

Industry Outlook Conference

BVRLA

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Breakout C: Residual Values and Remarketing

Chair: Lee Hamlett, Commercial Director, Inchcape Fleet Solutions

Speakers: Anthony Machin, Head of Content and Product, Glass's
Ed Hummel, Business Development Director, AutoTrader
Mark Jowsey, Manufacturer Liaison Director, KeeResources

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The Honda logo, consisting of the word 'HONDA' in a bold, red, sans-serif font.

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The KeeResources logo, featuring the word 'Kee' in white on a dark blue square background, followed by the word 'Resources' in a dark blue, sans-serif font.The Locke Lord logo, consisting of the words 'Locke' and 'Lord' stacked vertically in white, sans-serif font, set against an orange square background.

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The Battery Electric Vehicle & Diesel Remarketing Risk

A guide to the risk position of battery electric and diesel vehicles in the UK

Anthony Machin

Head of Content & Product

5 December 2019

UK New car realities

Diesel and Bev remarketing risk

The used car retail market insights

Residual value forecast development 2025



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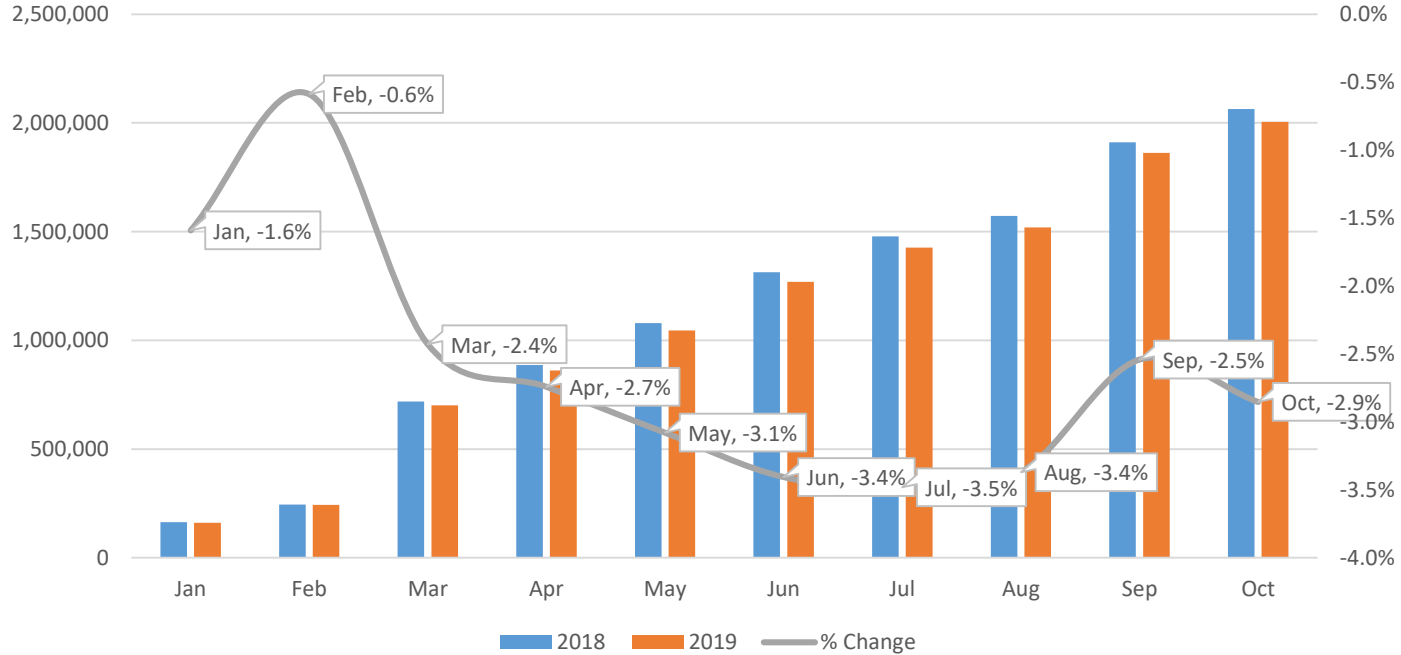
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2019 New car market realities



