

Cazana Weekly Pricing Insight

Week Commencing December 7th

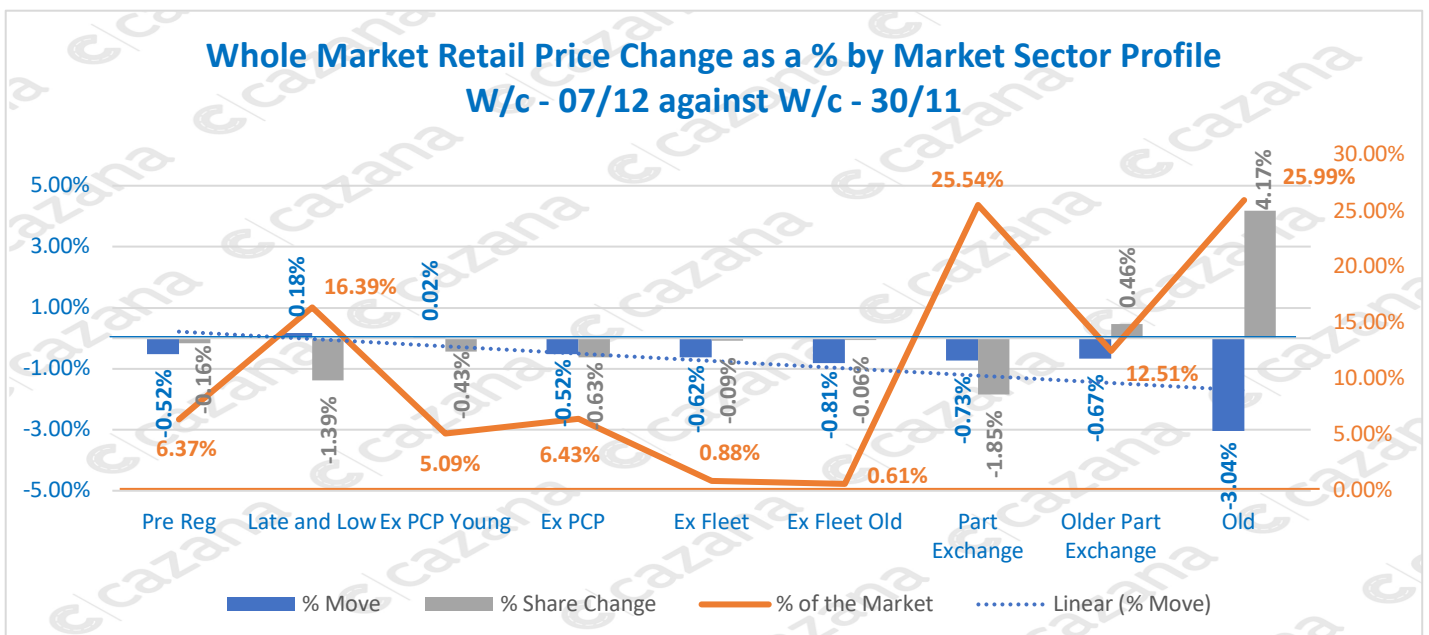
- Showrooms are Busy
- Retail Pricing Down by -0.38%
- Older Car Prices Decrease by 3.04% as Volume On Sale Increases

Last week was the first full week of trading after the reopening of the retail showrooms in England and as such the opportunity to return to a semblance of the “new” normality. As expected, there was something of a rush as pent up demand flared and the majority of retailers reported a good burst of sales activity which will go some way to helping cover the lockdown period. Sales levels during Lockdown 2 had dipped by 30% to 35% and now is the time to recover that shortfall.

As a result of the reopening many staff returned from furlough although it is fair to say there is still evidence of furlough being used to cover the costs of lower staffing levels often required during what is usually a quieter period of trading due to the festive and new year period. Hope remains that these roles are safe, and that staff will return in full once the new year begins. Many of the major retail groups have given assurance that this will be the case.

From a used car perspective, the retailers have generally taken a positive stance and although recent weeks have seen a general dip in pricing it has not been over and above what the market would ordinarily expect during December. That is not to say that there are not pockets of both stability and volatility and this is essentially where opportunity and threat lies in wait for the slower retailers that have yet to embrace realtime automotive retail pricing techniques to enhance profitability and stock turn.

Looking at the market as a whole, retail pricing has dropped by a mild 0.38% across all age and mileage profiles as highlighted in the chart below. It should be noted that now the retail showrooms have reopened there is a greater level of volatility for certain fuel types that had settled during the lockdown period. Also, of note is that the retail price movement last week was lower than it had been for some weeks.



