



Flash Insight: European Used Vehicles Outlook

Disruption and opportunity
in the remarketing supply chain



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November 2020



1. Overview: Second-Hand Market, First-Rate Opportunity

1.1 The Resilience And Potential Of Europe's Used Vehicle Market

The used vehicle market has historically exhibited more resilience to economic volatility than have new vehicle sales. In fact, recessions can often lead buyers to pivot towards cheaper used vehicles, driving increases in their residual value and sales. During the 2009 financial crisis, high demand for used vehicles in North America and Europe led to increases in used car prices. And we are again seeing this pattern in the used passenger vehicle market during the current Covid-19 pandemic.

Although used passenger vehicle sales have declined across the EU and UK in 2020 compared to 2019, we forecast that they will drop by half as much as the new vehicle market compared to 2019, with declines of 16% year-on-year. We also expect Europe's market for used and remarketed vehicles – which was around 40m units in 2019 – to recover much faster than new vehicle sales, surpassing pre-crisis levels by 2024 and approaching nearly 50m units by 2030.

A number of factors are driving this resilience and growth trajectory. Along with the countercyclical pattern of used vehicle sales in a downturn, there is anecdotal evidence that consumers are turning to the second-hand market as an alternative to public transport in the wake of the pandemic. In the longer term, the rising price of new vehicles as a result of tighter emission and safety regulations will continue to encourage buyers to consider the value of used vehicles.

Furthermore, used vehicle sales have been able to weather lockdowns and Covid-related restrictions better than new vehicle sales operations. Many retailers, vehicle auction firms and marketplace aggregators were already selling used vehicles online. While most felt impacts from the first set of lockdowns in spring, they were able to adapt quickly to contactless service, handovers and deliveries. As more countries in Europe tighten restrictions again and close in-person vehicle sales, the online sale and distribution of used vehicles are likely to continue with far less interruption.

This pivot to online sales is unlikely to be a temporary Covid measure, but rather part of an accelerated shift to digital channels across the used vehicle supply chain, including among traditional brick-and-mortar dealerships, multi-brand dealers and vehicle auctions – most of which are transitioning to a hybrid 'bricks-and-clicks' model, mixing both physical retail with online sales and distribution. Pure e-commerce players are also expanding, with potential to further disrupt the market. And OEMs themselves, keen to develop new revenue streams and capitalise on higher residual values, are also likely to explore more direct sales of used vehicles.



1.2 Growth Prospects For Used Vehicle Logistics

The growth in used vehicle sales and especially through online channels is an opportunity for service providers in vehicle logistics, transport and inventory management. Logistics providers are of course already present in the used vehicle market, including operating storage compounds and transporting used vehicles to dealers, auctions or those at the end of their lease, for example. Used vehicles are also shipped and transported across European borders for reselling, as well as exported outside the EU.

Large used vehicle retailers and auction firms sometimes have logistics arms. Vehicle remarketing specialist Manheim operates its own transport and distribution operations. The UK's largest vehicle auction firm, BCA, is also a substantial player in new and used vehicle logistics, de-fleeting, preparation and storage.

However, the used vehicle market is still relatively fragmented. We estimate that around 35% of used vehicle sales (14m units in 2019) are through 'unorganised' channels, such as direct consumer-to-consumer sales online, classified adverts and independent dealerships. In many cases, such channels operate at local or private levels and are less likely to require the type of vehicle logistics services common for new vehicles.

However, we anticipate that there will be more growth in used vehicle sales through 'organised' channels, including OEM and multi-brand dealerships, vehicle auctions and more sophisticated online sales specialists. In these cases, firms are working across larger stocks of vehicles in multiple locations requiring storage and transport services.

The used vehicle market could help logistics providers fill unused capacity and balance transport flows. Online sellers offering refurbishment, accessory options and delivery will also require vehicle repair and modifications, inspection and handover. And the used vehicle market is an area where advanced tools in visibility, tracking and network optimisation could play a significant role.

2. European Used Vehicle Market Size And Forecast

2.1 Measuring The European Used Vehicle Market

The European used vehicle market is difficult to quantify because there are few official data sources. Nonetheless, our analysis suggests that the annual market for used passenger vehicles across the EU and UK reached 40m units in 2019 (see Table 2.1). The five largest markets – Germany, the UK, France, Italy and Spain – make up 67% of the used car market.

