Connected Future of Remarketing

Transparency and Efficiency through Connectivity

Matthew Waller – Director, Connected Car

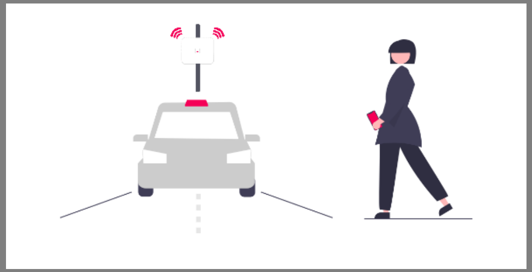
Introduction

Matthew Waller

Connected Car Director, FLEETCOR

- 5+ years at Jaguar Land Rover launching InControl Telematics alongside connectivity for the New Land Rover Defender
- Background in Insurance and Fleet Telematics
- Working alongside Fleetcor subsidiary, epyx 1link to enhance and automate solutions across remarketing and SMR using CVD.

Today's Connected Vehicle



- Vehicle "connected" in the factory and remains connected for lifecycle
- Data flows to OEM and available to partners via API through SaaS commercials (with owner consent)

Zero Hardware.

Low Commitment

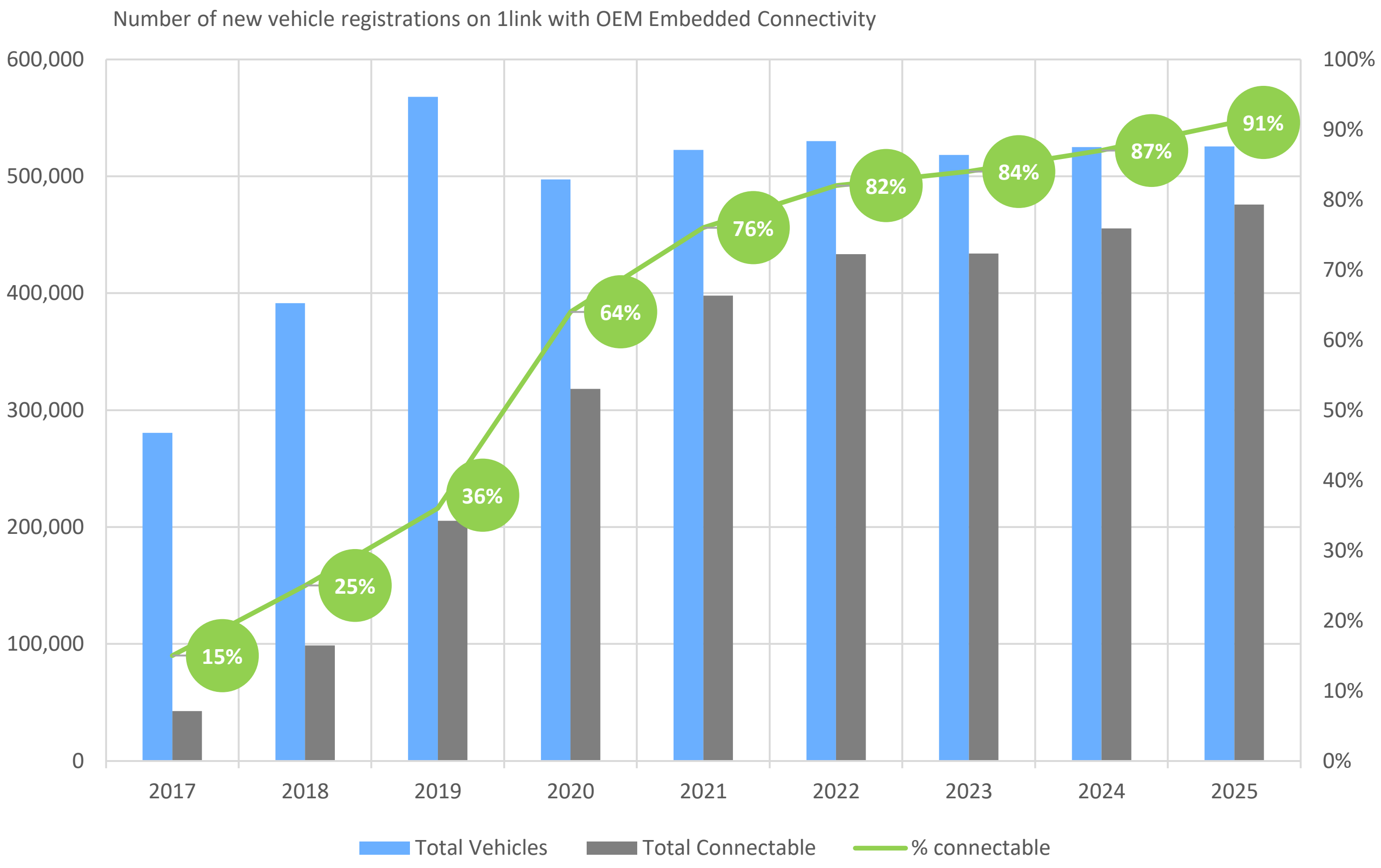
Source Agnostic

Why are Connected Vehicles Disruptive?

Visibility of an asset ‘in-life’

Traditional telematics solution benefits have often been limited to fleet operators over vehicle owners and come with **ever-increasing complexity.**

Connected vehicles enable a **“data economy”**



Theme of 2023 will be Cost of Living – impact to appetite for Used Cars

Strong correlation between Used Car market and Disposable Income which suggests a sensitivity.

"The rise in inflation to a 40-year high this year is expected to reduce real household disposable incomes (RHDI) on a per-person basis by 2.2 per cent in 2022-23"

ONS March 2022

https://obr.uk/box/developments-in-the-outlook-for-household-living-standards/

Such a contraction in household disposable income is likely to then lead to a similar size tightening of the Used Car Market.
Demand will fall alongside existing supply constraints – potentially adding a deflationary pressure and increasing the need to focus on ROI improvements.