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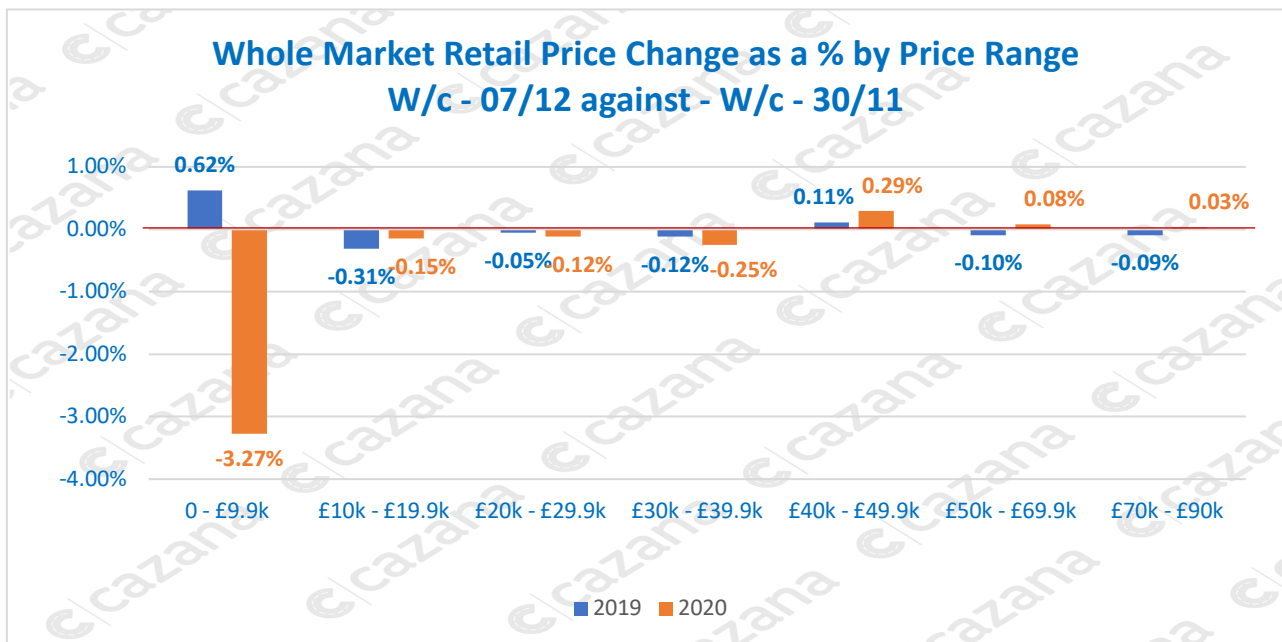
The chart above reviews retail pricing by market sector profile in the week commencing December 7th in comparison to the previous week. The blue bars show the retail pricing move as a percentage week on week

and the grey bars show the change in retail advert market share based on whole market data. The orange line highlights the overall current market share as a whole.

The chart clearly shows that the overall market trend is a decline in pricing, and it is interesting to see that the Old car profile has felt the brunt of the drop in pricing having fallen by -3.04%. The Old Car sector has been through some marked changes in the last 6 weeks and this has in part been driven by a lack of demand that many are putting to the fact that the need for a second car or alternative to public transport has been satisfied. It is also worth considering that the profile of stock may have changed, and Cazana are happy to work with retailers to help reveal the opportunities that lie in both remarketing and retailing stock of this age. At a high level, the average retail price of a car in this age profile has decreased notably in recent weeks suggesting a different selection of cars in the market.

It is also perhaps not a coincidence that Old cars now represent almost 26% of all retail adverts with a 4.17% growth in retail advert market share. This is the only age profile to have shown a growth in the market representation and greater analysis will reveal whether this is because of improved sales for cars in other key age profiles such as Late and Low and Part Exchange. Between these three profiles, they account for almost 68% of total retail adverts.

Using an alternative lens 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 consistency and 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.

The chart above immediately shows that the pricing pattern for the same week in 2020 is broadly similar to that of 2019 with limited movement for all price profiles except for the sub £10k area. This is reassuring as it shows that the market is performing broadly in line with expectations. It is worth noting that for cars over £90k in value the movement averaged at 0.36% although the delta was very wide highlighting the danger of including this data in the overall analysis.

Also, when looking at the movement in retail pricing of sub £10k cars in 2020 has shown the marked decline of -3.27% in contrast to the increase experienced in 2019. This supports the assumptions that can be taken

from the first chart and highlights the need for care when either retailing or remarketing cars of this age and price. There is significant volatility in the detail of the analysis relating to fuel type and mileage and as such greater insight is essential to ensure a robust commercial strategy that will need to change almost daily to maximise on sales and profit opportunity.

In conclusion, the last week has seen some positive and negative influences and retail pricing that will have a material effect on used car retailing and valuation for part exchange. There are also implications for lenders and those dealing with forbearance. The next couple of weeks up to and including the festive period will be fascinating and pricing right and valuing older product to come in part exchange will also be complex.

As such there is little doubt that 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. Subjective human-decision based valuation is not reliable when compared with the Cazana's retail driven pricing solutions now available to the UK automotive industry.

Rupert Pontin
Director of Insight
Cazana
December 15th 2020