In gross transaction value (GTV), the European used passenger vehicle market is estimated at €440 billion, which is around 39% of the global GTV for used vehicles. The market is also characterised by relatively high transaction prices of €11,000 per vehicle in Europe, compared to a global average transaction price of €9,800, and €7,800 in the US. At 2.5 used cars sold per new vehicle in 2019, Europe's used-to-new ratio is higher than the global average of 1.6. The Netherlands has the highest ratio in Europe at 4.4, while the UK is also high at 3.4. However, this ratio has significantly increased across most of Europe in 2020 and is set to remain high even as new vehicle sales start to recover.

Table 2.1 European Used Passenger Vehicle Market Size, Volumes & Leading Markets 2019

<u>Region</u>	<u>Used Passenger Vehicle Sales</u>			<u>New Passenger Vehicle Sales</u>	<u>Used:New Ratio</u>
	<u>Gross transaction value (GTV)</u>	<u>Units</u>	<u>Average transaction value</u>	<u>Units</u>	
Germany	€97bn	8,100,000	€12,000	3,607,258	2.3
UK	€99bn	7,900,000	€12,500	2,311,140	3.4
France	€87bn	5,800,000	€15,000	2,214,279	2.5
Italy	€35.5bn	3,100,000	€11,500	1,915,351	1.6
Spain	€25bn	2,150,000	€11,500	1,258,258	1.7
Netherlands		1,998,000		446,440	4.4
Austria		1,067,994		322,719	3.3
Poland		980,000		555,598	1.7
Belgium		910,000		550,008	1.7
Sweden		560,337		356,036	1.6
Top 10 Europe		32,568,331		13,537,087	2.4
Rest of EU		7,432,000		2,260,868	3.3
Total EU+UK	€440bn	40,000,000	€11,000	15,797,955	2.5
US	€310bn	39,800,000	€7,800	14,000,000*	2.8
Global	€1,130bn	115,000,000	€9,800	72,000,000	1.6

Source: ACEA, VDA, SMMT, ANFAC, ANIFIA, CCF, Automotive Associations, ECG Business Intelligence

*14m is light passenger vehicles excluding pickup trucks classed as light commercial vehicles



2.2 European Used Passenger Vehicle Market Forecast

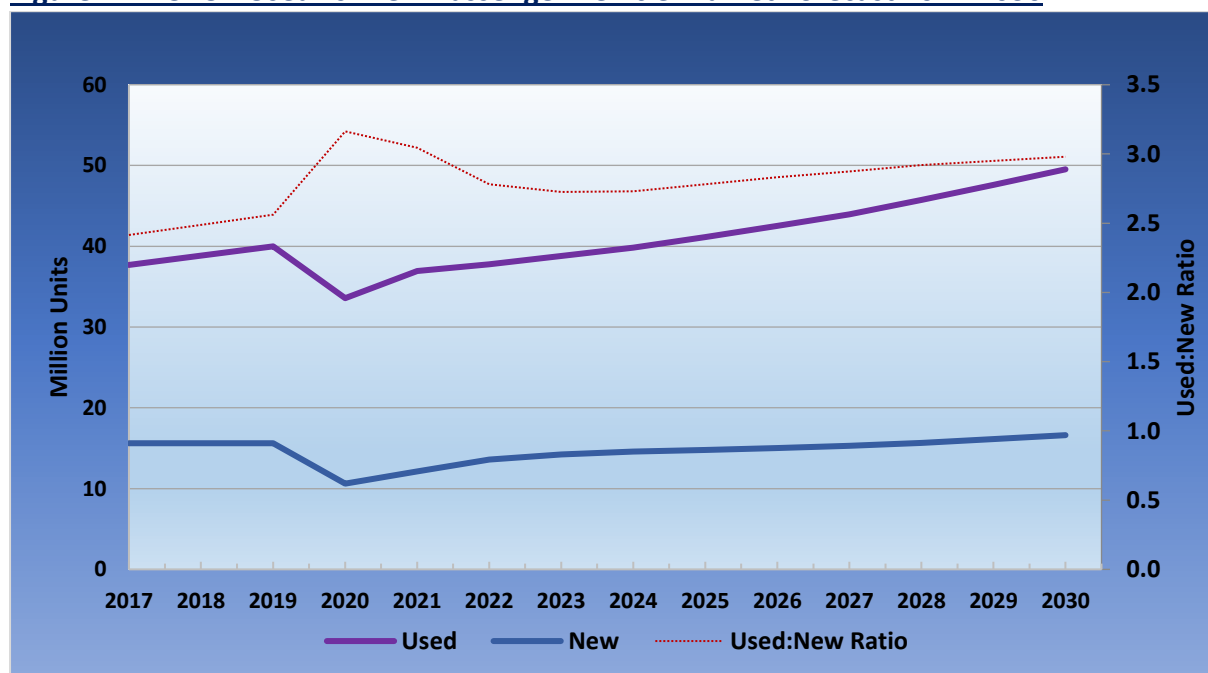
Whilst there has been talk of a surge in used vehicle sales this year, especially after lockdown restrictions were lifted in much of Europe in late spring, used vehicle sales have also been badly affected during lockdowns – just to a lesser extent than new vehicle sales.