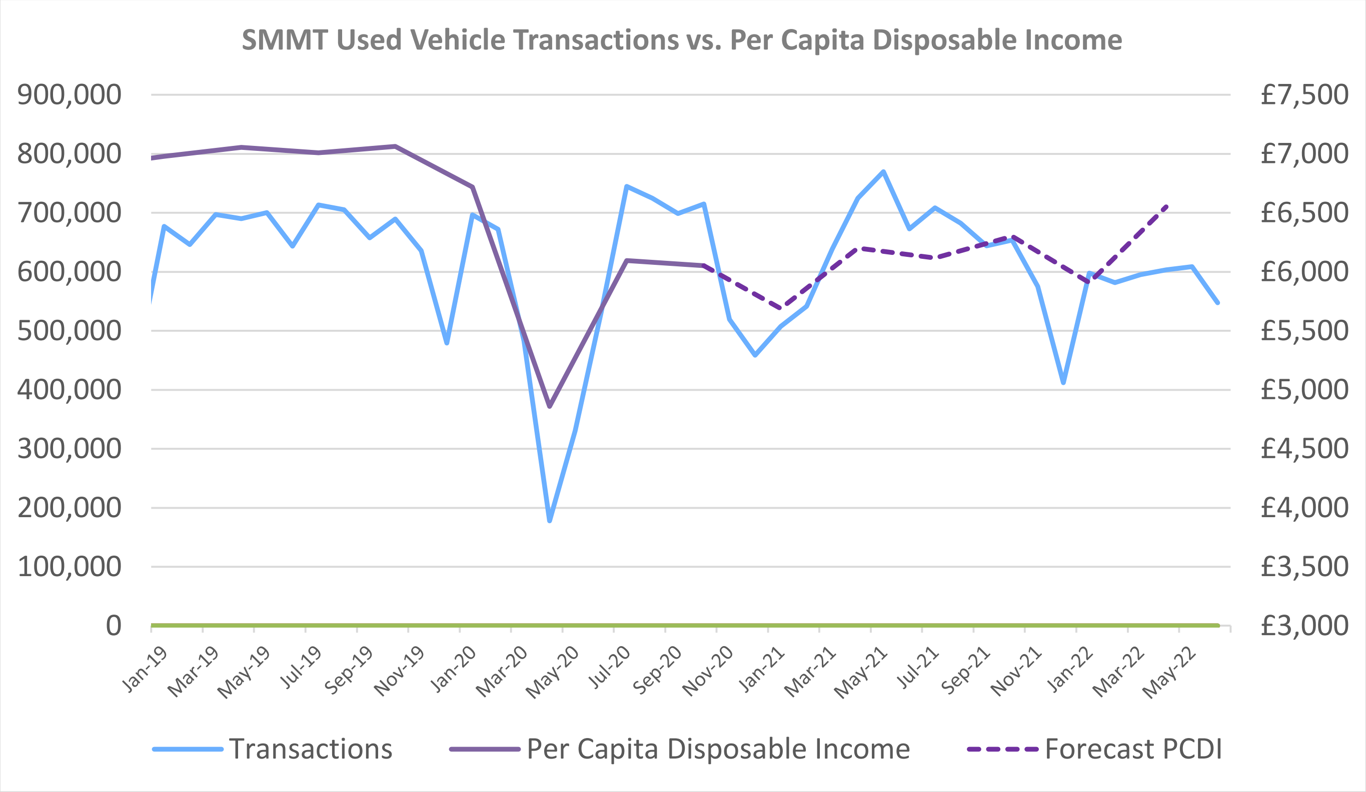


Chart Data Sources:
https://www.ons.gov.uk/economy/grossdomesticproductgdp/timeseries/mwb7/ukea
https://www.smmt.co.uk/category/vehicle-data/used-car-sales-data/

Strategy in 2022 to maximise ROI vs. traditional volume angle

- Volume growth will be hard to achieve in 2023
- Expected that negative consumer sentiment and reduced disposable income will reduce transactions by circa 3%
- Therefore, to maintain revenue and profitability requires focus on ROI and maximising per-transaction revenue

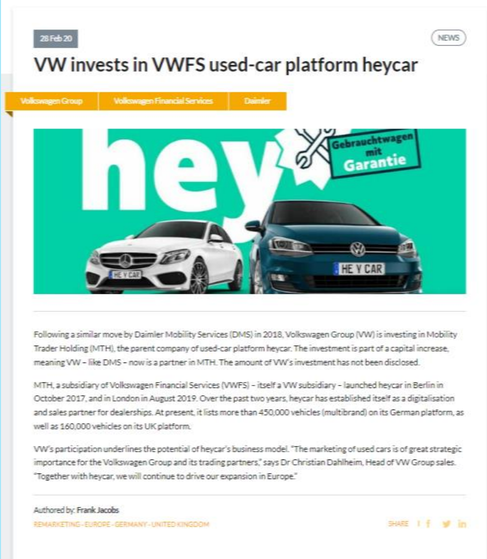
Question is – how can we achieve a greater profitability on the same assets whilst demand is also scarce?

Focus on:

- Ownership of Retail Channels
- PCP and Finance for Used Vehicles
- Reconditioning and Regrading
- Mileage and Service History
- Presale of Vehicles – mitigating storage and logistics costs

Connectivity can act as an Enabler for all of the above!

Asset owners starting to explore Direct Retail Sales and New Models



28 Feb 20

NEWS

VW invests in VWFS used-car platform heycar

Volkswagen Group | Volkswagen Financial Services | Daimler

Following a similar move by Daimler Mobility Services (DMS) in 2018, Volkswagen Group (VW) is investing in Mobility Trader Holding (MTH), the parent company of used-car platform heycar. The investment is part of a capital increase, meaning VW – like DMS – now is a partner in MTH. The amount of VW's investment has not been disclosed.

MTH, a subsidiary of Volkswagen Financial Services (VWFS) – itself a VW subsidiary – launched heycar in Berlin in October 2017, and in London in August 2019. Over the past two years, heycar has established itself as a digitalisation and sales partner for dealerships. At present, it lists more than 450,000 vehicles (multibrand) on its German platform, as well as 160,000 vehicles on its UK platform.

VW's participation underlines the potential of heycar's business model. "The marketing of used cars is of great strategic importance for the Volkswagen Group and its trading partners," says Dr Christian Dahlheim, Head of VW Group sales. "Together with heycar, we will continue to drive our expansion in Europe."