New car market

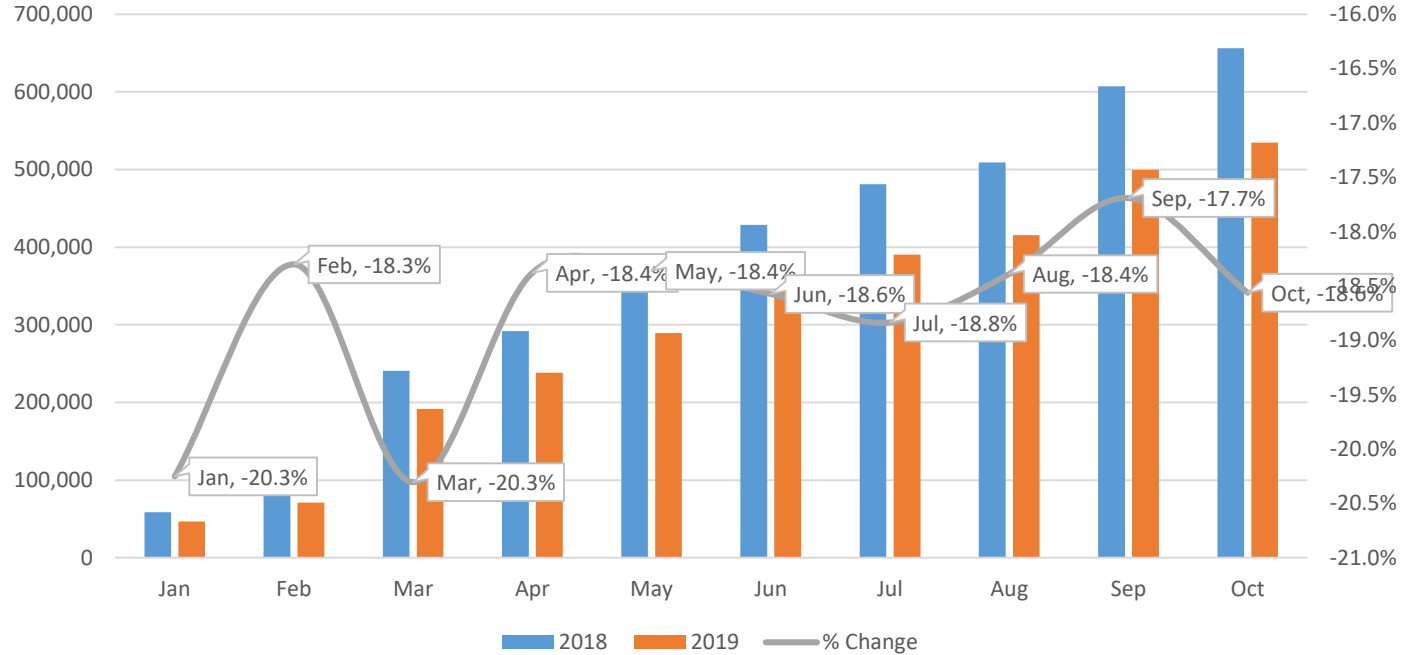
Cumulative car registrations 2019 vs 2018



Data Courtesy of
SMMT

Diesel registrations 2019 vs 2018

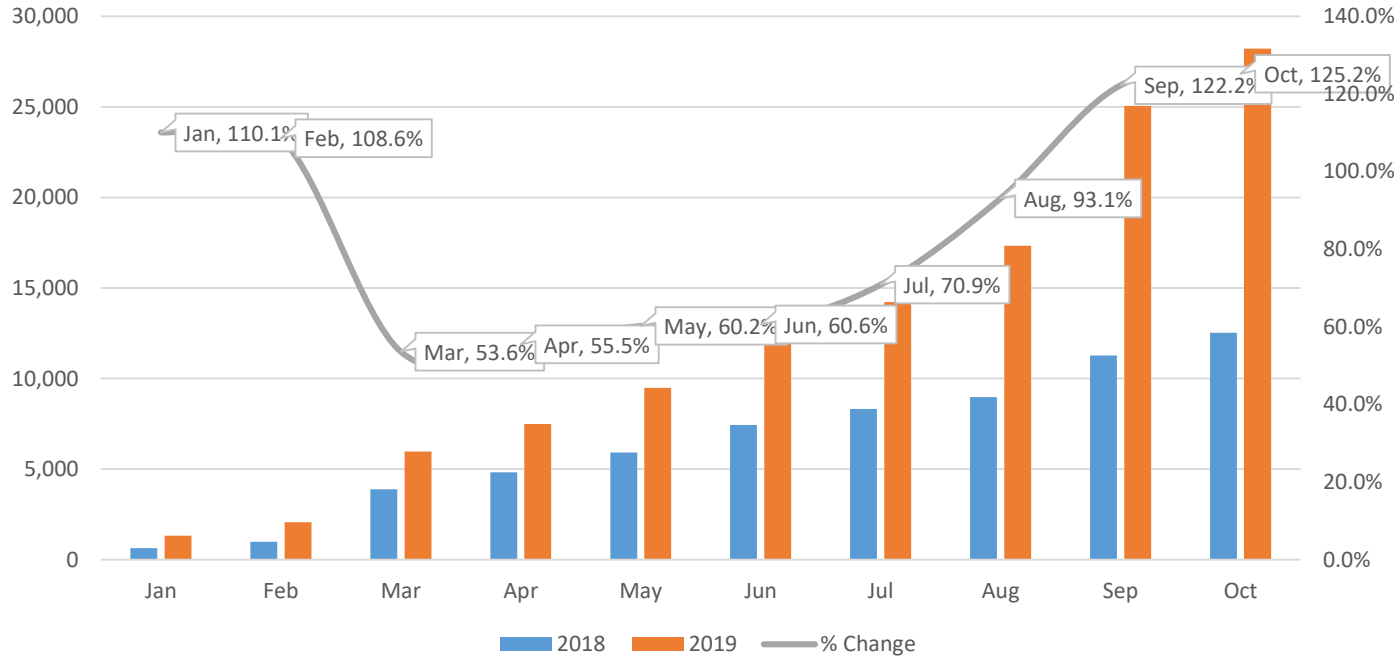
Cumulative diesel car registrations by month



