

## Why does it make a difference to sell used cars?

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Uwe Stratmann

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## Questions to address today

- Used car retailing in Europe
  - Sizes, structures and evolution
- Challenges for the franchised used car channel
- New approaches in used car retailing

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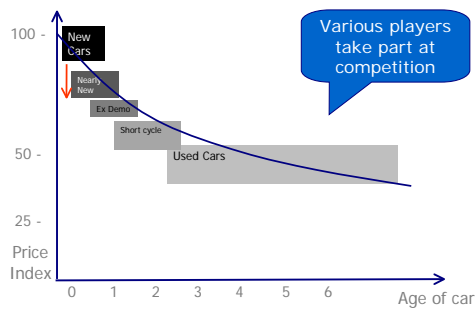
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## Different lifecycles of a car



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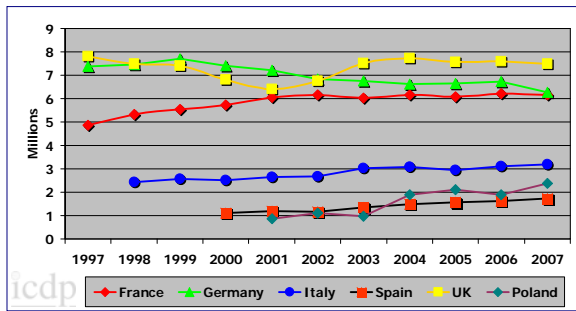
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## Stagnant EU used car markets



Source: National sources

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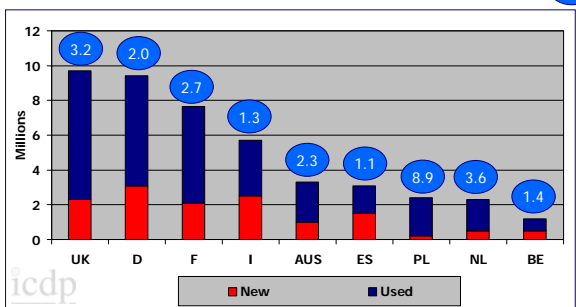
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## EU is still a heterogeneous market

New and used cars and used to new ratios 2007

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Source: National sources (2006 Belgium)

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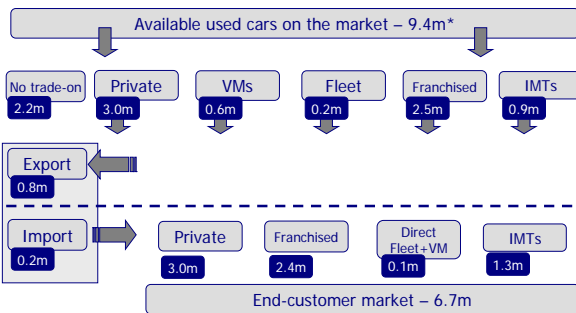
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## Used car market design



Source: ICDP Germany

\*Data for 2006

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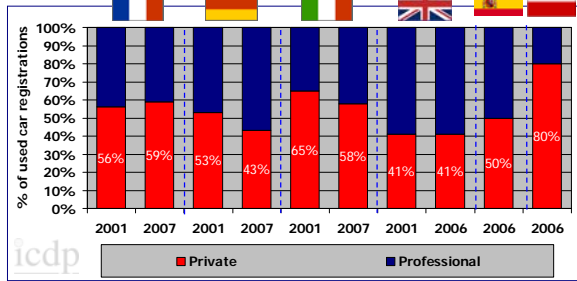
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## Private versus dealer channel Private market is strong competitor



The lemon problem! How to realize the added value delivered by dealer service in the market? P2P is setting lower price standards.