Authored by: Frank Jacobs

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SHARE

Zenith to offer used vehicles on PCH via ZenAuto

01/11/2021 in Leasing

Zenith

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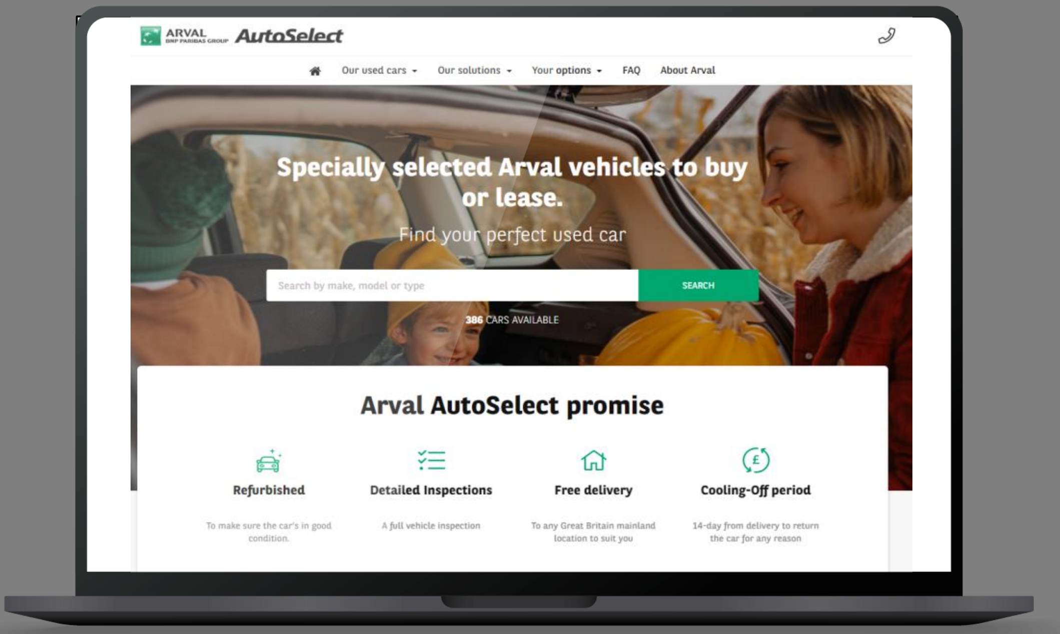
ZenAuto, Zenith's consumer business, will now offer used vehicles via personal contract hire (PCH).

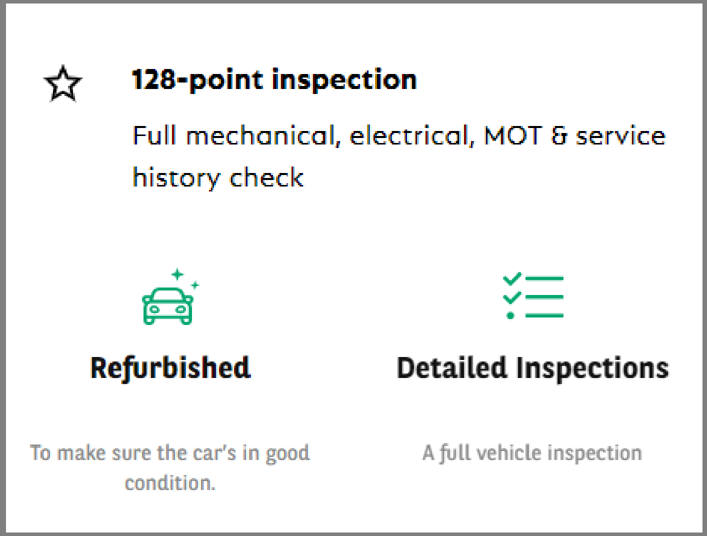
ZenAuto has grown rapidly over the past 18 months, now having more than 8,000 cars on the road. The used vehicles will be sourced from its end-of-term fleet.

Each vehicle comes with a seven-day return policy, 90-day guarantee and 128-point independent AA inspection.

John Tracy (pictured), CEO of ZenAuto UK, said: "ZenAuto is constantly innovating to help motorists drive their dream vehicle. Consumers are increasingly confident in making large purchases online, and our research shows they are comfortable leasing high quality used vehicles. The launch of used PCH is the next step in our mission to be a leading online mobility provider.

- Traditional Lease Businesses skipping Dealers and offering used vehicles **directly to Retail Customers**
- Typically these are now also offered on **Lease Deals or PCP** as there is easy access to the corresponding finance
- However, big focus on signalling and ensuring quality for customers – **heavy investment into inspection and refurbishment**.