ECG Business Intelligence forecasts that new passenger vehicle sales across the EU and UK will finish 2020 some 32% below 2019 levels, at 10.74m units. However, for used passenger vehicle sales, we expect volumes to be down 16% compared to last year, at 33.6m.

We expect the recovery for used sales to be faster and stronger than for new vehicles. While it will take until nearly the end of the decade for the European new vehicle market to recover to 2019 levels, the used vehicle market is expected to reach pre-crisis levels by 2024. We also forecast used cars sales to maintain a compound annual growth rate (CAGR) of 3.4% between 2022 and 2030, compared to the 2.5% CAGR we are predicting for new vehicle sales over the same period. In that period, the used-to-new car ratio will increase from 2.5 in 2019 to 3.2 in 2020 and remain at an elevated level above 3 over the next decade.

The implication is clear: used passenger vehicle sales will become increasingly important for OEMs, car dealerships and retailers over the next decade. That will also make them more significant to logistic service providers, including transport but especially in terms of providing more added-value service around storage, inspection and inventory management.

Figure 2.1 EU+UK Used vs. New Passenger Vehicle Market Forecast 2017-2030



Source: ECG Business Intelligence



2.3 Used Vehicle Market Structure

The European used vehicle market can be broadly divided between ‘organised’ and ‘unorganised’ channels. Organised channels include OEMs and OEM-certified dealerships, multi-brand dealerships and official auctions. The unorganised level includes independent sellers, direct consumer-to-consumer and business-to-consumer sales across classified ads and online marketplaces like Facebook or eBay.

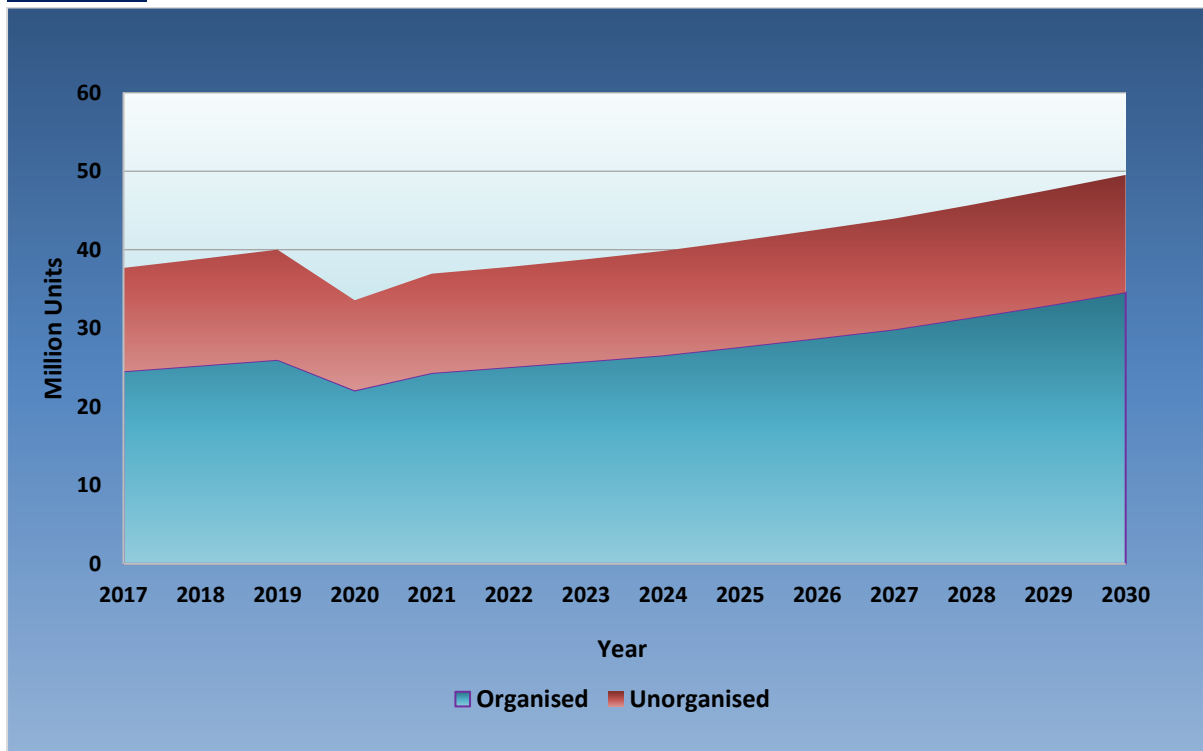
Organised Used Vehicle Sales

- Multi-brand dealerships
- OEM-certified dealers
- OEM direct sales
- Vehicle auctions
- Sales through vehicle leasing, rental and finance groups

