Cazana Weekly Pricing Insight

Week Commencing October 26th

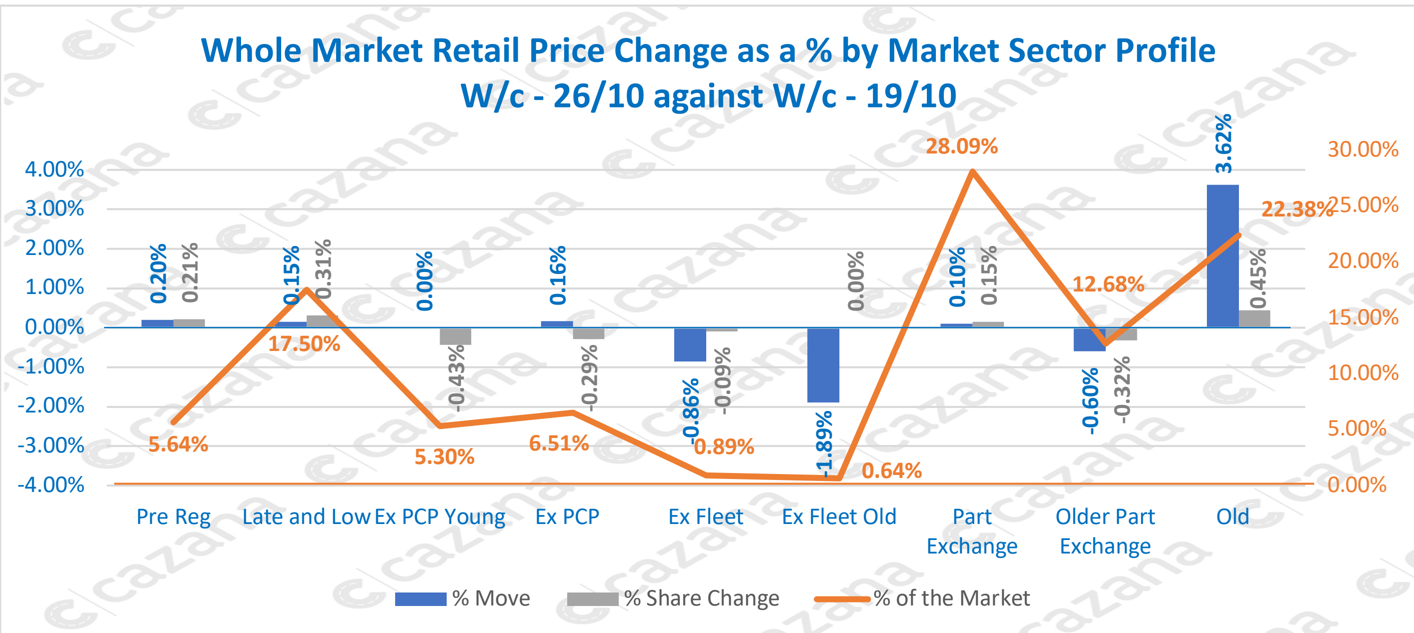
- **Lockdown Reinstated**
- **Retail Pricing Down by -0.06% Overall Week on Week**
- **Wholesale Stock Continues to Increase**

The last week has seen some big news items for the economy and the automotive industry. The most significant has been the re-introduction of the national lockdown, although this time there is more flexibility around education and the type of retail outlets that can still trade. Although the lockdown period has been cited to end on December 2nd 2020, there is a general feeling that this may well extend to the New Year in a bid to contain the COVID virus and many businesses are planning for this eventuality.

There are of course two sides to this news and whilst the benefit to health and lives is crucial the potential damage to the economy and employment is also a key consideration. The extension of the CJRS scheme and furlough is welcome support, and the news that controlled handover of vehicles bought online is also essential to keep the automotive sector moving. However, the news that retail dealer premises have to close is perhaps inconsistent with some other retail outlets permission to continue trading in a socially distanced manner and as such disappointing and slightly worrying. Click and Collect online transactional capability in the automotive sector has vastly improved during the year but there are still companies that are not where they need to be from a digital viewpoint to be able to operate competitively.

The new car registration figures for October have also been released and there is no surprise that the figure is down on the same period in 2019, although at just 1.6% lower many consider this to be a good result. Of note is the volume of AFVs that have been registered with a 35.7% market share for the month. In market share terms the largest growth has come for mild hybrid petrol cars sitting 9.7% higher than they were October 2019. The next largest growth in market share year on year benefits the BEV sector with a 4.4% increase to a 6.6% for the month or 5.5% for the year to date.

From a used car perspective and looking at high level retail pricing performance in the last week, the chart below highlights some interesting shifts.



