

# AMM

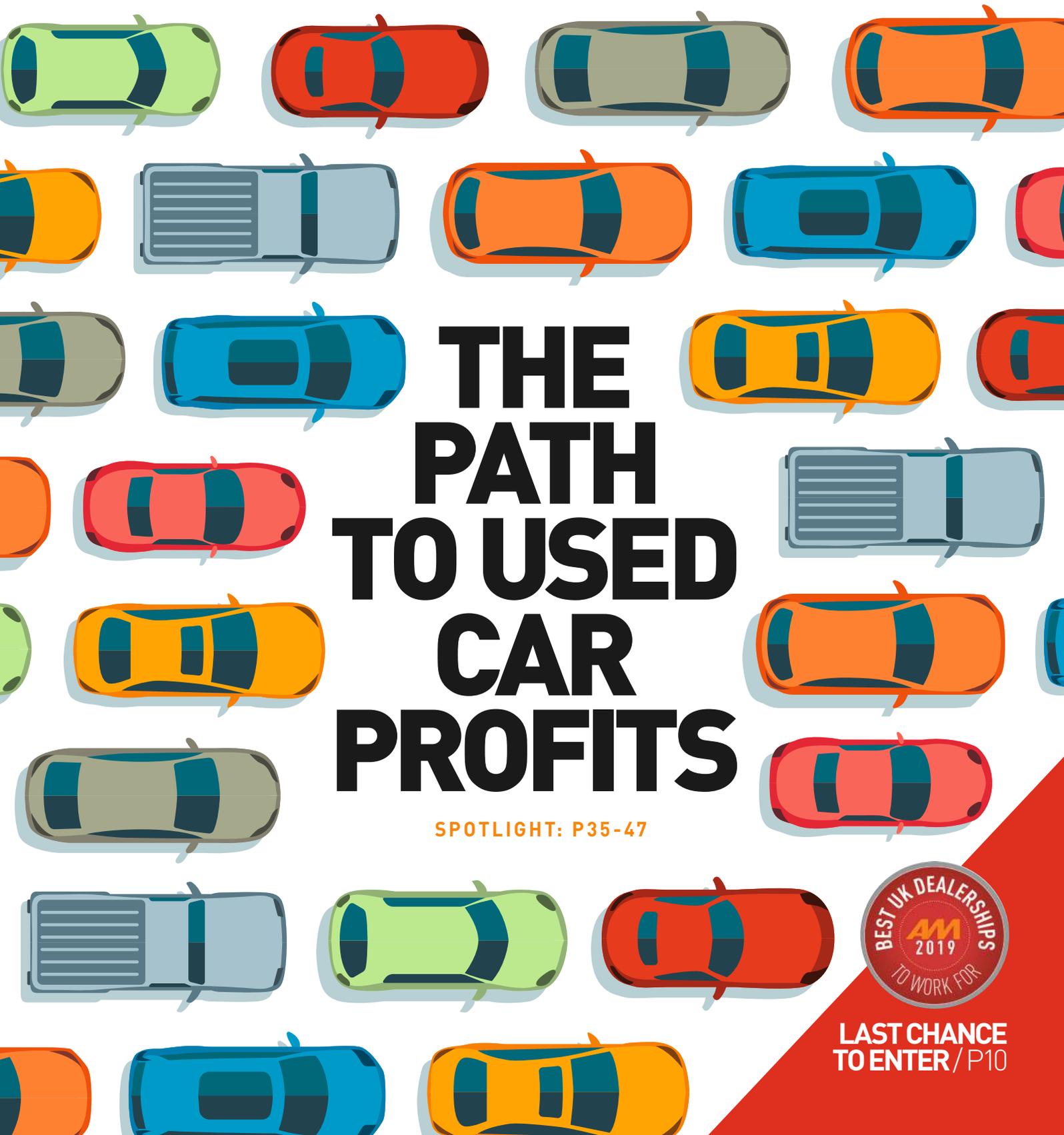
AUTOMOTIVE MANAGEMENT

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**SINCLAIR GROUP / P22**  
How MD Andy Sinclair made record profits with pre-owned cars

**PEUGEOT UK / P30**  
MD David Peel: 'Loss-making dealers have no future with us'



# THE PATH TO USED CAR PROFITS

SPOTLIGHT: P35-47



**LAST CHANCE  
TO ENTER / P10**

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# EDITOR'S LETTER

Industry experts have talked for years about consolidation in the UK's motor retail sector, where the number of large groups with country-wide outlets continues to increase. But what about motor manufacturers?