Unorganised Used Vehicle Sales

- Local independent dealerships
- Consumer-to-consumer sales
- Private online sales and auctions

Figure 2.2 EU+UK Used Passenger Vehicle Market Forecast Organised vs. Unorganised 2017-2030



Source: ECG Business Intelligence



Around 65% of the European used passenger vehicle market is accounted for by the ‘organised’ vendor segment. However, we expect this share to increase over the next decade to reach 70% by 2030, driven principally by a rise in sales through multi-brand dealerships.

In terms of vendors, the market is also extremely fragmented with a multitude of competing players, some with a national focus, and some with European coverage. Furthermore, the growing power of online sales channels is transforming the used vehicle market.

For vehicle logistics, we expect the most opportunity to be in organised channels, especially as OEMs, dealerships and new players expand their reach through online sales and provide more services around those sales. However, there can be crossover across these channels, for example as dealers and retailers buy vehicle inventory online via search and aggregator services. Finding, refurbishing, transporting and storing these vehicles are all areas where vehicle logistics services will be in demand.

Table 2.2 Selection Of European Used Vehicle Vendors Offline+Online vs. Online Only

Country	‘Bricks & Clicks’ (Offline+Online)	‘Clicks’ (Online only)
Germany	Auto-1 Group AVAG Holding SE BCA Dello-Durkop-Hansa-Group Emil Frey Group Feser-Graf-Group Gottfried Schultz Senger Group Weller Group	Autoscout24 Mobile.de ebay.de Hey Car Autobild Auto.de Autohero True Car Webauto.de
France	BCA Emil Frey France Geudet BYmyCAR Bernard Automobiles Car Avenue Jean Rouyer Automobiles	Autos.fr Autoscout24 Auto-selection La Centrale OOYYO Paru Vendu Leboncoin
UK	Arnold Clark BCA Bristol Street Motors Carshop / Sytner Group Evans Halshaw / Pendragon PLC Group 1 Automotive Lookers Group Manheim / Cox Automotive	Auto Trader Buyacar CarGurus Carwow Cazoo Cinch ebay / Gumtree / Motors.co.uk Inchcape



Italy	BCA Auto Torino Denicar FCA Birindelli Auto Srl Mocautogroup GoodBuyAuto Autoquattro Schiatti Car Srl	Alvolante.it AutoAlbrici.it Autorola Marketplace Autoscout24 Bakeca.it Cargurus OOYYO True Car
Spain	BCA Berge / Global Car Centre OcasionPlus Quadis Salvador Caetano Viva Autos Webycar	Autofesa Autosdirect.es AutoScout24 CarsinSpain.es Clicars.com Coches.net Motor.es OOYYO

Source: ECG Business Intelligence

3. Trends In the European Used Vehicle Value Chain

The shift to used vehicles is the result of several factors, several of which predate the coronavirus crisis, including rising vehicle prices and lifecycles, while the pandemic has accelerated other issues, including economic factors and online retailing. These trends will also impact how used vehicle logistics develop.

3.1 Pre-Covid Drivers

Increasing price of new vehicles

The rising prices of vehicles has likely been pushing more consumers towards used vehicles. Stricter European regulations, including on CO₂ emissions, the introduction of WLTP and the new Euro 6d norms, have inevitably led OEMs to offer more complicated and expensive powertrain options. Furthermore, safety regulations, and increasing standard equipment and fitted optional extras are also pushing up the price of vehicles.

We anticipate this trend to continue and for the crisis to make new vehicles unaffordable to many more consumers. Senior industry executives have expressed concerns about new vehicles simply being too expensive in the new economic climate post-Covid as well. That is likely to push consumers towards better value used vehicles.

Shift to leasing

Well before the onset of the crisis, consumers were increasingly leasing new vehicles rather than purchasing them outright. The impact of this switch has resulted in increasing volumes of vehicles coming off lease after two or three years and then coming onto the used market. When such vehicles are not purchased by the leaseholder at the end of term, they are usually reacquired by dealerships and move back through OEM remarketing channels, where they undergo necessary refurbishments and are resold with new warranties. In other cases, finance groups might reacquire vehicles ahead of auctioning them.

This trend of vehicles coming off lease and back onto the used vehicle market is likely to increase in the post-Covid economy, as consumers continue to avoid outright purchases.