Data Courtesy of
SMMT

BEV car registrations 2019 vs 2018

Cumulative BEV car registrations by month



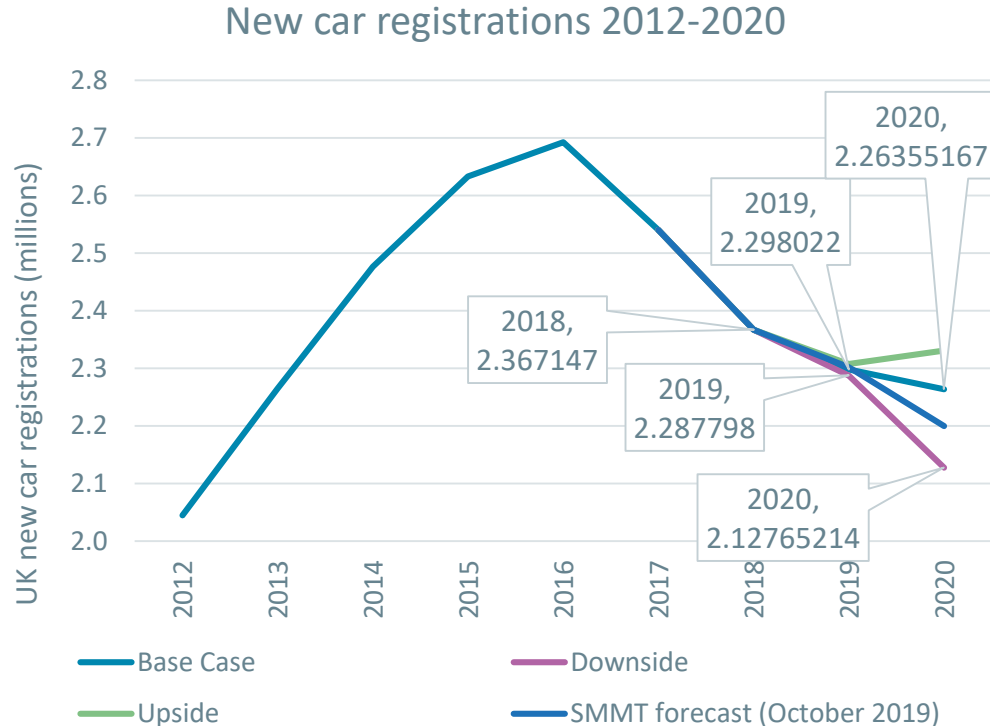
Data Courtesy of
SMMT

Diesel and BEV remarketing risks

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UK new car registrations - outlook

