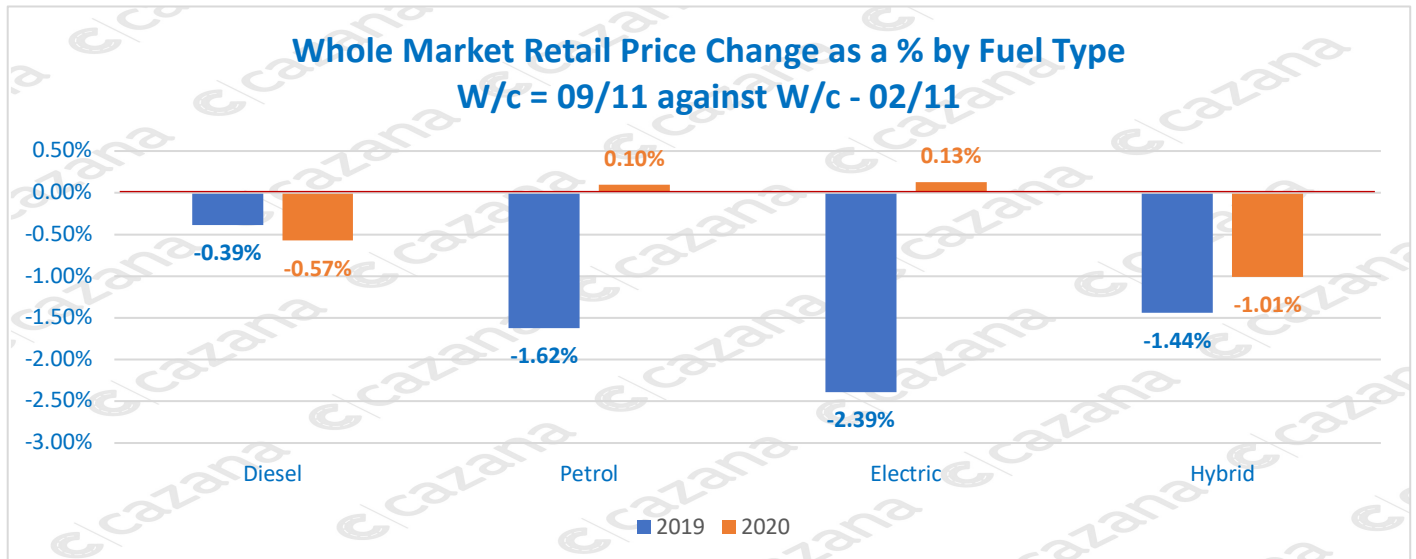
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It is important to note that the data included in this analysis covers retail pricing performance of vehicles up to £90k in value, as above this price point the individual vehicle volumes can be low and volatility can be high.

The data shows that by price range the biggest drop in values came for cars priced under £10k and this reinforces the view that retail consumer demand for older cheaper cars really has changed for the worse. The reason cited is that consumers seeking cheaper and safer travel options have now bought their cars

and demand levels are therefore returning to normal. At the same time, it is worth noting that cars in the £70k to £90k price range have also seen retail price increases.

The final chart looks at the retail price change by fuel type week on week. The inclusion of this chart is important amidst press speculation that there may be an increase in pricing for Hybrid and Electric vehicles as retail consumers remember the benefits experienced earlier in the year in the reduced pollution levels coupled with news that the ban on ICE sales will be coming forward to 2030.



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The chart above clearly shows that retail pricing by fuel type in 2019 was more extreme than in 2020 across the board. It also shows that in the same period this year both Petrol and Electric powered cars have shown a minimal increase in pricing. The largest shift in pricing at a drop of -1.01% has been for Hybrid powered cars.

To summarise, whilst Retail Showrooms have had to close their doors to customers for what one hopes is a short period, retail pricing has not as yet been adversely affected. Right now, there is little reason to do so with examples of those who have tried a price driven strategy reporting no discernible sales advantage merely a drop in profit. Factual, retail driven whole market insight from the last lockdown showed there was no need to take this approach. The only difference this time round is that the wholesale market is still functioning and there is likely to be an increase in available stock, but this does not mean that pricing should drop. Retail consumers drive the market and a stable approach based on realtime insight is the key to successful commercial strategy. Recent press suggestions that pricing needs to fall to clear stock levels are not fact based and an irresponsible recommendation at this point in time.

Understanding market trends and nuances will be the key to ensuring that the appropriate commercial strategy is developed on a day by day basis 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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Cazana
November 17th 2020