After recent reports that Tata may unload Jaguar Land Rover to PSA Group – since denied by all parties – it struck me that there must surely be more mergers and acquisitions on the cards for vehicle manufacturers in the next decade.

We are seeing partnerships in developing technology and expensive new powertrains. Alongside them, 'pooling' arrangements are being struck to soften the blow of emissions targets. In the longer term, carmakers must consolidate to be more efficient – if the politicians will allow it – and to remain relevant. If, and it remains a big if, fully autonomous cars ever become a reality, it will be the few that make it happen, not the many.

There are currently 26 new car brands with at least 0.5% market share in the UK. There are more than 40 marques on sale in total. Contrast that with the mobile phone market, which carmakers love to use to illustrate how modern consumers buy technology by monthly payment. There, consumers choose between about a dozen brands, and two of them account for more than three quarters of the market.

As motor retail moves online, won't the consumer want more simplicity?



## MEET THE TEAM



**Tim Rose**  
Editor



**Tom Sharpe**  
News and  
features editor



**Stephen Briers**  
Editor-in-chief



**Jeremy Bennett**  
Head of digital/  
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## WHATCAR?

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Sinclair  
Motor  
Group



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# WRITE-OFF SCAM DENTS DEALER REPUTATIONS

AM100 groups fall victim to unscrupulous write-off repairers exploiting insurance loophole to resell crash-damaged cars

**T**he data-driven push to deal in ever larger used car volumes and speed up stock turn on increasingly tight margins could be harming the reputation of franchised car retailers.

Following an investigation by *AutoExpress*, BBC One's *Rip-Off Britain* consumer watchdog show looked at two of the UK's largest dealer groups – Pendragon and Arnold Clark – which offered for sale cars discovered to be insurance 'write-offs'.

BBC presenter Angela Rippon told viewers of the show – which attracts audiences of up to 3.83 million – that a "little-known legal loophole" led to the failure to document almost 100,000 "write-off" vehicles a year.

One independent motor retailer, who asked to remain anonymous, said the rush to find stock for ever growing used car forecourts and the need to turn vehicles faster could be partially to blame.

"Too many car retailers have become enthralled by data, because all they understand is the speed it allows them to appraise a vehicle with," he said.

"With the high volumes and small margins that so many are dealing in, relying on apps and algorithms has become the only way to operate.

"The result is that many used car buyers now aren't skilled enough to, or focused enough on, identifying evidence of previous crash damage."

In March, *AutoExpress* highlighted the extent of written-off vehicles re-entering the market after significant collision damage was repaired.

While insurers must inform the

DVLA of vehicles it has written off, legislation does not require them to register the vehicles on the Motor Insurance Anti-Fraud & Theft Register (MIAFTR).

MIAFTR is the sole source used by most provenance check services – including HPI and Experian – to help retailers and consumers identify a severely damaged vehicle.

A Freedom of Information request found that the loophole was resulting in tens of thousands of damaged cars being repaired and sold on.

*AutoExpress* cited data that showed a discrepancy of 94,821 vehicles (including trucks, vans and motor-bikes) in 2016/17 and 91,156 in 2017/18 between the number of vehicles the DVLA had been told about and those registered on the MIAFTR database.

The publication listed a number of vehicles – identified by [www.vcheck.uk](http://www.vcheck.uk), which cross-checks write-off status against salvage auction records – that had been written off and later offered for sale without their status being flagged by HPI or Experian checks.

The cars identified included:

- A 2016 BMW M4 for sale a year after it was declared a Cat S write-off.
- A 2017 Honda Jazz for sale 10 months after it was declared a Cat S write-off.
- A 2016 Renault Captur for sale 13 months after it was declared a Cat S write-off.