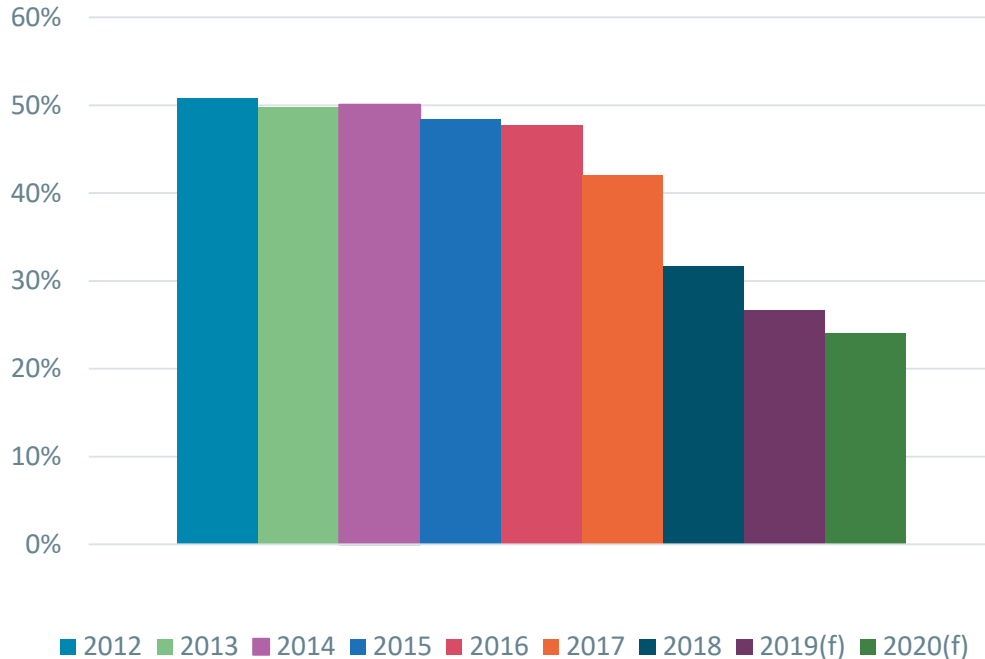


- Upside assumptions:
 - Assumes economic growth
 - Tariff-free EU trade
 - Low interest rates
 - Currency strengthening
- Base case assumptions
 - Economic stability
 - Tariff-free EU trade
 - Low interest rates
 - Currency stagnation
- Downside assumptions
 - Weaker economy / confidence
 - Increased interest rates
 - WTO tariffs (higher prices for cars + parts / insurance etc)

Source: Glass's / SMMT

UK new car registrations – diesel share

New car market, diesel share, 2012-2020(f)



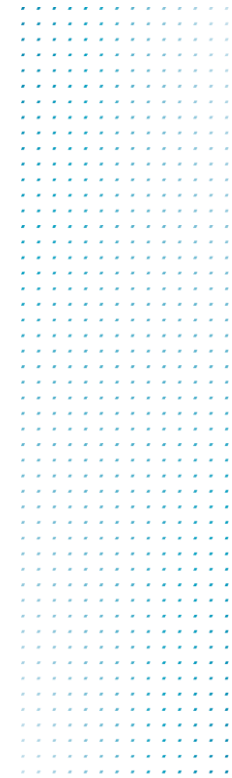
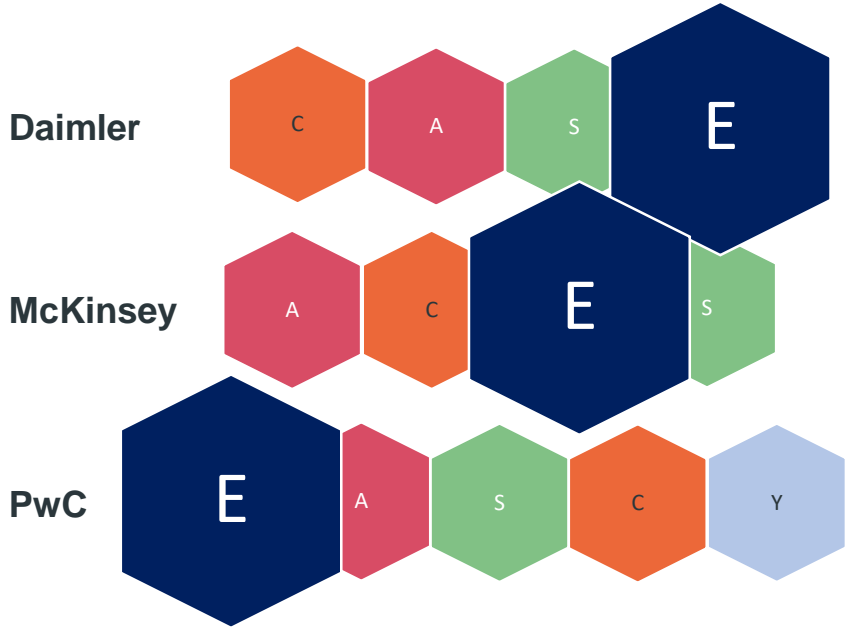
Source: ACEA/SMMT