Longer vehicle life and lower maintenance costs

Cars have become increasingly reliable with longer periods between service intervals, and a likeliness of lasting longer on the road. The average age of the EU vehicle fleet is rising every year, and is now around 10.8 years, according to ACEA. This increase on the one hand reduces the frequency of new vehicle purchases, while it also extends the period in which a vehicle might move through remarketing channels for sale over its lifecycle.

In the longer term, the shift to electrification may further reduce maintenance costs and increase vehicle life further, as electric vehicles have fewer moving components that can go wrong.



3.2 Post-Covid Drivers

Worsening economic climate

The recessions that have taken hold since the start of the crisis are clearly factors weighing on consumers' minds. Job insecurity, reduced pay, furlough and redundancy have made many consumers unwilling to take on the large financial commitment of a new vehicle loan or lease, with those still dependent on personal mobility likely to consider lower cost used vehicle options.

Pandemic disruption demand

Pandemic disruption demand (PDD) refers to how the discouragement (and fear) of using public transport in the wake of Covid-19 has contributed to a surge in demand for personal mobility. This demand relates not only to vehicles, but other forms of mobility such as bicycles and e-scooters. We estimate that PDD has resulted in a relative shift to the used passenger vehicle market, where consumers will consider lower cost options, including smaller and older vehicles.

Online vehicle sales

In recent years, more used vehicle sales have shifted online. This has included private consumer-to-consumer transactions, but also a growing online marketplace of used vehicle aggregators, vehicle auctions and digital startup retailers. Traditional dealerships have also been adding online sales channels to develop a so-called 'bricks-and-clicks' business model.

However, online used vehicle sales have accelerated during the Covid-19 crisis. The closure of car dealerships during lockdowns impacted used vehicle sales, but online sales and contactless delivery could usually continue. That led some consumers to shift to purchasing used vehicles through available channels, and also encouraged retailers to expand their online sales and services more extensively. These investments will benefit dealerships during additional lockdowns in the short term, while in the long term we expect a significant growth of online used vehicle sales.

3.3 Used Vehicle Inventory And Pricing

A notable trend in the European used vehicle market this year has also been a rise in used vehicle prices, which have increased by an average of 2% compared to 2019 across the region, with higher spikes in a number of markets and reportedly as high as 5% in the UK.

This increase may seem a paradox in a market in which demand is set to decline by 16% year-on-year. The reason is that there was not only an acute demand interruption in the second quarter of the year following national lockdowns, but also a supply disruption. The closure of new and used car dealerships during the lockdown period effectively cut off the supply of used vehicles that would have come into stock through customers trading in vehicles or returning those coming off lease.



As lockdowns lifted, used vehicle sales have risen more strongly in comparison to new vehicles, compounding the supply issue and leading to higher prices. The scrappage schemes that a number of EU countries have implemented, notably France, Italy and Spain, have also reduced the supply of older vehicles.

Nearly all markets that imposed strict lockdowns earlier this year saw used car prices increase, such as the UK, France, Italy and Spain. Conversely, in Sweden, where dealerships remained open, used car prices have actually dropped by around 4% year-on-year.

