

POSITIVE SIGNS IN MAY ACCORDING TO COX AUTOMOTIVE'S INDUSTRY DATA

According to data collected across Cox Automotive's brands in Australia, May showed the first glimpses of recovering new and used vehicle markets as COVID-19 social restrictions begin to lift.

With new vehicle sales down 18% in March and a 48% in April, some were surprised to see the results in May being down 'only' 35% on the same time last year. However, when you look at the vast array of wholesale and consumer data and insights brands such as Manheim and Dealer Solutions collect, the indications were positive for May and as a consequence for the months to follow. It certainly appears there are early signs that consumers are returning to the new and used vehicle markets.

Michael Sommerton, CEO of Dealer Solutions said that already by early May, there was a marked increase in the market compared to April activity. "Across the website platforms we manage for large numbers of dealers, unique visitors were up 27% per day which translated into 20% more leads than the same time in April. Across all the key consumer metrics we track, all leads were up considerably and leads for specific dealer inventory were up almost 30%. While this analysis was based on a limited period of time, we could see that by

early May consumers were starting to return to the market, at least in research and comparison stage of their shopping journey."

"Our full month's analysis showed that despite the decline in sales of new and used vehicles after the COVID-19 lockdown and moves to social distancing in late March, the month of May saw the beginnings of 'green shoots' and some really positive turnarounds. In some cases there were upward trends exceeding previous year's results."

For used cars, activity levels fell dramatically in April, however online buyer activity recovered by the first week in May to normal levels, actually back in line with 2019 metrics. The number of used vehicle listings online are almost back to pre-COVID levels, driving online consumer activity, which suggests used vehicles sales are bouncing back.

Monitoring listings data showed that there was an 88% increase of 'de-listed vehicles' (effectively sold

vehicles) in May compared to April. Compared to the same period last year the number of de-listed vehicles actually increased by 33% in May 2020 compared to May 2019. Vehicle pricing also fell in March and April however recovered in May to be within 5% of the same time last year.

Results in Manheim's digital auction 'lanes' reinforces the return of activity to the used vehicle market and also reflects returning new vehicle sales volumes. The company reported OEM's franchise dealer only digital auctions returned to similar volumes and pricing in May compared to pre COVID-19 levels. These dealer only auctions see low km, excellent quality used vehicles make their way from OEM company fleets onto dealer lots, providing desirable stock for the returning used vehicle buyers. The increase in volume and stronger pricing indicates dealers were purchasing with intent; to satisfy the demand they are experiencing online and in their dealerships.



“Anecdotally we are hearing many of our dealer customers reporting record months for used car sales and the wholesale market has also been much more vibrant in May. Public buyers have also found their way into our online sales channels and have been very comfortable buying online whereas in the past they would have needed to visit a Manheim site in order to buy a used car at auction.”

Director of Marketing and Communications for Cox Automotive, Matt McAuley said that ‘The trend has also carried over to the open Manheim auction channels. Dealer participation in the now 100% digital auctions more than doubled in May compared to March and April. Auction clearance rates are as high as they have been at any time this year, pre-COVID and pricing has also recovered from a sharp dive in April with all segments seeing increases in May.’

“The results reflect increased dealer and consumer confidence and there is no doubt the constrained supply of vehicles is assisting the recovery in pricing. The federal government’s increase in the threshold for instant-asset write-offs from \$30,000 to \$150,000 is the main driver for prices holding up in the light commercial segment which for most part have been unaffected by COVID economic impacts.”

Manheim expects vehicle prices to recover and increase to above average levels in the long run on the back of constrained supply brought on by the shuttering of new car factories and assembly lines around the world. Historically, used car prices have risen when the sale of new cars has fallen in the years following the GFC.

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Manheim’s website stats add to the story of increasing dealer and consumer activity. Unique visitors to their website were up 24.3% in May compared to April and even up 11.5% on May 2019. It was a similar story with website sessions, which were up more than 25% on April and May 2019 and actual page views were up a massive 53% compared to May 2019.

McAuley said, “Our Auctioneers have reported a much more positive sentiment throughout May compared to the last few months. They are seeing dealers pick up on the rising consumer demand and participating strongly in our sales to make sure they have the inventory to take advantage of buyers returning to the market.”

Dealer Solutions is also in a unique position to see what is happening on the consumer side of buying activity. They manage hundreds of



dealer websites and publish dealer vehicle data to multiple classified sites, affording them a very good perspective on industry wide activity.

While there was a sharp drop in April activity (down 25%) compared to March, there was a 60% per cent increase in unique visitors across the dealer websites they manage, compared to April. The large increase in dealer website visits was reflected in total leads. The number of leads generated from dealer websites directly were up 35.7 per cent in May compared to April.

McAuley said, "It is obvious the increased enquiry and lead activity flowed through to the new car sales figures in May, as well as the rising used car sales we monitor via dealer online listings. A number of factors are at play, as some dealers have moved on older stock to reduce inventory levels and buyers who have held off for a few months in the depths of the lock down are returning to the market. Some buyers are also worried about public transport use and have elected to purchase affordable and reliable used vehicles. What is also evident from the search trends is the popularity of commercial and 4WDs, which were the most searched vehicle type in May. We

believe this trend is linked to the Federal government's instant asset write off scheme."

As for the longer-term effects of the global pandemic? Manheim believes COVID-19 has accelerated the shift towards digital auctions. While all their auctions were already broadcast online using Simulcast, the company has added many new weekly sales in a channel called BidNow, which is essentially an online only timed auction.

In a recent UK dealer study, 40% of dealers said they have increased their use of digital auction platforms due to lockdowns, with half of those indicating this will be a long-term change. Half of the dealers who responded were using online platforms prior to COVID-19, but there's no doubt the lockdown has brought forward adoption amongst those yet to embrace digital auctions. For a sizeable proportion, the survey indicates that this usage will continue to become the 'new normal'.

Recently launched Cox Automotive brand Dealer Auction, which is a digital only sales platform for franchised and independent dealers, has also seen increasing numbers of transactions on its site. As a purely online marketplace it allows

franchised dealers to buy and sell in a contactless manner, in a fast and convenient digital format. COVID-19 has seen the company bring forward their national launch plans as they expand from Queensland into NSW and Victoria in the coming months.

Dealer Solutions can see how social and business restrictions has really hit the fast forward button for digital retailing, which is still in its infancy here in Australia. OEMs and dealers have rushed to move as much of the traditional sales transaction process online as they can, as consumers have actively embrace buying vehicles digitally. The company is actively working on a suite of tools to assist OEMs and dealers lead the charge into online retailing in Australia.