

VRA Five minute briefing

What will happen when dealer showrooms reopen?



RETAIL MARKETING

Duncan Josey, digital marketing director, AutoTrader UK

“The current performance AutoTrader is seeing in the market is testament to how essential online retailing has become for many car buyers, and whilst many will no doubt enjoy the opportunity to visit showrooms and forecourts once retailers reopen in April, a significant proportion will still prefer to combine that with the convenience of digital for many more stages of the buying journey. It’s vital therefore that retailer digital strategies don’t revert to pre-COVID standards and instead embrace the opportunity online affords, in terms of both efficiencies and profitability.”

RETAIL PRICING

Rupert Pontin, VRA deputy chair and director of insight, Cazana

“We at Cazana believe that as retail showrooms open again in April, there will be an element of pent-up consumer demand from the third lockdown period that will bolster and, in some cases, cause an increase in used car retail prices. This will be exacerbated by a lack of certain types of retail stock which will mean that consumer demand will outstrip supply for some vehicles. This position is likely to continue for around six weeks before demand falls to a more manageable level, although we expect that retail pricing will remain firm for much of the year.”



TRADE VALUES

Jayson Whittington, chief editor, Glass’s

“Now that dealerships have a clear indication of when they can reopen, we are expecting a significant uptick in wholesale activity in early April as dealers begin building forecourt stock. There currently does not appear to be an abundance of stock available in auction channels, so if activity does increase, it will likely lead to a strengthening of hammer prices, with residual values firming up as a result. However, it remains to be seen whether any fresh stock has been held back recently with vendors waiting to benefit from better trading conditions. If stock levels do increase it will be good news for dealers.”



LEGAL

Jonathan Butler, partner and head of automotive, Geldards

“The brave new world post COVID will have huge legal implications. As traditional office-based businesses shift to or blend with remote-working, how will businesses manage dispersed workforces? How will working times be regulated or safe-working conditions guaranteed? How will businesses protect confidential information and personal data routinely accessed from unsecure premises? How will disparate working affect innovation, supervision and cohesion? Are businesses ready to safely accept employees back? What about employees who refuse to attend work due to COVID-related concerns if they believe it puts them in serious danger? Are contracts, policies and procedures now fit for purpose? These will be challenging times as businesses navigate their way forward.”

VEHICLE LOGISTICS

Gary Xuereb, commercial director, DMN Logistics

“Within our sector of the logistics industry - single vehicle, road-driven movements and end-of-life inspections - we have seen steady volumes during this current period of lockdown. However, underlying this trend is the fact that the majority of these were essential movements and inspections. More detailed feedback from our cross section of clients indicates that there is a huge volume of business from corporate, finance and B2C sources just waiting to happen once the UK exits lockdown. We believe that very quickly there could be a surge in demand, and this may cause some short-term capacity issues in the market as providers look to flex resource and recruitment while delivering COVID-secure operations.”



VEHICLE SERVICES

Sam Watkins, commercial director, Manheim Vehicle Services

“Within vehicle services, inbound volumes have been reduced due to large scale contract extensions over the last 12 months as consumers held onto their vehicles – something made more attractive by high residual value positions driving attractive payments. However, we are now starting to see a desire by inventory owners to get assets back into the supply chain for onward disposal. We expect to see a return to a more normal end-of-lease cycle, coupled with the return of extended units as we exit the lockdown restrictions. Efficient COVID-compliant working practises, capable of handling high volume vehicle refurbishment processing, will be a crucial part of the supply chain cycle, ensuring the timely provision of high quality stock for the wholesale and retail market. Higher levels of refurbishment, both cosmetic body repair and mechanical feature heavily as retailers look to capitalise on ‘ready fit stock’ to fulfil the extended potential of both digital and physical sales opportunities.”



REMARKETING

Cliff Deller, remarketing consultant

“Trying to go “back to normal” is one mistake we should all avoid. While it's easy for us all to yearn for business to return to how it was before the pandemic, that won't happen and we should value the lessons we have learnt. From a remarketing perspective, we've all once again been shown the importance of the fundamental basics to which a vendor or inventory owner should always adhere in our remote auction environment in order to get the best results. That means ensuring there are accurate vehicle condition reports, that every single piece of vehicle history is made available to prospective buyers, that realistic and reasonable reserves are set, and that they will only be revised early if they are over-optimistic. As showrooms reopen, stock turn will be even more important to buyers and dealers, so vendors should be prepared to invest a little to enhance the vehicle's appearance, enabling the dealer to put the car on sale with minimal delay. It's all about doing the basics right every day.”

REMARKETING

Philip Nothard, VRA chair and insight and strategy director Cox Automotive

“As soon as the Government announced the re-opening dates, wholesale sector performance increased, with both conversions and trade value percentage rises along with increases in the number of attendees joining online sales. As retailers build stock levels in anticipation of consumers returning to the showrooms, vendors need to give accurate and transparent vehicle descriptions to attract decisive bids. It is worth noting that the mass adoption of digital channels has been critical for the sector throughout the last 12 months but as restrictions lift, we will see the emergence of a hybrid digital and physical experience. We won't go back to pre-pandemic methods of trading. Instead, the automotive sector will continue on journey through a new era of unknowns where the usual seasonality has been disrupted in the short to medium term, combined with new wholesale and retail behaviours.”



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