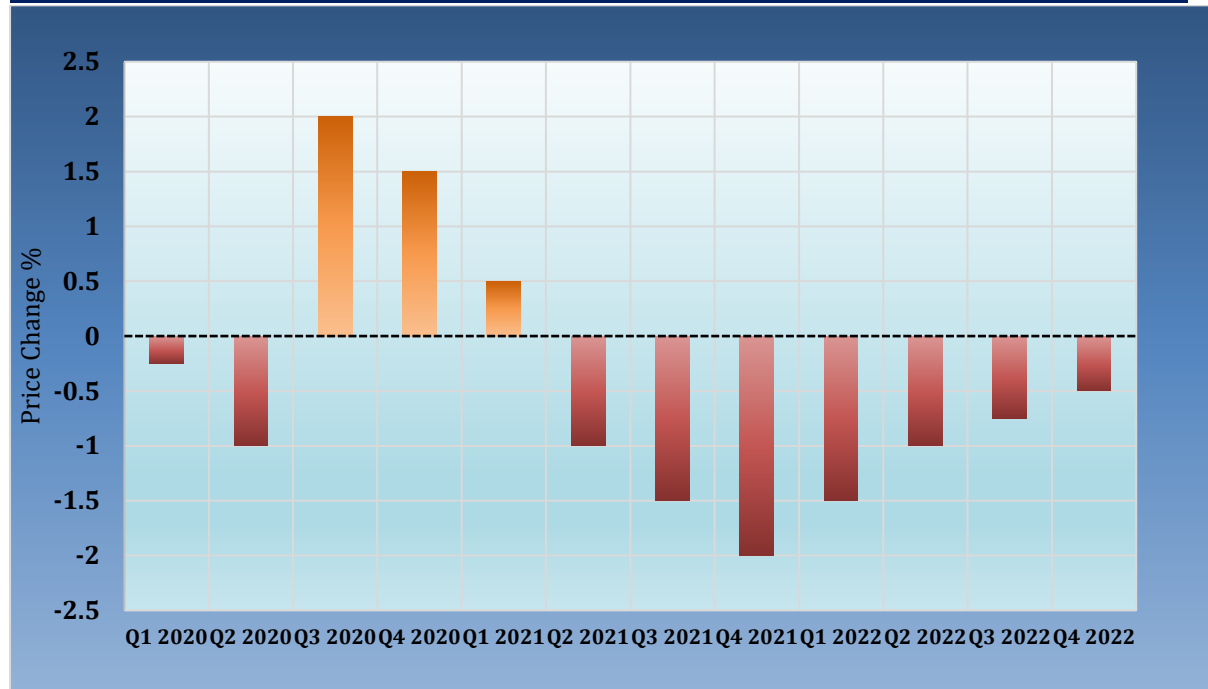
We expect the market to remain tipped towards a lack of supply in the short term. Consumers have been keeping existing vehicles longer rather than trading them in for a new vehicle purchase, while others have also extended leases, reducing the supply of younger used vehicles especially. The recent reimposition of lockdown in a number of European markets is likely to reduce used vehicle supply further, although new vehicle dealerships have also expanded online vehicle sales, including arranging contactless delivery and trade-ins.

However, we do not expect higher prices in the used vehicle market to persist over the medium term. Government support measures have up to now helped prevent many consumers from losing jobs or defaulting on loan payments. However, as redundancies increase, more leases or vehicle contracts tied to jobs will be terminated early, increasing vehicle supply. Many fleet contracts that were extended temporarily during the lockdown period are also expected to come off lease in 2021, which would significantly increase supply in the used vehicle market and drive residual values downwards.

A broader recovery in new vehicle sales will eventually contribute to a stabilisation of used vehicle supply. We still expect some recovery in new vehicle sales in Europe in 2021 and 2022, with a corresponding increase in vehicle trade-ins and vehicles coming off leases that will bolster used supply. We expect the supply-demand balance to gradually normalise by the middle of 2021 and for used passenger car prices to recover close to pre-pandemic levels.



Figure 3.1 European Used Passenger Vehicle Price Change 2020-2022 (change from 2019)



Source: ECG Business Intelligence

The price and inventory situation for used vehicles brings more pressure and opportunity for logistics. OEMs and retailers are trying to secure vehicle inventory wherever available, and to move units quickly through the remarketing chain. They have been pursuing available stocks across Europe, including through digital marketplaces like Facebook.

Visibility over this inventory will be essential. OEMs and dealers have developed more sophisticated data tools that allow customers to search and stock selections across locations, with more information on the products and price. Securing those vehicles is essential, especially at times when prices are high, as retailers will want to lock in values and profits. We foresee growing demand therefore not only in high quality transport and storage, but in ancillary services for refurbishment, repair and inspection.

3.4 Shifting Model Mix

In terms of the vehicle model and powertrain mix, the European used vehicle market displays many of the same longer-term trends as the new vehicle market. Both, for example, are experiencing a broader shift towards SUVs and crossovers and away from sedans, as well as growth in petrol and electrified vehicles. There are, however, some differences, most notably regarding the short-term impacts of the pandemic.

For example, since the Covid crisis, it has been reported that used vehicle buyers have been erring more towards smaller vehicles. This appears to be in part because consumers are



intending to use the vehicles to replace public transport, which most governments have discouraged passengers from using to reduce transmission of the coronavirus.

The rise in smaller vehicles will likely persist with the wider shift away from public transport. Overall, however, we expect the used vehicle market to continue to mirror broader trends in the new vehicle market. Notably there is a strong decline in diesel vehicles, encouraged by government policies at national and regional levels. For example, along with Euro 6 requirements, cities and regions have implemented low emission zones (LEZ) that in many cases make driving diesel vehicles uneconomical.

Petrol used vehicles have been the main beneficiary of the shift away from diesel. However, sales of used hybrid vehicles have also grown, as have those of electric vehicles, albeit from a lower base. Hybrid and electric vehicles also benefit from favourable government policies, including tax incentives and exemptions from LEZs. France's automotive stimulus package even included purchase subsidies for low-emission used vehicles.