- Diesel share falling since 2012
 - Decline accelerated since 2017
- Share dropped to 43.4% in March 2017
 - VED brought demand for petrol cars and hybrids forward
- Share rebounded in April 2017 and was seemingly settling
 - Fallen below 40% since August 2017
- Diesel share plummeted to 31.7% in 2018
- Decline forecast to decelerate



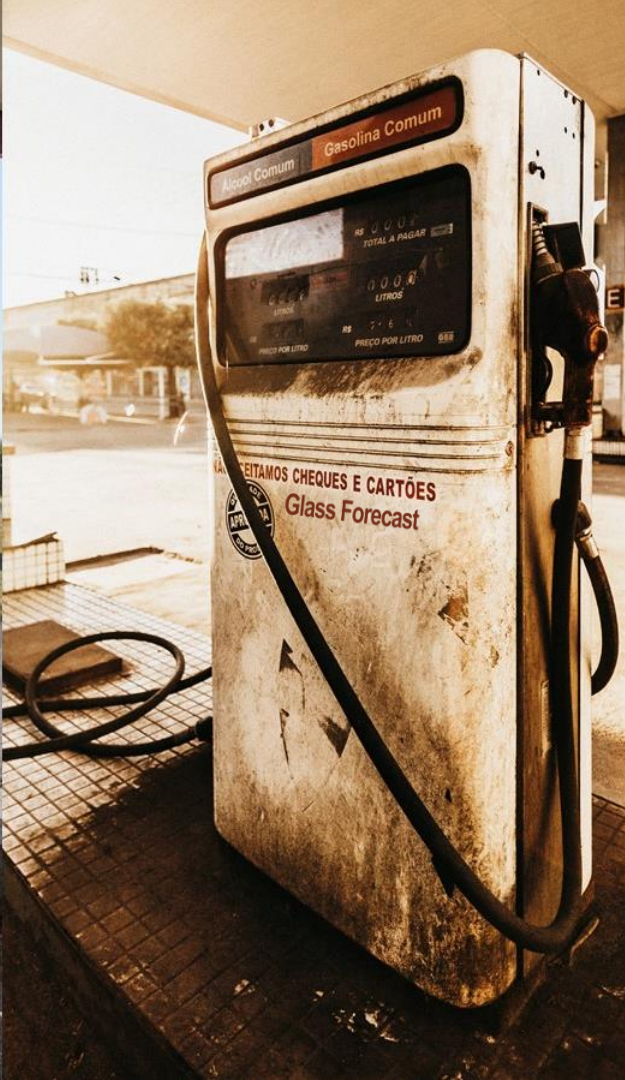
Common agreement on Automotive trends

E=Electrification
C=Connected
A=Autonomous
S=Shared
Y=Yearly updated



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Glass Forecast



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Residual value forecast

	Key drivers for RV	BEV	Diesel	Petrol
Used car demand	Legislative changes	+	-	-
	Infrastructure	++	n/a	n/a
	Running costs	+	0	0
	Public perception	+++	-	0
	Used car demand	++	-	0
	Risk of over-supply	-	0	0
	Total impact on RVs			
List price	-10%	+2%	+2%	

- Push for BEV sales
- Diesel demand decreases further
- Stable development for petrol between now and 2025