Source: National sources

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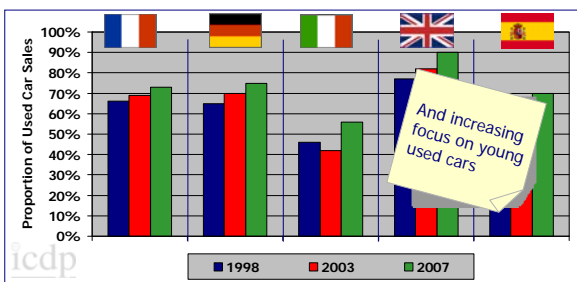
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## Increasing specialisation by focus on own franchises



Source: ICDP (UK 2007 ICDP estimate)

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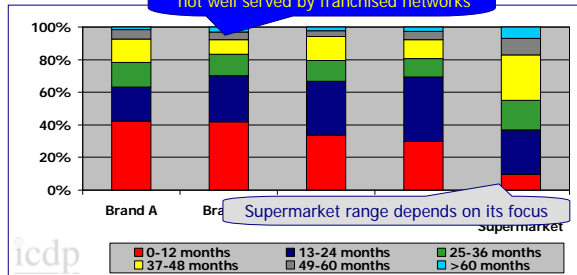
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## Stock profile in dealerships



Customers looking for a real used car are not well served by franchised networks



Source: Eurotaglasses/Autotrader, March 2008

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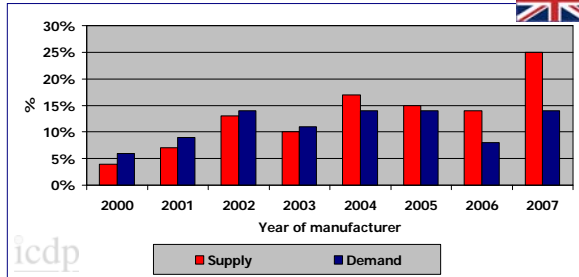
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## The imbalance in supply



Data: Cars advertised and detail page viewings on Autotrader, March 2008  
Source: EurotaxGlasses

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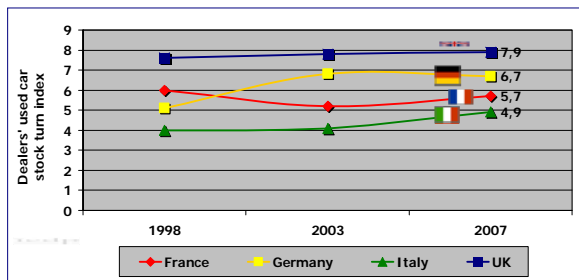
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## Little improvement in stock turn

Average of physical and financial



Source: ICDP (UK 2007 ICDP estimate)

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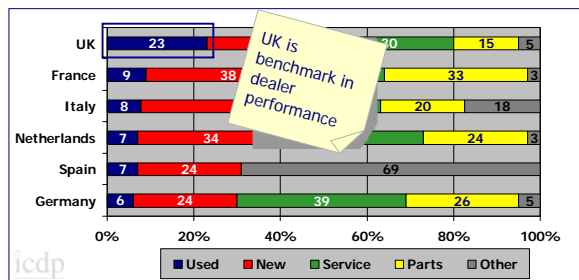
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## Dealer performance and profit

Used car profits remain low except in the UK



Source: ICDP and national sources (Spain "other" includes service and parts)

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**The quality approach:  
Manufacturer used car programmes**

Feature	Seat	Renault	Honda	Hyundai	Peugeot	Vauxhall (Renault)	Volk	Renault	Seat	Seat	Tyrol	VW	MG	BMW	Mer	Zagor
Multi-point inspection	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Warranty	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Vehicle Assessment	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Service History and Vehicle History and Finance Check	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Vehicle Service Facility	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
MOT														X		X
Exchange Plan	X	X	X	X		X	X	X	X	X	X	X	X	X	X	X

Source: ICDP UC programme analysis

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**Dealer activity in used cars  
Their main entrepreneurial resort?**

icdp	Market	T/O €m	Used sales	New sales	Used car activities
AVAG Holding	Intern.	1.070	25.000	31.500	UC brand 'G6'
Auto Dello	Germany	400	11.500	13.800	UC brand 'Auto-Mega'
Neubauer	France	510	9.300	13.600	Dedicated site in Paris area
Fassina	Italy	345	12.500	13.500	Sophisticated UC site
Spazio	Italy	300	11.700	9.800	Sophisticated UC site

