

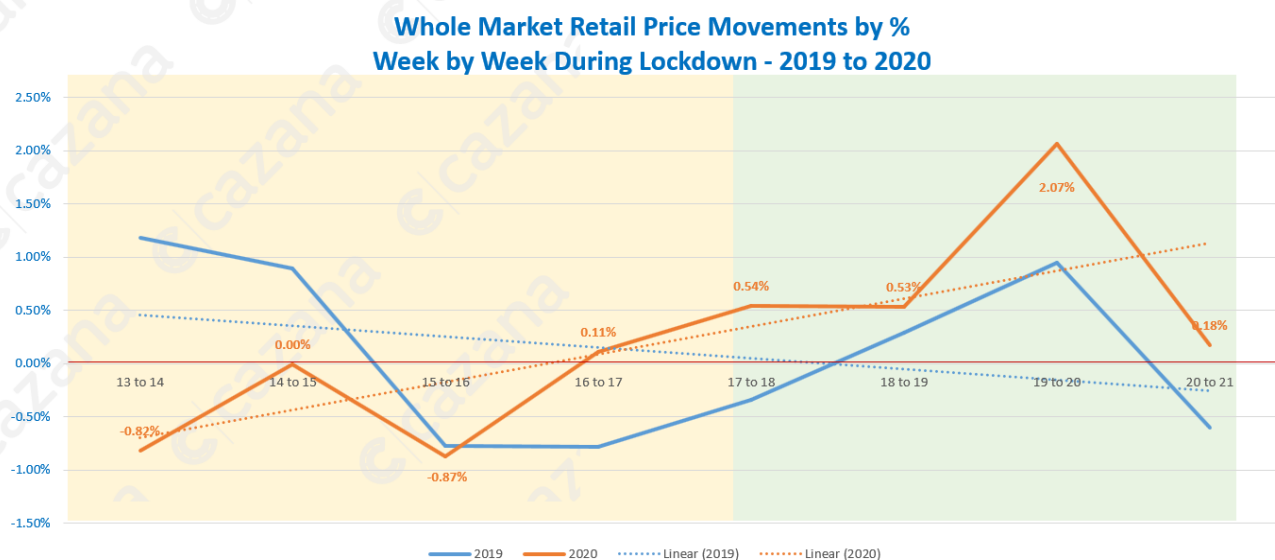
Cazana and Retail Pricing During Lockdown 2020

- Retail Pricing Constantly Moving
- Upward Pricing Trend During Lockdown Confirmed
- Product Support for the Industry
- Keyworkergarages.co.uk

It is unlikely that the world economy, and therefore the UK automotive industry will ever see another period like the first half of 2020. Events caught the world by surprise, and it was immediately clear that nobody had anticipated a virus like COVID-19 and the speed of impact it would have both socially and economically. The world decline to a period of extended lockdown was swift and brutal and left governments struggling to support businesses and people.

New and used car sales in the UK dramatically reduced almost overnight on March 23rd and the wholesale environment was no longer able to supply used car stock having been temporarily closed down. This position is only now beginning to resolve itself as the government relaxes lockdown measures and the supply chain follows retailers in ensuring social distancing measures and PPE are satisfactory to minimise the risk of the spread of the virus.

As a modern valuation provider, Cazana uses retail sourced asking price data from the whole market and use machine learning techniques to generate accurate vehicle pricing and forecasting that is fact-based and not subject to manual decisions and editing. As such Cazana were able to provide invaluable insight through the whole lockdown period. Despite the press, to the contrary, some retail activity did continue and retail prices changed throughout lockdown from the first phase of online search and deposit taking whilst delivery was not permitted, through the subsequent online sales and delivery period and finally to the reopening of showrooms on June 1st as demonstrated in the chart below.



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The above chart focusses on the lockdown period which consisted of two phases. In phase 1, during which there were no sales permitted and shaded in light orange, some retail pricing dipped slightly for a couple of weeks before beginning its overall positive course during the whole lockdown period