Does regrading a vehicle make sense? What information is crucial?

“The NAMA Grading Scheme goes a long way to helping dealers to make an informed buying decision and we urge vendors to help us to help them by providing full information on service history, usage, repairs and mileage with as much supporting information as possible.”

Louise Wallis, NAMA

https://fleetworld.co.uk/providing-extra-vehicle-info-could-improve-fleet-auction-values-and-conversions-says-nama/

Nama grading principle has been the standard for 90% if vehicles sold at auction – over 10m vehicles given a grade since 2012.

Impact of this added transparency has been valuable for both buyers and sellers.
Internal study on ROI to take from 3 to a 1
Tactical repairs in certain vehicles yielded significant returns – 15% net uplift

But the NAMA grading scheme is almost entirely cosmetic – there could be hidden value to unlock through a mechanical condition grading scheme, enabled through remote diagnostics and Connected Vehicle Data.

Providing transparency into the mechanical condition of a vehicle – alongside any repair history – offers confidence to buyers and enables a premium price point.

Impact of Service History on Residual Value by Model

The charts below show that the impact of an incomplete service history is actually much greater than we originally thought for models like the VW Passat – but seems insignificant for other models

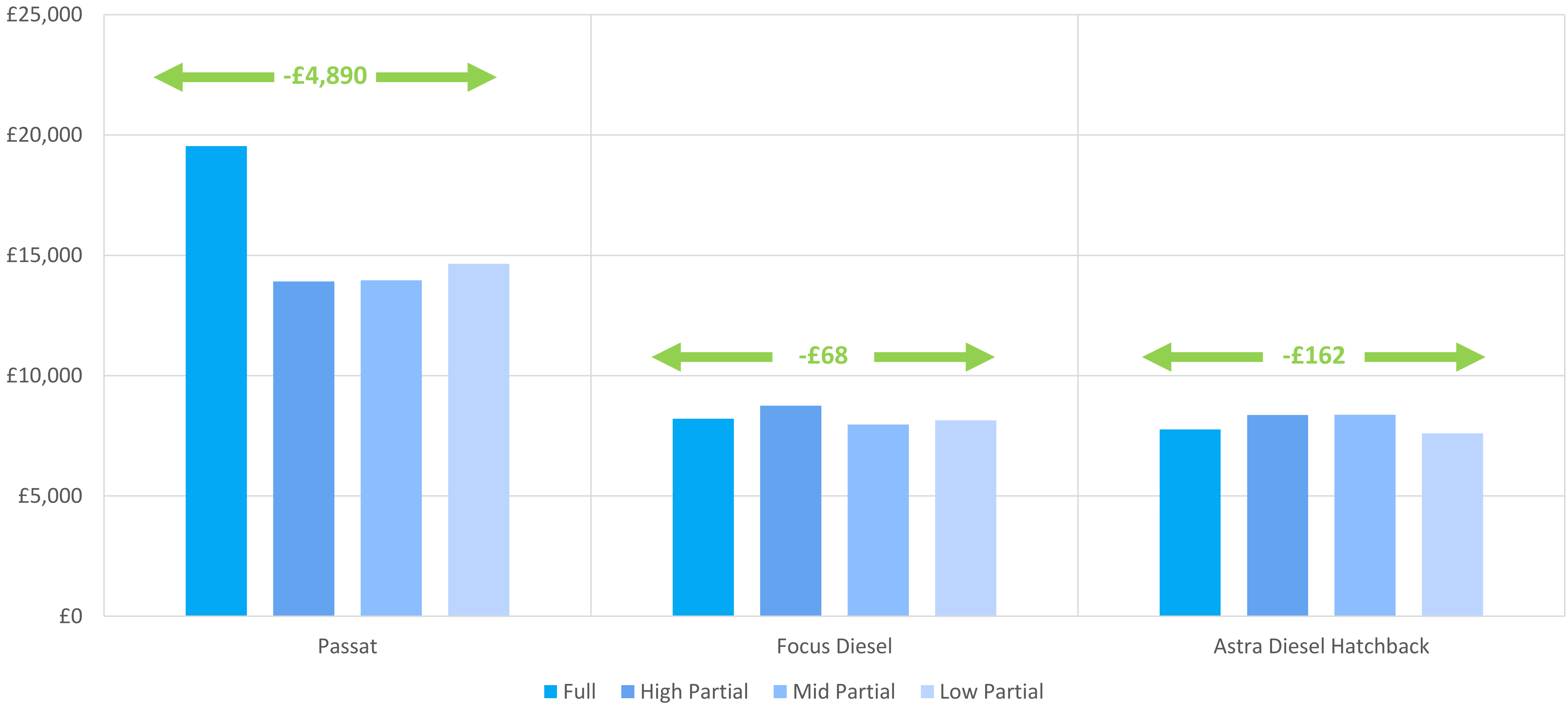


Chart Data Sources:
Epyx 1link Disposal Network

Impact of Vehicle Mileage on Residual Value by Model

For vehicles where service history is less important, mileage becomes a major factor!

