

# Cazana Weekly Pricing Insight

Week Commencing November 16<sup>th</sup>

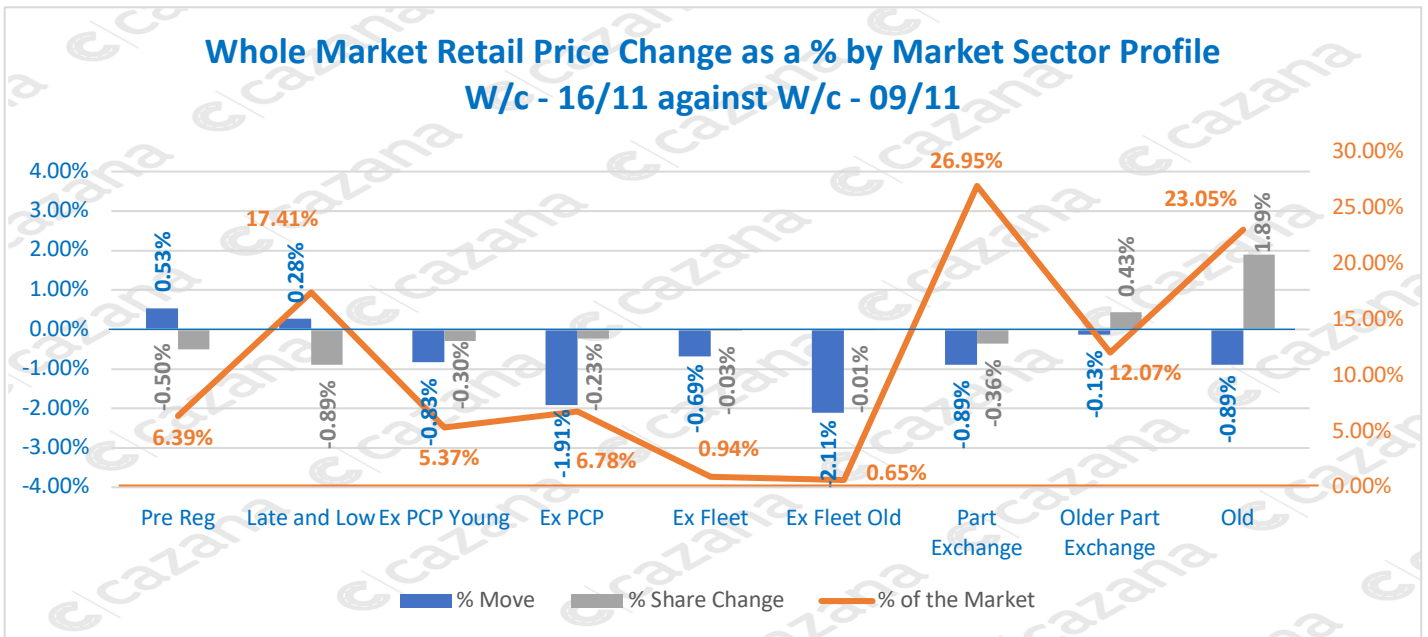
- End to Lockdown in England in Sight
- Retail Pricing Down by -0.49%
- Wholesale Market Still Under Pressure for Certain Cars

Retail consumer confidence in the past week has taken a marked upturn following the Prime Minister’s indication of the new plans surrounding the current lockdown and the path towards the Festive Season and the New Year. Whilst the UK population will always seek to find the negatives, the message is quite clear in that from December 2<sup>nd</sup> the UK will be moving to a tiered lockdown structure relating to the regional spread of the virus and as such allowing more businesses to return to socially distanced trading conditions. Also, up to three households will be able to meet in an exclusive bubble over the Festive period. As expected, there is an element of common sense and personal judgement that accompanies this guidance.

This development is important because of the feel-good factor this brings to the consumer and population as a whole and the critical reliance on a common-sense approach during this period will determine what happens in the New Year. All being well and government guidelines and advice heeded, the automotive sector looks set to return to “socially distanced normality” nationwide in the next week.

Last week the car market took a further step towards normal sales levels. Cazana insight suggests that retail sales are running at between 55% and 60% of normal levels and data highlights that for the time being some retailers are not restocking with the number of retail adverts placed each week running at a lower level. This is likely due to the fact that many buying teams were put on furlough as soon as the second lockdown was announced and are only now returning to the business in readiness for a perceived boost in sales once the showrooms reopen once again. There will be increasing pressure to find stock in the next couple of weeks to satisfy demand.