Source: ICDP dealer group surveys

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**Fassina with 'Car Village'**




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## Spazio with 'Spazio Gallery'




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## Scale retail specialists - car supermarkets

- ☞ Large choice and outlets
  - Price, choice, numbers of cars
- ☞ Simple retail process
  - Low price, basic service
- ☞ Benefits of scale
  - Fast stock turn
  - Lower profits per car
  - Based on volume
- ☞ Price competition with quality channels

"Only real growth and change in the market"  
Service provider, UK

"Serious competition to dealer network"  
NSC, UK

"Our focus groups told us that customers don't like to buy the car in that way, and often the experience wasn't pleasant. But they beat us on price, and good choice of cars, sheer numbers of cars"  
Specialist NSC, UK

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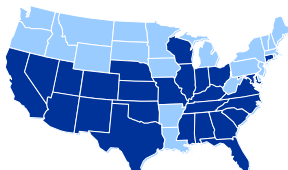
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## Largest super retailer - CarMax



- ☞ 89 locations in Feb 2008
- ☞ 57 'production': < 10 ha
- ☞ 32 'nonproduction': < 4 ha
- ☞ 45 markets in 25 states



State with CarMax location

- ☞ Used car focus
  - 6 new car operations
- ☞ No haggle pricing
  - Separate trade-in valuation
- ☞ Wide selection
  - 25000 national stock
- ☞ Quality vehicles
  - Multi brand, <6 years old, <60,000 miles
- ☞ Customer friendly sales process
  - 95% recommendation

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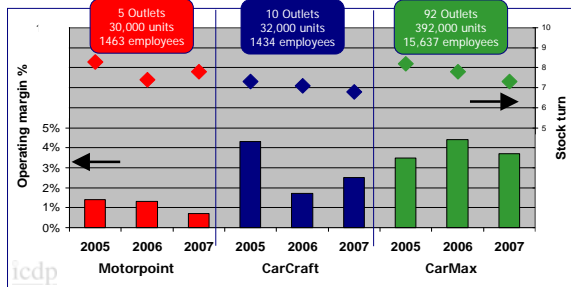
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## KPIs for car supermarkets



Source: Company accounts and ICDP

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## Other emerging players E.g. Auctions



icdp	Registered dealers	Cars sold 2006	Cars on offer, i.e.:	Costs for dealers	Online	Open for private cust.
Auktion & Markt	20,000	65,000	Leasing, Trade-In, insolvency, VM registrations	2%, min 170€ (Buyer), 120€ (Seller)	Yes	
Auto-Auktionen-Europa.de	2,040	900	80% insolvency, 10% leasing, 10% accidents	150€-250€	Yes	To sell
Autorola.de	17,000	10,000	UC (all ages), accidents	100€ (Sell) 160€-250€ (Buy)	Yes	To sell
BCA	41,000	106,000	Young UC, leasing, fleet, rental, etc.	2%, min 200€	Yes	
eBay-Motors	No registr. needed	175,200	All sorts	50€ (Seller only)	Yes	To buy/sell
Euro Car Auction Network	4,000	13,500	Leasing, over-production, insolvency	200€ (Buyer only)	Yes	

Source: ICDP Germany, Brachat 2007

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## Used cars: what role, what future?

- ☞ Spectrum of offers and channels for customers
  - Across a range of ages and values of cars
  - More reliable, lower real cost, lower risk
  - Multiple information sources
- ☞ Franchises struggle to keep up with market
  - Focused players achieve high KPIs and so RoI
  - Basic practices still not uniformly established
  - Standards approach is high cost, less valued
- ☞ But used cars still critical to market
  - Loyalty, conquest, after-sales ...

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