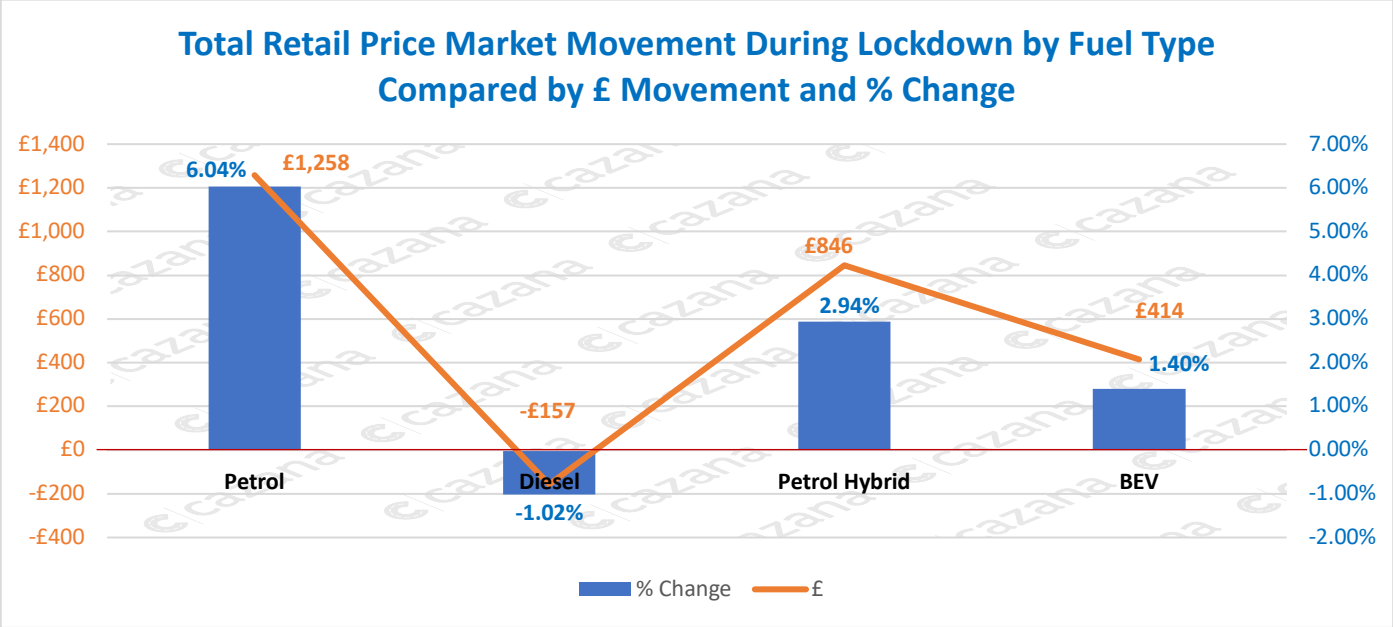
Used Car Pricing During Lockdown 2020

- **Retail Pricing Constantly Moving**
- **Upward Pricing Trend During Lockdown**
- **Lockdown Sales at Around 20% of Normal Market Conditions**
- **No Reliable Meaningful Wholesale Pricing Available Yet**

The lockdown period has been a very difficult time for the UK automotive industry, and it is important to understand exactly what happened during the closure of retailer premises. Whilst sales levels dropped by around 80% there was still online sales activity and the retail consumer was still there to buy new and used vehicles. This necessitated a new approach to customer interaction which has relied on digital communication, virtual showrooms and online sales processing.

With wholesale activity almost completely halted and auctions halls dormant, the only way to understand what happened is to look at retail driven realtime insight. The chart below looks at the retail price movements by percentage by fuel type from March 23rd through until May 25th:-