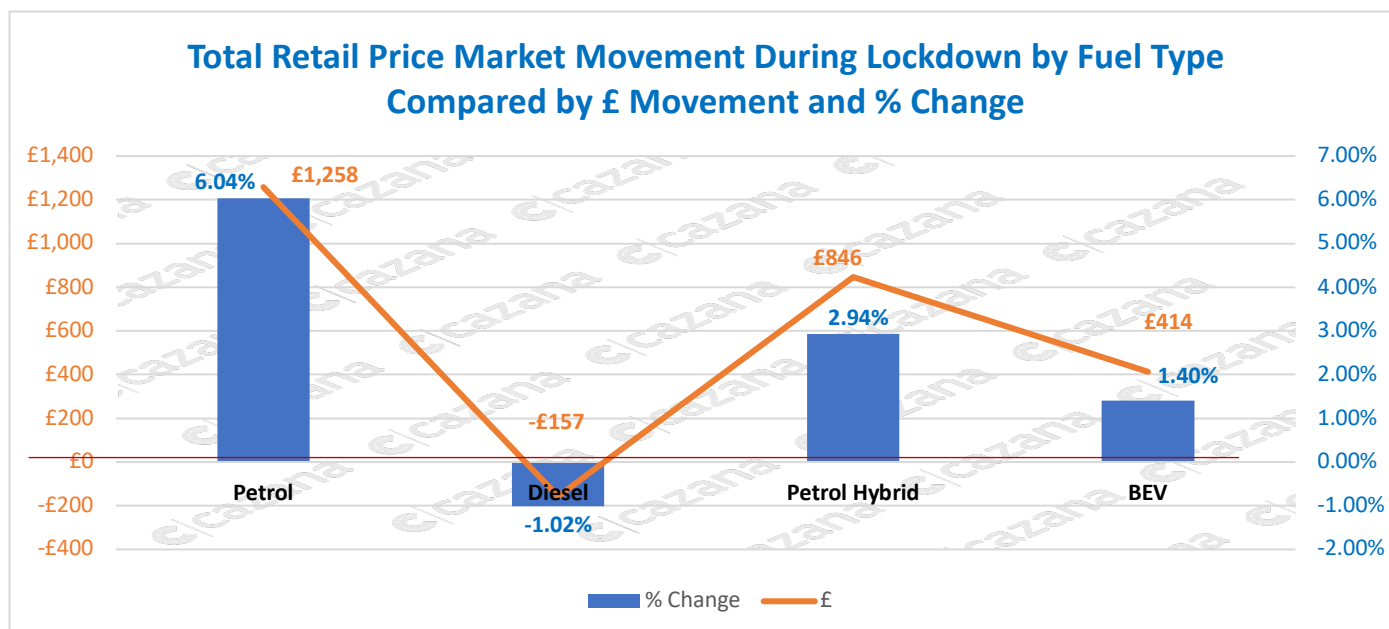
covered in the chart. In week 17 on April 22nd the government confirmed that cars could be bought by the consumer online and delivered to the door, if key safety measures were adhered too. This phase 2 period through until week 21 is highlighted in green.

It is important to understand that these are high level market moves including all fuel types, and the nuances behind the headline figures reveal the full story. It is also key to acknowledge that unlike some who predicted retail pricing would become a “race to the bottom”, the chart clearly highlights the general positive movement of pricing week on week.

In addition to this free weekly insight, Cazana’s broader support for the industry included checklists for retailers to better handle the situation and the launch of keyworker garages.co.uk website to help those keeping the country moving to find access to nearby garages open for business during lockdown. In addition, Cazana made a number of tools available to the industry to help manage pricing and stock on a realtime basis to ensure virtual showrooms were in line with physical stock and ready to help consumers keen to find a new or replacement vehicle. Cazana also offered furloughed sales staff a Dealer Accreditation opportunity to become proficient in the retail back pricing methodology which 100s of dealers have now benefited from.

Cazana’s positive message

Throughout the last 12-weeks Cazana has been encouraging the industry to stay strong on pricing and to get ready for the pent-up demand that we’re seeing released now. To be clear the overall pricing trend during the entire lockdown period was positive across all vehicle types apart from a small drop in diesel. Petrol cars saw the biggest gain with an average increase of £1,258 from start of lockdown to end with Petrol Hybrid close behind at £846 and BEV increasing £414. Diesel prices dropped very slightly by £157 on average.



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The robust market reflects the consumer demand levels and also the realisation by the retailers that there was no need to drop pricing as not only was there demand but also concern over sourcing

replacement stock. With limited online auction activity retail driven data remained the only reliable source of pricing insight.

The ability to interrogate realtime data on a frequent basis (this period has shown that monthly valuation publications are simply not enough to keep up with a fast-moving market) is essential and ensuring analysis of fact and not previously manipulated output is critical to be able to understand the true market and pricing trends as they happen. Granularity is also key and depending on how the data is cut there will always be tranches of the market that will show gains and losses but therein lies the true value of dependable information on which to build strong and successful commercial strategy.

Therefore, retail pricing is in good health and as highlighted from the beginning of lockdown there is currently a positive trend across the market as a whole whether that be factual as demonstrated by the Cazana data, or anecdotal as seen via proactive media such as Car Dealer Live and from the trade associations ranging from the NFDA to the VRA. However, recent press has highlighted a couple of outlets that have dropped retail pricing as they perhaps strive to get cash in the bank although it is likely that this will prove detrimental to their performance in coming weeks as they struggle to replace what they have sold from the limited wholesale market available.

In conclusion, it is both natural and expected to see both positive and negative price moves during this time, but the point is realtime data gives the industry the transparency to identify these. If the market moved in either direction by several percentage points in a week, then there may be cause for alarm but to date that has not been the case and is unlikely to happen in the short term.

In these circumstances a positive and responsible attitude to remarketing, retailing and reporting is appropriate and the use of whole market retail driven insight essential to maximise on the opportunities currently available.

Rupert Pontin
Director of Insight
Cazana
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