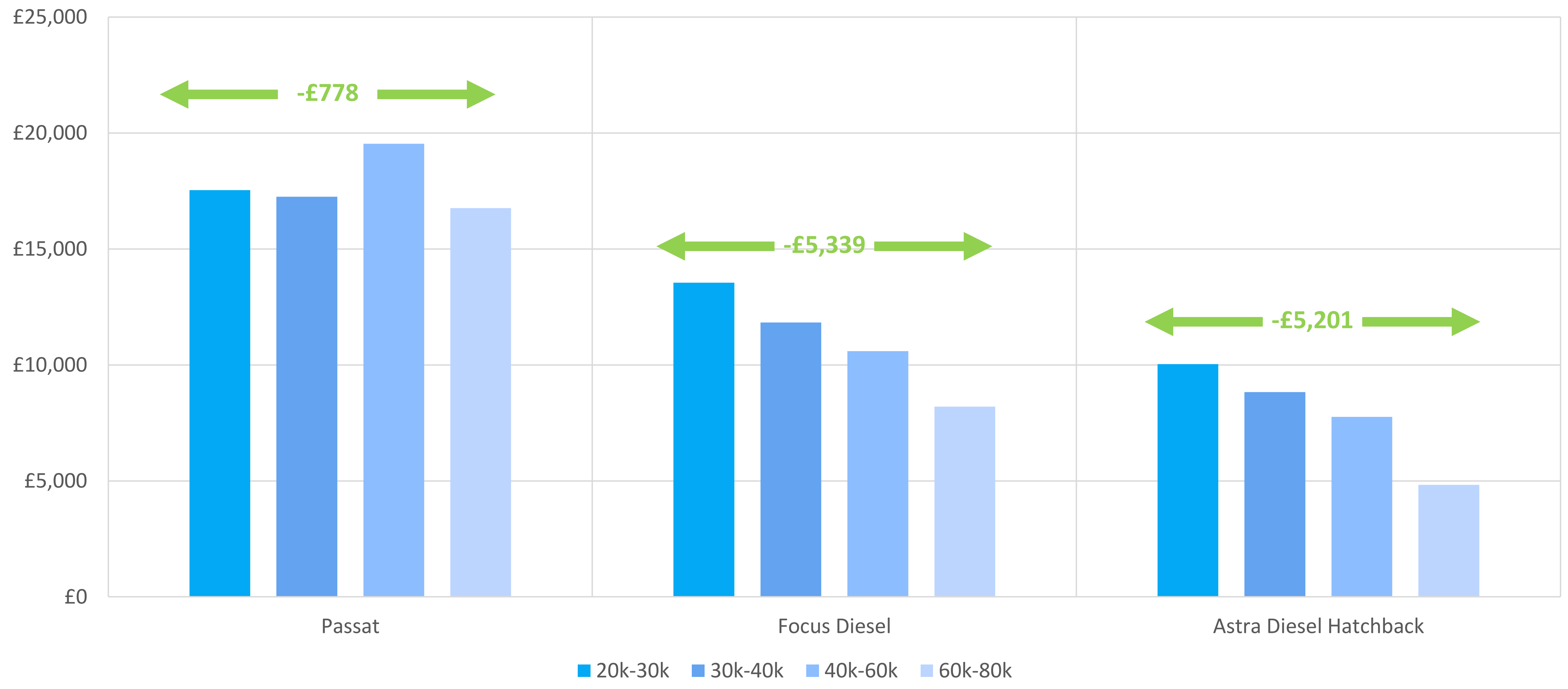


Chart Data Sources:
Epyx 1link Disposal Network

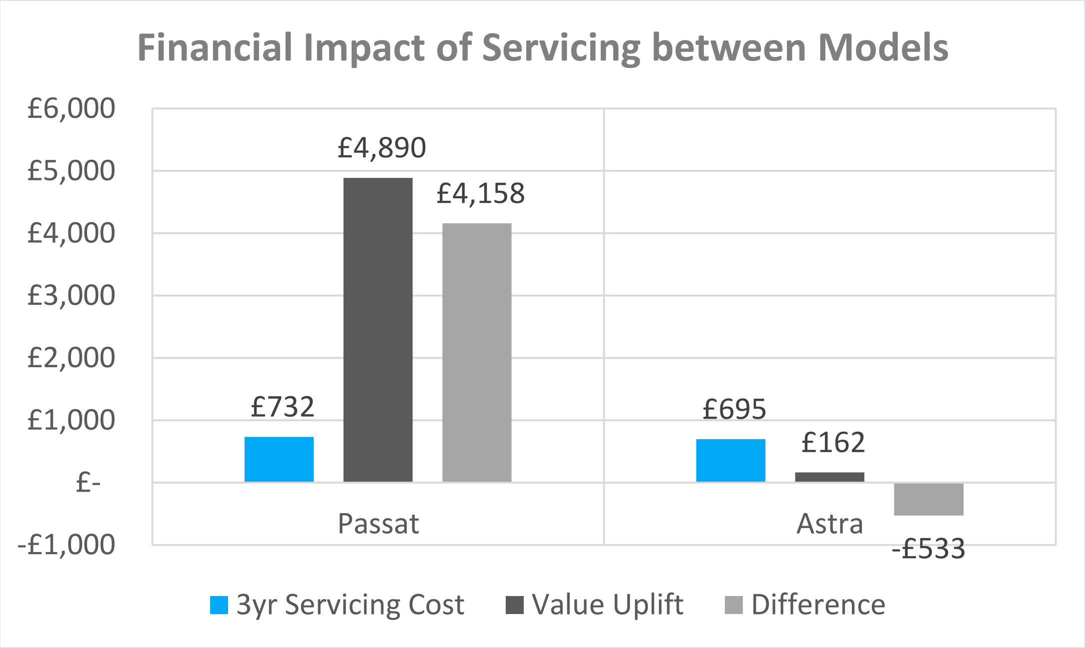
Thoughts for Vehicle Owners and Operators

What can we do to keep a tight monitor on vehicle servicing in-life?

- Identify vehicles where an incomplete service history will have a *material* impact
- Understand Manufacturer recommended servicing regimes and anticipated pricing
- Keep an **ongoing track on vehicle mileage** and compliance with servicing regimes
- A regular and proactive customer contact strategy to maximise engagement

Impact of Connected Vehicles

- A Connected Vehicle can provide valuable information, in real-time - most important data point is probably mileage
- Crucially, data alone is not enough to make a difference – key is translating data into action through the effectiveness of customer contact



*Source for Servicing Costs: https://www.volkswagen.co.uk/; https://www.vauxhall.co.uk/

Driving Improvement in Residual Value through Connected Vehicles

Whether vehicles are maintained or non-maintained within a lease agreement there are a constant 3 barriers for vehicle drivers/operators:

- Cost – seek to minimise the amount spent on servicing, looking for lowest cost option(s)
- Convenience – is there a service centre nearby, impact on downtime/workload
- Availability – Can a convenient, low-cost garage fulfil my service request in a timely manner?

Proactive Servicing and Maintenance pilot with major leasing company resulted in a **doubling** of the rate by which outstanding servicing issues were resolved and also provided a rolling forecast of mileage at the end of contract.

The key was simple communication with either the fleet operator or driver to offer servicing and repair options that could guarantee availability and convenience, with price-confidence.

Modelled over a typical 36 month hold period for a leased vehicle – this could mean a **60% reduction** in the outstanding servicing issues at the end of a contract.

Speeding up the Remarketing Sales Cycle through accessible, quality data

- Connected Vehicles can provide rich driving and diagnostic data **starting from the moment of enrolment** with a data provider.
- Connecting a vehicle for **three months** prior to the point of remarketing will inform and determine key actions ahead of the point of collection and sale – **particularly for a non-maintained estate**.
- Vehicle condition can be monitored and forecasted throughout this three month period to determine any potential impact on RV – and then also allow for **tactical mitigations** as required.

