

Discounts remain a strong factor in new car sales

Which begs the question how sustainable is the current new car sales recovery? Another question is are we sitting on a finance time bomb thanks to the growth in balloon payment finance?

Meanwhile the race to be the biggest, or 2nd biggest, is back on although it will be interesting to see whether biggest remains a higher priority over the most profitable after the events of recent years, and are we heading towards the end of the traditional franchise dealer?

www.eurotaxglass.com

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Q1 car sales rise but discounting continues

As quarter one came to an end with continuing new car sales growth across Europe the challenge facing the industry is how much is real and sustainable and how much is on the back of continuing new car discounts and finance incentives. According to Automotive News the average discount level earlier this year was around 11-12% and looking at the latest discounts and current sub-vented finance rates little has changed. Barb Samardzich, Ford of Europe Chief Operating Officer confirmed that "The price war has not eased yet, we continue to see very aggressive pricing on existing models as well as very aggressive positioning of new products," whilst Volvo CEO Hakan Samuelsson described the price war as "a bit better" but adding that the current price position for car sales makes this "not the year to try to take market share." Meanwhile Bernstein Research has described pricing across Europe as being "damaged" citing Italy as "worse than most" with 30% of sales being "pre-registrations," But whilst forecasts for 2014 vary from 2.4% to 4% the one thing we all seem to agree on is the worst is currently behind us.

<http://europe.autonews.com/article/20140411/ANE/140409845/european-car-market-rebound-on-track-but-discounting-persists?ccid=email-ane-daily&r=1884G9220467G1V>

Negative equity the PCP time bomb

A further challenge facing those funding the increase in sales via PCP and balloon finance is will the cars returning in 3-4 years' time achieve the residual value set on them. A rising car parc and the continuing high discounts are creating a very real risk if no buffer has been set into the RV. This problem is already manifesting itself in the US where in quarter one 27.3% of new vehicle buyers with a trade in found themselves with negative equity compared to just 23.6% in 2012. What makes this even worse is that in the US loan terms are often much longer than in Europe and older cars tend to have far more stable used values.

http://www.autonews.com/article/20140409/FINANCE_AND_INSURANCE/140409836/negative-equity-ticks-up?ccid=email-autonews-fandi&r=1884G9220467G1V

Chinese car sales still rising but more modestly

But one country which is not currently facing these sorts of risks is China where new and used car demand is continuing to rise, up 6.6% in March, albeit at a slower rate than previously with the latest 2014 forecast being 8-10% growth compared to 13.9% in 2013. With China selling 2.17 million vehicles in March 2014 that is 143% more cars than the whole of the EU27 and EFTA3 sold together in March 2013

<http://www.reuters.com/article/2014/04/11/china-auto-sales-idUSB9N0N000520140411>



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Car sales flat in Russia

However Russia remains in the doldrums with sales flat last month with 243,335 cars and LCVs being sold. However after two months of decline that still puts Russia down 2% YTD. At a brand level the two market leaders Lada and Russia both saw sales fall 8% with Renault's partner brand, Nissan, gaining ground with a 20% increase in sales.

<http://europe.autonews.com/article/20140409/ANE/140409832/russias-car-sales-may-be-stabilizing-after-flat-march?ccid=email-ane-daily&r=1884G9220467G1V>

Audi ahead of Mercedes in race to beat BMW

Talking of gaining ground and after a record March Audi now leads Mercedes-Benz by 38,574 units in Q1 and was fractionally ahead of BMW after the first two months with BMW yet to announce their results. The news just adds to the feel good feeling in Wolfsburg where VW also managed to grow sales in March, up 4.8% thanks to growth in China and the recovering European market.

<http://www.reuters.com/article/2014/04/07/vehicleregistrations-volkswagen-audisale-idUSL6N0MZ25C20140407>

VW stick to their guns over €6.7bn bid for Scania control

Maybe it is the good news which is keeping VAG confident that there is no need to increase the current €6.7 billion offer for the rest of Scania after some minority shareholders rejected the deal as too low. However, whilst the current offer is 36% above the closing share price when VW made the offer in February, with VW keen to generate some significant savings by gaining full control of Scania and then developing a closer cooperation between itself, Scania and MAN, with which it already has a domination agreement, this is turning into an interesting game of brinkmanship.