As with the new vehicle market, this shifting model mix will have implications for vehicle logistics. The weight and size of SUV models, as well as the extra weight of electric vehicles, impact on overall load capacity for trucking. However, some segments of the used vehicle market are more dependent on smaller carriers, flatbed trucks or individual drivers who might move used vehicles directly to destinations.

Likewise, electrified used vehicles have special requirements, including the need for charging facilities at storage and retail centres. The battery also requires special training for handling, maintenance or inspection, issues that could become even more pronounced in dealing with older batteries. Some vehicle retailers might adapt battery swaps and replacements as part of the remarketing channel for electric vehicles, which could make the transport and recycling of batteries an additional opportunity in the used vehicle value chain.

3.5 Digital Disruption And Opportunity In Used Vehicles

Digitalisation of the used car buying experience has in many ways been well ahead of new vehicle sales channels. Customers have increasingly turned to online tools to inform their purchase, searching for vehicles and comparing data such as specifications, pricing, condition and service history, and completing most if not all transactions online.

Online marketplaces such as eBay have made a number of acquisitions in recent years to enhance used vehicle stock listings as well as rolling out more data services to dealers for online sales. And vehicle dealerships, retailers and auction firms have expanded their online search and sales services, including purchase functions. Meanwhile, vendors and auctions have introduced more direct delivery options including handovers at home.



The coronavirus crisis has made these online channels not only a competitive advantage but a business imperative. With vehicle dealerships closed during lockdowns, online sales and contactless deliveries became one of the few remaining routes to acquiring a vehicle. After lockdowns eased and dealerships reopened, most retailers have continued to strengthen online ordering, auctions and delivery options – measures that now look especially prescient as more countries reimpose restrictions on in-person dealership sales and handovers.

For example, remarketing and auction specialist BCA, the largest used vehicle seller in the UK and present in multiple European markets, has significantly expanded online sales options across auction and dealer marketplaces. As most of the UK re-entered lockdown in early November, the company switched to online sales only. In a given week, it is offering up to 7,000 vehicles online for sale. It has extended collection times for vehicle handovers and is adding new vehicle storage and preparation centres dedicated to online transactions.

This year BCA has expanded its Cinch marketing platform to allow consumers to purchase used vehicles directly online from BCA's own stock, with free delivery included in the purchase. This service puts the company into direct competition with online retailers such as Cazoo and other dealerships, some of which also use BCA's auction and logistics services.

BCA is just one example of how the used vehicle marketplace is shifting. Pure digital startups are investing significantly. Berlin-based Auto-1 Group, an online trading platform for used vehicles, raised €255m this past summer to expand its online retail arm Autohero, which sells second-hand cars directly to consumers and provides value-add services like inspection and logistics.

The online development should be positive for many retailers beyond the necessity of lockdown and Covid-related restrictions. Traditional brick-and-mortar dealers can increasingly adapt to a 'bricks-and-clicks' model, extending their reach to customers not only in selling new vehicles, but in associated services including finance, insurance, refurbishment and contactless delivery options.

3.6 Challenges For Traditional Dealerships

Many dealers are already suffering significantly from wider declines in volume and structural changes in the industry. It is likely that dealerships will see further consolidation, and more physical locations will leave the market.

The emergence of digital upstarts and channels will also add more competition to both organised and unorganised used vehicle sales channels and put more pressure on OEM-certified dealers. Tech firms such as Amazon, Facebook and eBay have made moves into the used vehicle space in Europe and could expand more aggressively. China's Alibaba, which is a large seller of vehicles and vehicle parts in China and in global markets, may also play a bigger role in Europe's used vehicle marketplace.



Many dealers and retailers are turning to online sales to grow their business. However, the transition won't be easy for all vendors. Vehicle transaction prices may decline without sales negotiations, which could reduce profit margins. Some demographic divergences may also persist, with older buyers more likely to prefer in-person dealer experiences. The pure online buying experience can also present challenges in various points in the customer journey, whether the ease of a test drive, or in arranging financing.

However, digital-savvy dealers and sales platforms are addressing these issues through the help of software, online tools and indeed logistics specialists. Online chat and video functions can allow direct communication with customers and facilitate direct interaction over vehicle options and prices, as well as to complete financing and transactions where necessary. Test drives can also be arranged remotely through specialist services.

Despite competitive challenges and threats, the progression of online channels during the Covid crisis is likely to further break down barriers and accelerate investment in online sales, data and logistics platforms for used vehicles across Europe. These developments should help dealerships continue to play major roles in the used vehicle buying process, with customers able to buy out of dealer stock online and arrange convenient services through local dealer points.