Driven By Data

Helping you make informed
automotive decisions

Residual Values: Changing Trends in RV Performance

05 December 2019



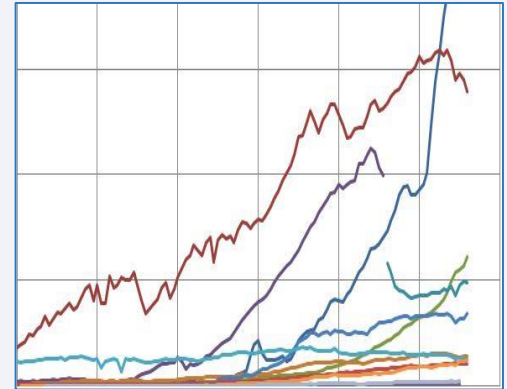
Mark Jowsey

Director - Manufacturer Liaison

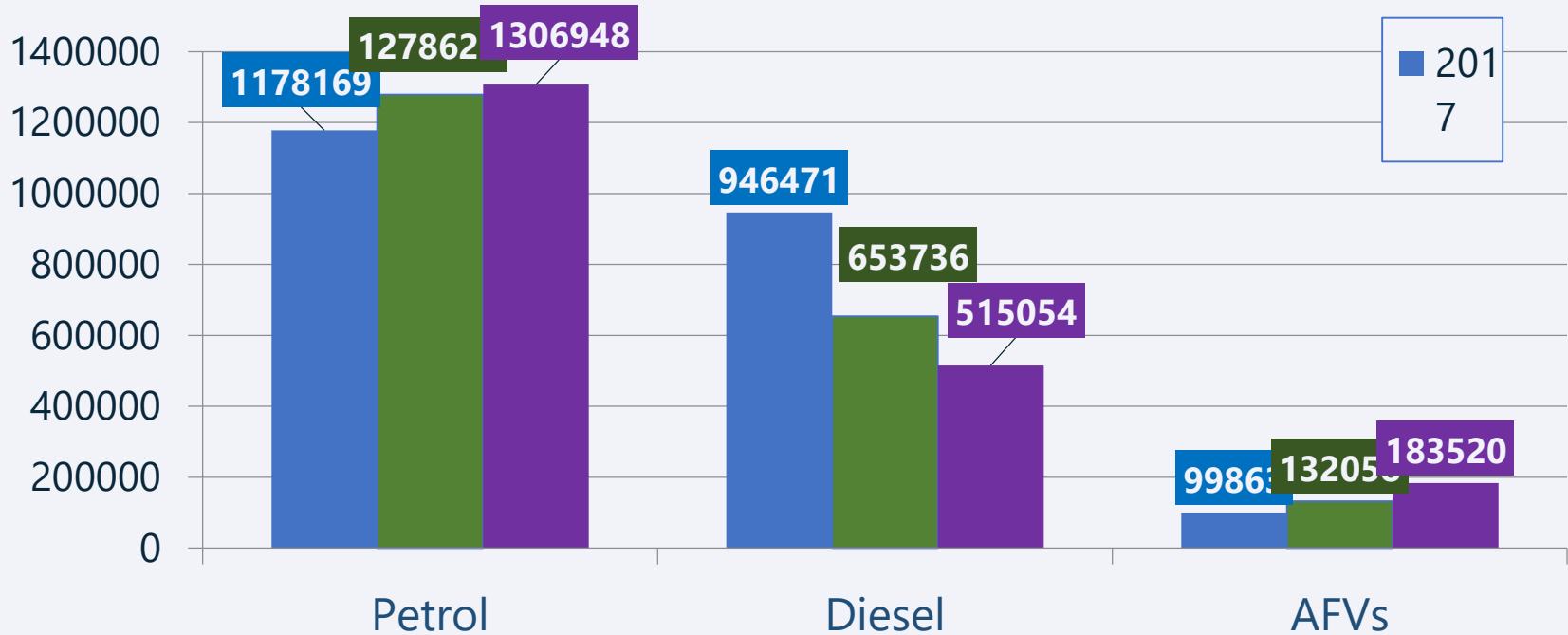
KeeResources

Residual Values

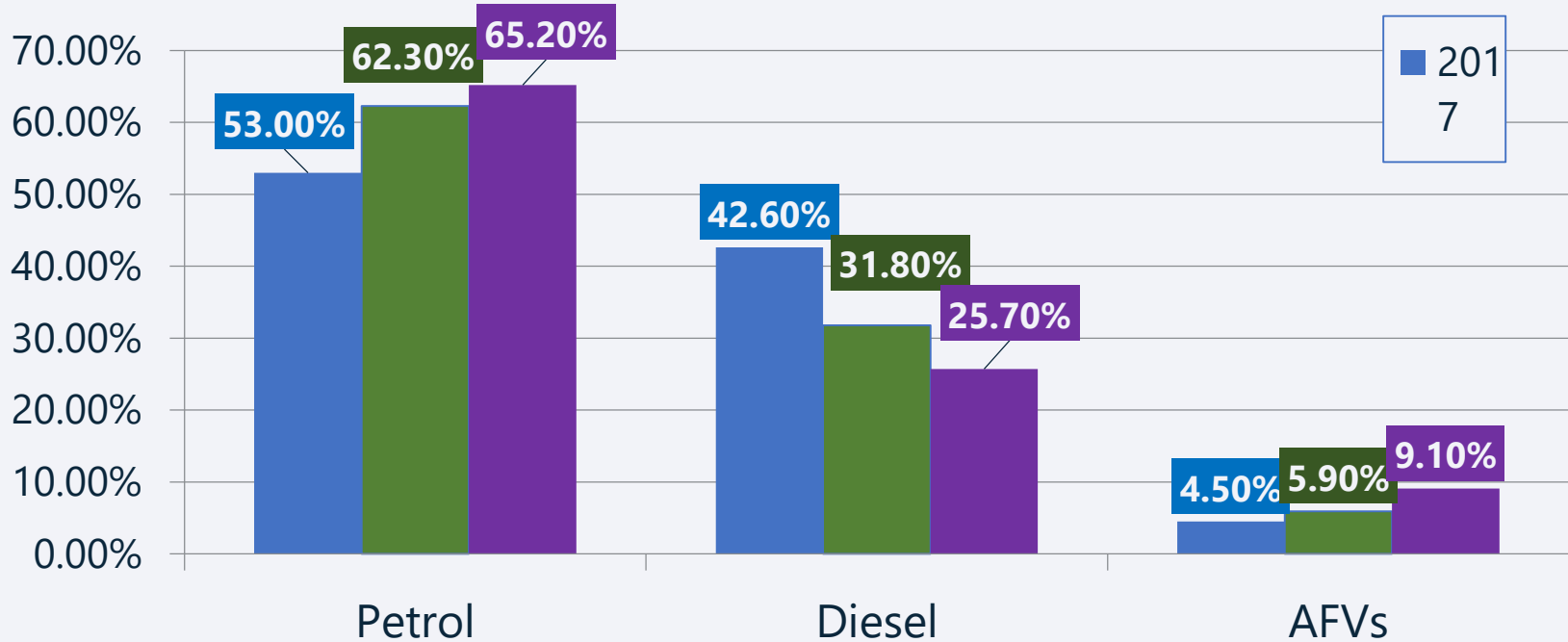
- Since 2016 - marked change in vehicles sold
- Diesel Dominance in Corporate sector shifted
- All Change?
- So - which Fuel types **will** thrive during 2020, and beyond?