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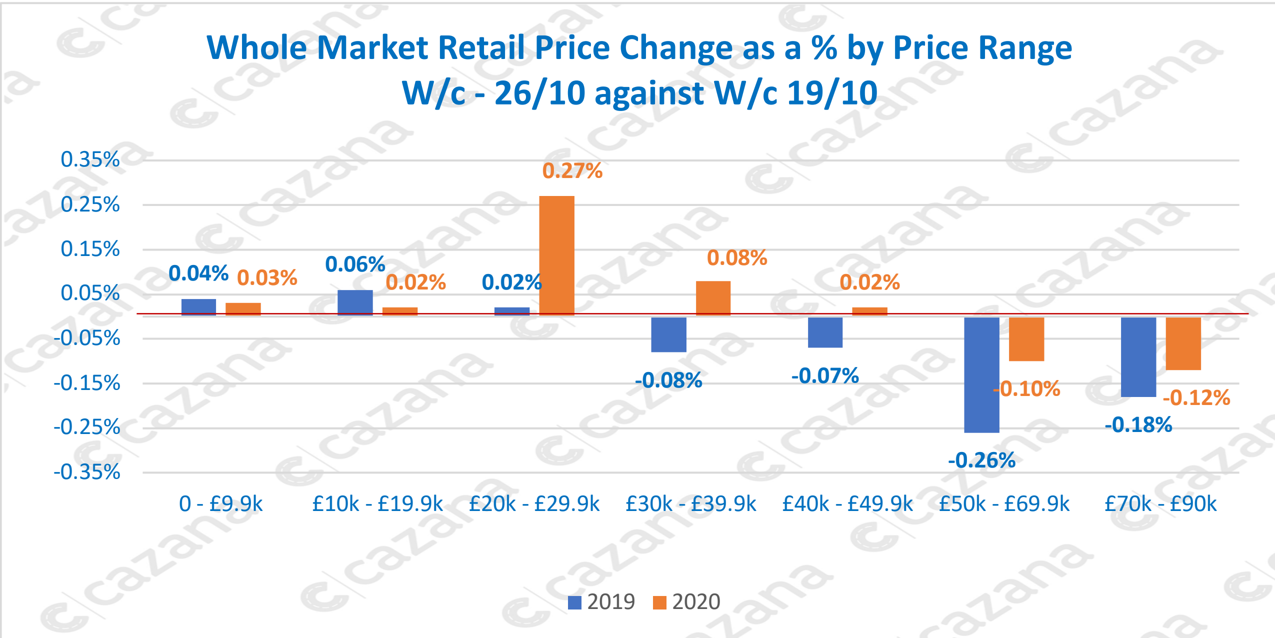
The previous chart reviews retail pricing by market sector profile in the week commencing October 26th. The blue bars show the retail pricing move in comparison to the previous week and the grey bar shows the change in retail advert market share based on whole market data. The orange line highlights the current market share as a whole.

The biggest shift on this chart has been an increase of 3.62% in the average price of cars in the Old Car profile which relates to cars over 10 year of age. This is a significant upturn for the week and comes off the back of a drop of -2.42% during the previous week. Of equal note is that the price increase comes in partnership with an inflated number of cars advertised in what is the second largest sector of product in the market at just over 22%. This highlights volatility in this profile which is interesting given the consistent stability of this type of car over the past few months and perhaps reflects the retail consumers now varied appetite for this type of car.

The biggest weakness in pricing comes for the Ex Fleet Old profile which relates to cars that are 4 to 5 years old. A decline of 1.89% in pricing is to be noted especially where there has been stability in market share. This suggests there may be either a marked change in the profile of cars available or indeed a dip in consumer demand for this type of car.

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 volatile than it has been in the last 7 days with a greater drop in pricing for more expensive cars. Whole market movement for cars up to £90k in price was an increase of 0.19% although taken in isolation cars over £90k in price dropped by -2.1%.

This chart also suggests that the increase in pricing of Old cars in the previous chart relates to cars with prices up to £50k with a peak of a 0.27% increase in vehicle pricing in the £20k to £30k price bracket. This is a fascinating dynamic and Cazana can help customers identify why this has happened and what types of vehicles are affected with more granular detailed analysis. What is clear is that 2020 continues to throw new and interesting challenges and market nuances on a day to day basis.

To summarise, the retail market currently looks in good health although the industry and economy are entering not only another lockdown period of uncertainty but also a traditionally quieter time of the year as it tails towards the festive season. Online “Mouse to House” solutions will be critical over the coming weeks, as will be the need to retain contact with potential customers via digital marketing and informed pricing. Retail pricing does not need to drop, and indeed there is no indication that there will be significant reductions or great consumer deals to follow in the coming weeks. Where certain wholesale vendors are experiencing poorer conversions and more instability with wholesale pricing, the retail viewpoint remains firm for now. As such there are opportunities to continue to recover losses incurred during the first lockdown.

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 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.

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November 4th 2020