Considering the current market conditions, it is vital to monitor what is happening with retail prices and the chart below compares last week’s pricing levels with the previous week:-



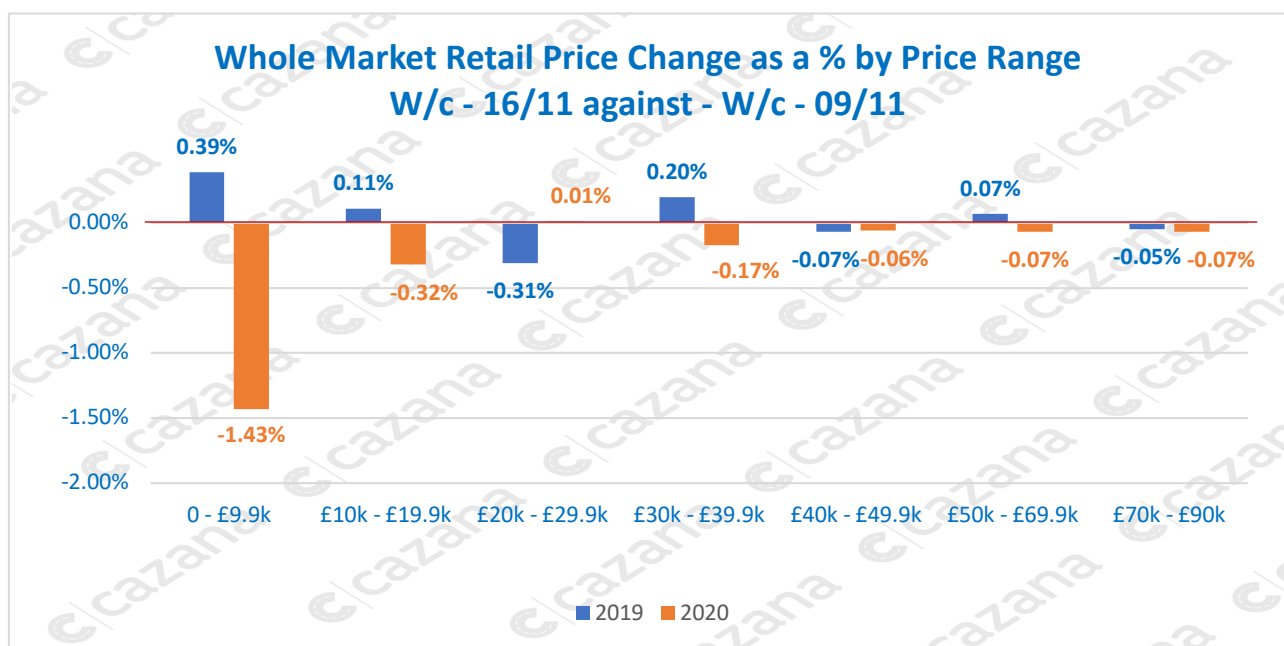
Data powered by Cazana

The chart above reviews retail pricing by market sector profile in the week commencing November 16<sup>th</sup> 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.

The overall retail price movement for the market was a drop of -0.49% which was very slightly higher than the week before and is beginning to become a trend. This is not uncommon for this time of year though and focus should be given to the scale of movements by age and mileage profile to greater understand what is happening. The largest decline in pricing has come in the Ex Fleet Old profile with a decline of 2.11% although this profile accounts for just 0.65% of the whole market as shown by the orange line and therefore has less relevance. The drop of 1.91% in the EX PCP is of more concern given the pressure expected in this age and mileage profile in the early part of next year, but to date has been fairly elastic week on week.

It is the -0.89% shift for the Part Exchange and Old Car profiles that are most relevant given that they account for 50% of the retail advertising market overall. Of the two profiles Old Cars also show an increase in the market share and this is without doubt an area to watch closely and Cazana recommend further and more detailed analysis to spot both the opportunities and the threats.

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.



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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.

Once again it is the sub £10k price profile that shows the biggest move in the market and this ties with the data in the previous chart which highlighted the Old Car profile was under price pressure. Aside of the fact that the opportunistic market conditions of the post lockdown period may have now passed there is also the consideration that buyers of this type of car are perhaps focussing either on a spending cessation or diverting funds to prepare for the Festive Season.

The chart also shows that there is far greater pricing stability in the higher priced price profiles which is not a surprise given the extra disposable income often available to customers interested in these types of cars at this time of the year.

The comparison against 2019 is interesting on the basis that the same period last year showed enhanced stability overall. The whole market price moves for cars up to £90k in price was, in fact, a drop of just -0.01%.

In conclusion, despite the second lockdown of the year the last weeks retail pricing performance has been reasonably steady. Despite an overall drop of -0.49% this is not an unrealistic retail price decline for the time of year, and retailer sales figures have remained reasonably good given that the showrooms are closed. Wholesale activity has in the most part reflected the level of demand and remarketers from most sectors have chosen to remarket wisely and not just vent cars to the market. However, financial pressures being as they are, some have dropped wholesale expectations and there have been some cheaper generally poor condition cars in the trade.

On the positive side retailers have kept retail pricing largely consistent and this in itself highlights the importance of understanding what retail pricing and consumer demand means to the remarketing operations nationwide. The use of 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 to facilitate continued enhanced financial return.

**Rupert Pontin**  
**Director of Insight**  
**Cazana**  
**November 26<sup>th</sup> 2020**