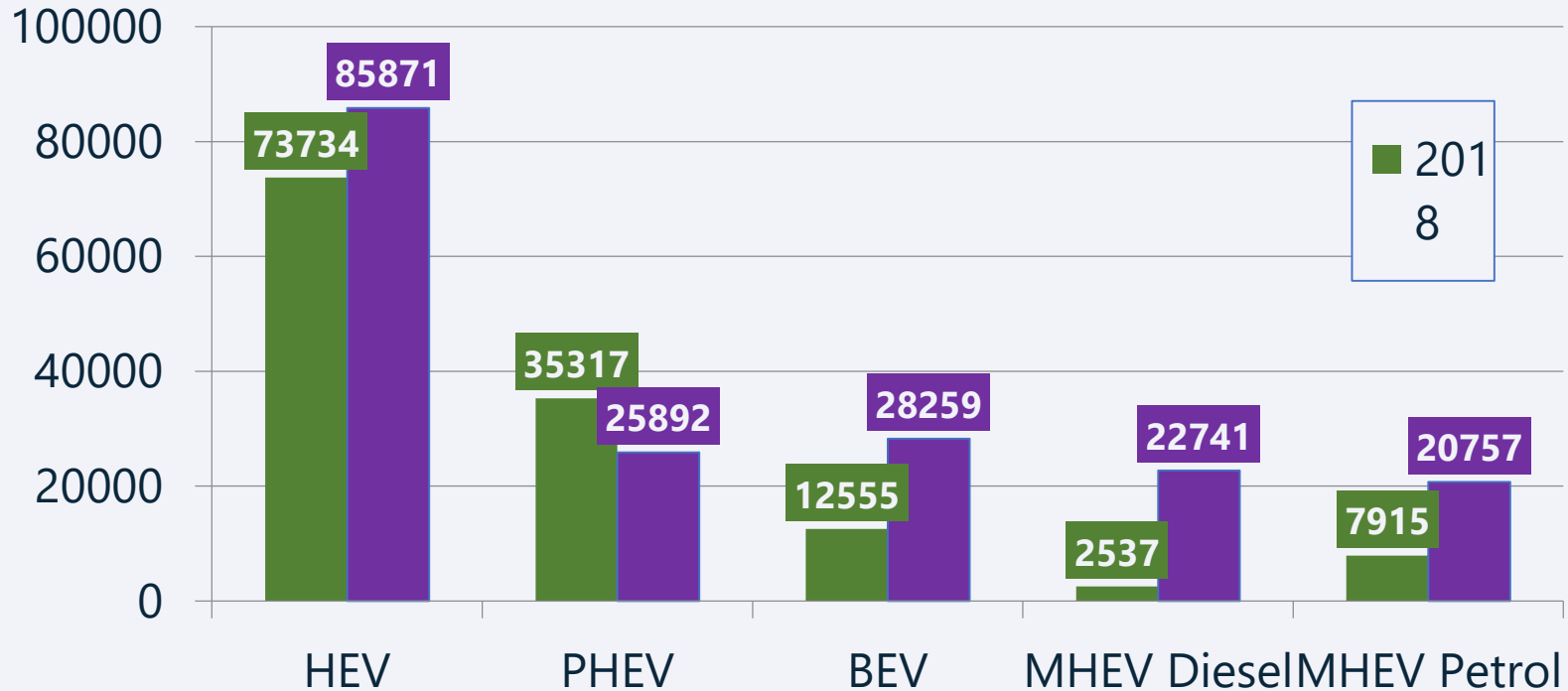
Registrations by Fuel Type: 2017-19 October YTD