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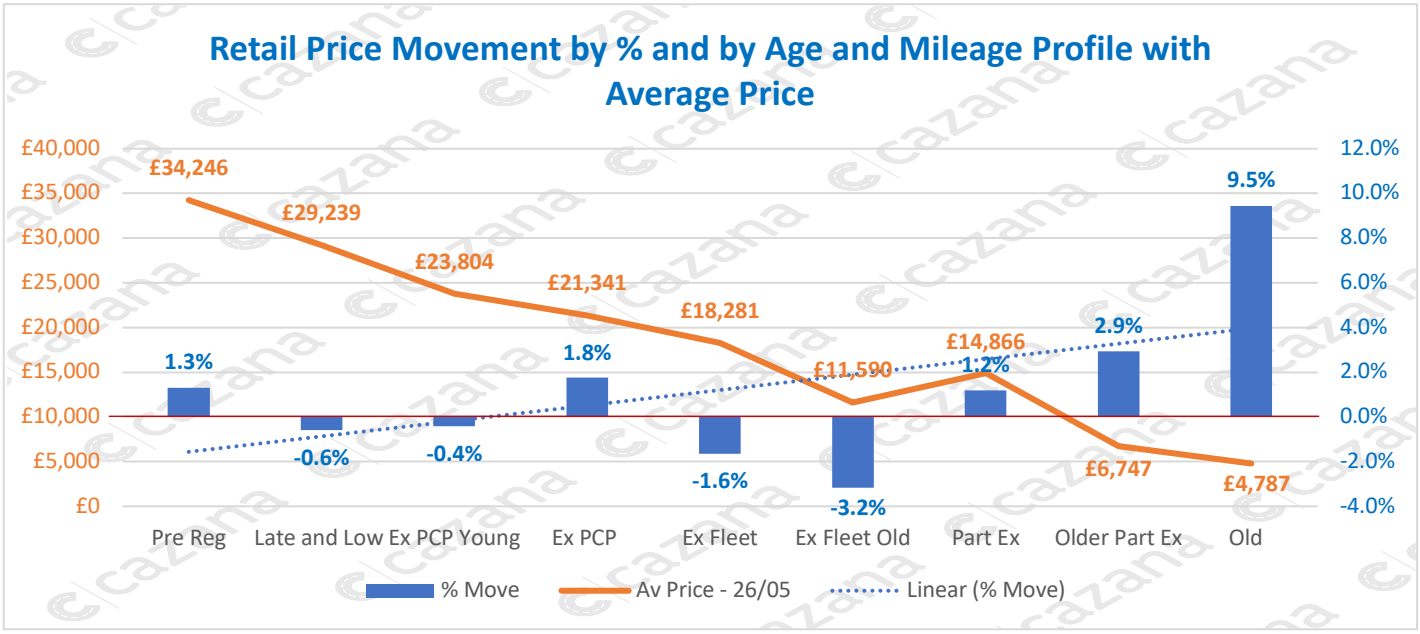
This chart clearly shows that at a high level for all but diesel-powered cars, retail pricing has increased over the lockdown period. Looking at the data more deeply, it is clear that the price decline for diesel product came in the high mileage ex-fleet vehicle profile. When pricing moves upwards like this it can be an indication that there is good consumer demand and perhaps a shortage of stock. Given that transactions have been taking place over the course of the lockdown period it would be wise to acknowledge that generally speaking stock levels have been dropping and on that basis, there will be encouraging wholesale demand as the auctions start to do business again.

The issue lies in the fact that the auction and logistics supply chain could take 4 to 6 weeks to get up to speed. Transporters are out of place and cars are with dealers or customers and all need moving to the right place to be prepared for sale. With so many vehicle movements required and the need for

effective safety to be in place and enough PPE to be available, there are many challenges. There are only so many vehicles that can be moved in one day with a higher level of safety requirements in play.

The next chart looks at the market from an age and profile perspective and gives more context to high level market movements over the same period:-



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This chart looks at data covering the lockdown period from a slightly different angle and it is immediately clear that 5 age and mileage profiles show a positive increase in prices and 4 show a decline. Given that this is a mid-level market view the data requires deeper analysis to identify exactly where the problems lie and the two main areas of concern are the Ex Fleet cars at 3 and 4 years old which have dipped in price during the lockdown period to the tune of -1.6% and -3.2%. The data shows that significant volatility in the low volume of insight for petrol hybrid models is the cause of the % market move which originates from the change in classification of petrol hybrid vehicles to incorporate stop/start models. Excluding that spurious data brings the pricing movement to a decline of -1% and -1.56% respectively which is a far more positive representation of market data and highlights the importance of granularity.

Given that the data highlights that overall there has been an upward pricing trend during the lockdown period both from a pure fuel type perspective and an age and mileage profile point of view, it demonstrates that there is confidence in the market and retail consumer demand. Wholesale vendors and retailers using this insight and combining it with the understanding that stock will be more difficult to come by in the coming weeks, are therefore in the main reacting correctly to the effects of market demand and not letting stock go at low money as there is no need to.

With this level of retail data available it is hard to argue the factual accuracy of the pricing output. In addition, it is hard to comprehend how other valuation data providers can justify downward pricing moves of up to 5% on their monthly output. As their decision process is based on manually editing a pot of data that by their own admission is at best 20% of what it had been in volume terms before lockdown, this is arguably irresponsible and could perhaps be considered misleading. Indeed, a forecast that car prices could be 7% lower at this point next year seems also somewhat random and

more subjective than factual given the low levels of wholesale data available and certainly contradictory to the positive outlook expressed by so many dealers and advertising portals.

In conclusion, retail pricing is in good health and there is currently a positive trend across the market. 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.

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