An Experian spokesperson said: "We understand the cause for concern with the three vehicles highlighted. We use MIAFTR to check whether a vehicle has been marked as 'written off' by an insurer. However,

as none of the three vehicles were recorded as a total loss, they did not show as 'written off' on the vehicles' provenance reports.

"We will continue to work with our data and insurance industry partners to establish the circumstances behind these three vehicles."

Fernando Garcia, the consumer director of Cap HPI, said the issue was not as big as the *AutoExpress* data suggested, estimating that about 0.1% of the used cars sold last year may have been affected by the delay in registering write-offs on relevant industry databases.

He described the scraping of data from salvage yard websites for details of damaged cars as "an unreliable option".

Figures from Bill Fennell, chief ombudsman and managing director of The Motor Ombudsman, seemed to verify this. He told *AM* that just three (0.01% of 27,977) of the organisation's consumer complaints in 2018 related to the potential mis-selling of a written-off second-hand car.

Garcia said Cap HPI was working with industry partners and data providers to reduce this number further and expected a solution to be implemented within weeks.

He said: "We receive total loss data directly from a number of sources and offer a data guarantee to protect motorists in the small number of cases it may not cover.

"The HPI Check guarantee covers key areas such as stolen cars, outstanding finance, and mileage discrepancies, up to £30,000.

"If the consumer conducts an HPI Check and it did not show as a write-off, then they would be covered by our guarantee if they adhere to our terms and conditions, as well as all the buying advice detailed on [hpicheck.com](http://hpicheck.com)."

Phillip Wade, network develop-

**“MANY USED CAR BUYERS NOW AREN'T SKILLED ENOUGH TO, OR FOCUSED ENOUGH ON, IDENTIFYING EVIDENCE OF PREVIOUS CRASH DAMAGE”**





ment director at Stoneacre, said retailers have long been "duped" by write-off cars and called for a legislative solution.

"I've been in the business for 45 years and this has always been an issue and it is the retailers every bit as much as the consumers that are being duped," he said.

"A responsible trader will always buy back a car if evidence is seen subsequently that suggests a car has been badly damaged and that hadn't been previously identified. I've had to do it myself in the past and I still remember feeling mortified that we hadn't spotted the problems.

"There's one straightforward answer. If a car is declared a write-off, it should be immediately dismantled and only be allowed to be re-sold as parts.

"I'd also like to see all repairs carried out as a result of an insurance claim carried out by licensed body shops, using genuine OEM parts, and fully documented on a centralised database."

AM's independent car dealer source was one of many retailers who have been caught out by an unregistered write-off.

He said he recently travelled "the length of the country" to collect a Ford Fiesta, bought from a franchised retailer via Dealer-Auction.com, after it was given a clean bill of health with a HPI check and V5C documentation.

A full inspection revealed the car had been involved in a heavy rear-end shunt, which a previous owner confirmed when contacted.

A battle to secure a full refund – ultimately without travel and vehicle storage costs – ensued.

A spokesman for Dealer-Auction.com said: "We do our utmost to ensure that vehicles on our site are accurately described, and since February 2015, every vehicle listed on Dealer-Auction.com has been automatically Experian-checked, with any damage category displayed in red for potential buyers.

"The vast majority of transactions take place with no issues at all. If a problem does arise though, we work hard to mediate between buyer and seller to reach a satisfactory outcome. In the unusual event that a seller is deliberately mis-describing vehicles, we reserve the right to deactivate their account. However, it is very rare that we need to take this course of action."

*Rip-Off Britain* employed forensic vehicle expert John Dabek to carry



The car above was sold to a trade operator by a franchised dealer. The image, left, supplied by a previous owner, later confirmed it had been an insurance write-off

out its investigations into vehicles offered for sale by Arnold Clark and Pendragon's Evans Halshaw and Car Store dealerships in March.

Dabek spotted tell-tale signs of the cars' past and was surprised, given the repairs, that no concerns were raised before they ended up on sale.

In a statement to AM, Pendragon said it was reviewing its vehicle inspection processes and was now asking vehicle sellers for proof of purchase in instances where they had been the owner less than 12 months.

"It is not the policy of our dealerships to knowingly sell vehicles with serious historical damage," it said.