Registrations by Fuel Type: 2017-19 October YTD



ULEV & Hybrid Registrations 2018-19 Oct YTD



How These Factors May Change RV Risk - ICE

- Diesel backlash highlighted a shortage of available Petrol product
- Some panic to acquire these - pushed values up
- Risk of Petrol Powertrains now being overvalued
- Some Sectors – Large petrol SUVs may prove unaffordable as they age
- Move from retailing a Price Point to a Monthly Cost takes TCO analysis within reach
- Diesel v. Petrol then becomes an easier calculation for New Car Buyers
- Potentially for Used too!

How These Factors May Change RV Risk - ULEVs

- Insufficient supply to meet increased demand for EVs - New or Used ?
- Absence of clarity regarding new vehicle volumes ongoing
- Signs are Used EV adoption should match availability over the next 3-5 yrs.
- So values should continue to be strong for the foreseeable future?
- Hybrid & PHEVs for those not wanting a diesel, but not ready for full BEV
- Move from retailing a Price Point to a Monthly Cost takes TCO analysis within reach and EVs will show as more viable when all Operating Costs reviewed
- Communicating this to the “Used” Buyer will be crucial in Maximising RVs

Maximising Disposal RV Performance

- EV, PHEV & Hybrid Products will require a more creative approach to disposal methods
- Traditional “Straight to Auction” will not maximise exposure to appropriate buyers



Maximising RVs through direct to consumer sales

Agenda

1. The B2C remarketing trend
2. The B2C additional profit opportunity
3. Early adopters

Unprecedented change in leasing & rental market



Car Next B2C proposition launched in 2018



Targeting 20% of ex lease cars sold direct to the consumers



5 day test drive before you buy

Major leasing & rental companies growing sales direct to consumers

Different approaches being tested

Bricks & clicks



Digital only – own branding



Digital only – partner branding



Inefficiencies in remarketing process



Appear on Auto
Trader.co.uk
within 30 days

22 days



From driver
pickup to auction

12 days



Auction to
appearing on
Auto Trader.co.uk

£1,723



Average gross
dealer margin

Direct to consumer sales - additional costs to consider

£1,723	Gross margin
-£250	Book drop
-£350	Refurbishment
-£100	Storage
-£50	Photography & ad creation
-£100	Advertising fee
-£250	Sales team costs
£623	Net margin improvement vs B2B

Optimising route to market for each vehicle



What consumers want



Prominence products, allow optimal demand generation



Land Rover Range Rover Velar 2.0 R-Dynamic S Auto 5dr

£250 finance contribution!

2017 (67 reg) | SUV | 18,317 miles | 2.0L | 250bhp | Automatic | Petrol

**Special offer - get £250 towards this car when you take out finance until the ...

Trade seller - See all 250 cars
Milton Keynes - 129 miles away

£37,980

GREAT PRICE

Based on similar cars

£682
per month (PCP)
Finance example



Home delivery model or promote dealer location



Audi A6 Avant 3.0 BitDi Black Edition Avant Tiptronic quattro ...

+TOP SPEC+1 OWNER FRM NEW+

2016 (66 reg) | Estate | 15,929 miles | 3.0L |
316bhp | Automatic | Diesel

Here we have for sale a stunning 2016 AUDI
A6 3.0L BLACK EDITION finished in ...

Trade seller - See all 103 cars

£30,200

GOOD PRICE

Based on similar cars



Summary

- Growing trend for leasing companies to sell direct to consumers
- Market data can easily identify optimum stock to sell direct to consumers
- Digital market places making direct consumer sales more straight forward
- Significant additional profit opportunities in B2C

12th
biggest UK
website

Page views, ComScore



13x

More minutes spent on AT than on
all car brand sites combined

600k

monthly
visits to our
Editorial
content

57m
monthly
cross-platform
visits

ComScore

4x
more
Auto
searches
than
Google

80%
UK Auto
Retailers
advertise on Auto Trader

9m
monthly
unique users

ComScore

50
Searches
per second

Q&A Session

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Thank you for participating

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