<http://www.bloomberg.com/news/2014-04-11/scania-first-quarter-earnings-rise-17-on-europe-recovery.html>

French car orders up 10% in March

Back to new car sales and the faltering car sales in France now appears to be improving with a 10% increase in car orders in March, a precursor to future delivery trends. As expected the French brands were amongst the big winners in their own market with Renault up 31%, Peugeot up 20% whilst Citroen rose just 7%. But the premium brands also did well with BMW and Mercedes-Benz up 25% and 59% respectively thanks to a raft of new products

<http://www.reuters.com/article/2014/04/10/france-autos-orders-idUSL6N0N23S620140410>

Renault join Opel in race to be 2nd largest brand in Europe

Some things never change and just as we start to see some recovery in Europe the race to be the biggest starts again. First of all Opel CEO Karl-Thomas Neumann said his plan was for Opel to be Europe's second largest brand behind VW and now Renault Europe Chairman Stefan Mueller was made the same ambitious claim for the French manufacturer setting a target date of 2017 with a further goal of a 5% operating profit. Based on 2013 European sales and assuming Ford and Opel the current 2nd and 3rd players above Renault stand still, Renault will need to increase sales by almost 15% something that of the big players only VW has managed to achieve since the credit crisis (+15.5% in 2011). Whilst a raft of new products is always a good way to push up sales the other lever often used is discounting but this will carry a high price in terms of falling RVs if OEMs are not careful.

<http://europe.autonews.com/article/20140409/ANE/140409846/renault-aims-to-be-europes-2nd-largest-brand-by-2017?ccid=email-ane-daily&r=9775F5168356B7T>

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Toyota recall 6.4 million vehicles

Recalls are definitely becoming a weekly occurrence but Toyota announced a massive 6.4 million vehicle recall this week with five different faults ranging from steering faults to seats and covering 29 different models including RAV4 and Yaris.

<http://www.reuters.com/article/2014/04/10/toyota-motor-recall-idUSL3N0N116U20140410>

BMW more than double recall due to defective screws

But even past recalls are still blighting the industry with BMW announcing it will recall more than double the number of recalls due to the defective screw fault announced last week and are now recalling 489,000 vehicles worldwide. Whilst GM has announced it will take a \$1.3 billion Q1 charge for its recall problems which could result in its first quarterly loss for four years.

<http://www.bloomberg.com/news/2014-04-11/bmw-widens-recall-to-489-000-autos-on-engine-bolt-fault.html>

Audi target older car drivers with fixed price service plan

Staying with used cars and OEMs and dealers have been trying to crack the conundrum of how to keep drivers of older vehicles within the franchise network without adversely affecting parts revenue, some of which can straddle several years of production. With that in mind Audi has announced a new fixed price service plan in the UK this week aimed at 3-5 year old models. Although at £358.80 (£299+VAT) for one service and an oil change I still fear it is far too ambitious compared to non-franchise service rates.

<http://www.am-online.com/news/2014/4/10/audi-launches-new-fixed-price-service-plan/34835/>

Buyers take 7 weeks to change their car but visit just 2 dealers

Talking of getting people into franchise dealerships and a guide on am-online.com has revealed that it takes a UK consumer seven weeks on average to complete the process when they decide to change their car with most of the time done in research and online and only towards the end do they visit a dealer and even then on average they visit less than 2 before completing the deal. With online sales and research gathering momentum even with car sales are we heading towards an era where dealerships are no longer relevant with research sales and finance are all arranged online. Everything to fundamentally change the way cars are sold and maintained already exist and in recent discussions with industry experts the how is relatively straightforward the question is who will be the first to do it?

<http://www.am-online.com/news/2014/4/8/the-uk-car-dealer-s-guide-to-the-online-customer-journey/34804/>

Avis place world record order for 400 Nissan LEAF

Another changing habit is powertrains and this week Avis placed the world's largest single order for an EV after adding 400 Nissan Leaf's to its fleet. The vehicles are destined to meet the demand for business mini-leases in Denmark.

<http://evfleetworld.co.uk/news/2014/Apr/Avis-makes-worlds-largest-order-for-Nissan-LEAF/0438013813>

HyFive project sees €38 million put into hydrogen fuel cell research

And finally as EVs get a boost from Avis, hydrogen fuel-cells have received a €38 million boost thanks to a new private partnership covering five European member states Italy, Denmark, Austria, Germany and the UK and supported by BMW, Daimler, Honda, Hyundai and Toyota who will deploy a fleet of 110 vehicles, including 75 Hyundai ix35 FCEVs. The 21st Century powertrain battle heats up.

<http://internationalfleetworld.co.uk/news/2014/Apr/Europe-wide-38-euros-m-hydrogen-fuel-project-launched/0444013790>

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