Mileage (Odometer)

Monitored over the 3 month period to forecast potential excess.

Diagnostics (Warnings/DTCs)

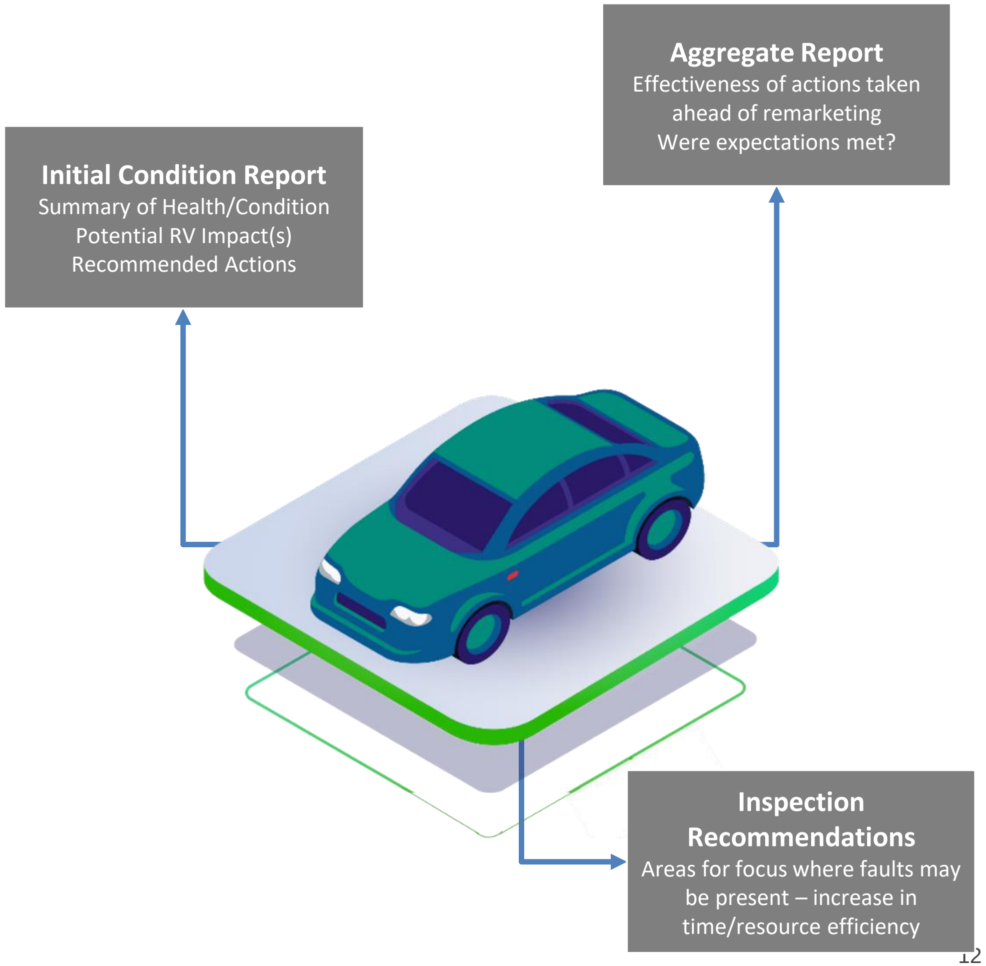
Mechanical or Electrical issues with the vehicle that may require resolution before entering the used market.

Next Service Date/Mileage

Will indicate whether the most recent service is overdue and then allow for action to be taken which may include contact with the driver for rectification.

Consumable Levels

Including: Coolant, Engine Oil, Brake Fluid, Adblue/DPF levels



The Future of Connectivity in the Remarketing Sector

New **‘Direct-to-Consumer’** Business Models from Asset Owners

Innovative finance packages – **all-in-one solutions**

Remote Diagnostics enabling a Standardised Mechnical/Electrical Condition Grading Scheme

In-Life Visibility of Assets – hands-on management of Contracts, Servicing and Repairs

Pre-Sale **Condition Reporting/Inspection** – speeding up the sales process

QUESTIONS