4. Conclusions – A More Digital And Organised Used Vehicle Market

Comparable in gross transaction value to the new passenger vehicle market, and with significantly higher overall unit volumes, the European used passenger vehicle market is a key industry segment with growing opportunities for finished vehicle logistics.

Used vehicle sales are in the vanguard of a changing customer experience. As consumers move online to purchase used vehicles, their expectations for price, service and quality are increasingly high. Used vehicle vendors must adapt to this new reality. The Covid-19 crisis has accelerated these requirements as more transactions move online.

The result is not only a rash of new digital players expanding in the space, but new used vehicle sales channels from traditional dealership groups, vehicle auction specialists, finance groups, online platforms and directly from OEMs themselves.

Vehicle logistics can play a strategic role here, offering OEMs and retailers the advanced transport, storage and quality management services they already offer the new vehicle segment, as well as providing more data and visibility of used vehicle inventory.

A number of key drivers will continue to shape the European used vehicle market – and we see opportunity for new and enhanced vehicle logistics services in most of them.

4.1 Sales Resilience And Faster Recovery

The used passenger vehicle market has proven relatively resilient compared to sales of new passenger vehicles. Economic uncertainty has made the lower price of used vehicles more attractive to consumers. Meanwhile, the pandemic may have partly contributed to a growth in underlying demand for personal mobility, as consumers look towards economic alternatives to public transport.

This resilience has helped limit the decline in used vehicle sales, and to encourage faster recovery. Our forecast is for used vehicles sales growth to outpace that of new vehicles in the 2020s, with more market share accumulating across organised sales channels including through OEM and multi-brand dealerships, vehicle auction specialists and vehicle exchanges. These are areas in which professional vehicle logistics services are likely to be in greatest demand. We also expect the biggest growth in used vehicle sales to come online.

4.2 Digital Readiness – And Disruption

The used car industry was already well-prepared for online sales. Although many traditional dealerships have severe challenges, there were already a growing number of online channels for vehicle purchase, as well as expanding ‘bricks-and-clicks’ business models among established dealerships. That has helped quicken the transition to online search, financing, collection and delivery compared to the new vehicle market. Many used vehicle specialists



have weathered lockdowns relatively well and have been able to benefit from a faster sales recovery.

This digital transformation will be a major disruptor as well. The many new and emerging online used vehicle websites are an existential risk for incumbent dealerships and traditional retail business models, with many dealers likely to close or consolidate. But this is also an opportunity for those players to invest in more online sales, search and delivery capabilities.

While disruptive, this online growth presents considerable opportunity for vehicle logistics providers. Retailers, auction and multi-brand dealerships require space for inventory, close monitoring of stocks, and flexible transport services across wholesale and direct-to-consumer sales. Furthermore, online retailers are likely to require more value-added services, such as in managing vehicle refurbishments, inspection and handover operations.

4.3 Strategic Used Vehicle Stock Management

There has been an overall shortage in used vehicle supply in Europe, partly as a result of the decline in new vehicle sales, with fewer trade-ins and lease exchanges, leading to average price rises of 2% across Europe, and sharper rises in markets like the UK. Although we expect the situation to stabilise in 2021 and 2022 with the gradual recovery of new vehicle sales, the management of used vehicle stock will be critical and play a strategic role for dealers and retailers capturing sales and margins.

Accessing used vehicles and making them available quickly to customers will be a key advantage. Those logistics and service providers able to offer enhanced inventory management and visibility are likely to make gains.

Inventory management will also be critical as the industry moves from supply shortages towards potential surplus. We expect the recovery to prompt a higher-than-normal supply of used cars, as extended leases end and more vehicles are traded in. This oversupply is likely to decrease prices, but dealers and retailers will need flexible logistics, storage and inspection solutions to manage and shift this excess supply. After all, when vehicles are losing value, every day that they sit in storage or are not moving can lead to further losses.

4.4 Dealerships Will Change But Still Have A Place

Although Covid-19 is accelerating digital used vehicles sales, we still anticipate an important role for used vehicle dealerships, including their physical properties. A significant minority of consumers will still prefer the brand experience and contact point a dealer offers when selling or trading in vehicles. But as new vehicle sales themselves shift online, dealers will likely rely even more on profits from used vehicle sales, as well as value-added services in accessory, inspection, maintenance and repair.



In terms of used vehicle sales, dealers are likely to play key roles in helping to manage online vehicle purchases and trade ins. They will often be the designated points of exchange and service in many cases.

For vehicle logistics, some dealers may still remain the point of delivery, while in other cases more dealerships may continue to take control of delivery, accessory and inspection services for customers. To this end, they will require even more flexible and efficient logistics services. The opportunities for vehicle logistics are set to rise.



5. Appendix

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