Pendragon said customer safety was its absolute priority, stating that all the vehicles it retails are checked by vehicle manufacturer-trained technicians or independent AA engineers and are subject to full CAP HPI background checks. It added that 28% of the vehicles it purchased in 2018 did not meet its standards for retail sale to consumers.

"None of the vehicles highlighted in this report were considered to be unsafe by the independent forensic expert and had the MIAFTR record been correct, our checks would have revealed that the vehicles did not meet our standards," it added.

A statement from Arnold Clark Automobiles said: "We regularly review our processes and procedures throughout the business and this applies to the checking of

vehicles that we are considering bringing into stock for retail sale.

"We also source vehicle history information from a third-party provider and, as a consequence of the BBC investigation, we have commenced discussions with them regarding the accuracy of the data which they provide."

Arnold Clark said it expected the issues to feature in "cross-industry discussions involving various interested parties in the coming weeks".

Steve Nash, chairman of the Institute of the Motor Industry (IMI), said he would like qualified technicians to be more closely aligned to the inspection process to ensure write-offs never make it on to forecourts.

"It's clear that insurers play a big part in this issue and have a direct interest in the revenues they earn from salvage," he said.

"One of my non-executive directors, who runs a dealer group, told me just a day or two ago that they re-acquired a vehicle that had been damaged, written off and fully settled by their insurers, just so they could present it to the insurance company and show them how these cars are finding their way back into the market.

"I think in most cases the dealers are innocent victims here, acquiring the used vehicles for sale with no idea of their history. The existing systems for recording and identifying write offs seem woefully inadequate."

TOM SHARPE

ADVERTISING FEATURE

# Video skills will be vital for technicians

By Alistair Horsburgh, CEO, CitNOW



One in five workshop professionals already believe personalised video will be among the most important skills for technicians of the future, according to our latest research.

Our recently launched report, 'Workshop Professional of the Future', questioned automotive professionals from the franchised and independent sectors to find out their views on how jobs in the workshop will change.

**Personalised video will more than double in importance over the next five years**

Many technicians already use personal video to explain electronic vehicle health check (eVHC) outcomes and work required on vehicles. Almost a fifth of respondents consider video skills to be among the most sought-after in just a few years' time, which reflects the growing prominence of the medium.

Technicians feel they are well prepared for a future in video, with just one in 10 feeling there is a skills gap with using video technology (12%). This is likely due to a number of reasons, including younger technicians having grown up in a digital world and therefore being more familiar with technology, the fact that video communication has been deployed for more than a decade, so is very much at home in the workshop, and CitNOW's ongoing investment in training and resources to ensure employees remain up to date with the latest developments.

Given the majority of the consumers surveyed by CitNOW wanted to have more communicative workshop technicians, the ability to use video technology to support that is quickly becoming an expected skill. Add a personalised approach and it will be the difference-maker for building a long-lasting relationship with the aftersales department.

■ For more details, please contact us at [reply@citnow.com](mailto:reply@citnow.com), call 01189 977 748, or visit [www.citnow.com](http://www.citnow.com)



# THIS MONTH'S NEWS HIGH

APR

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**PENDRAGON REVIEWS BUSINESS AFTER £2.8M LOSS**

Pendragon's new leadership team is conducting an operational and financial review of the group following an underlying loss before tax of £2.8m in Q1. A day after the interim results were published, AM revealed that Car Store divisional director, Chris Caygill, was away from the business on 'gardening leave'.

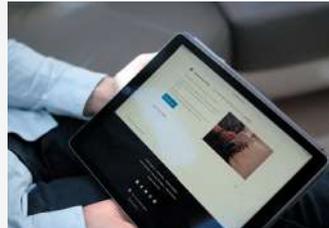
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**BAYLIS GROUP SECURES NEW CIRENCESTER SITE**

Baylis Group has secured the future of 30 employees at its Cirencester Vauxhall dealership after it was served notice on its site due to redevelopment. The group has taken a long-term lease at the former Mitsubishi site on Gloucester Road, Stratton, and has nearly completed a refurbishment bringing the site up to Vauxhall franchise standards.

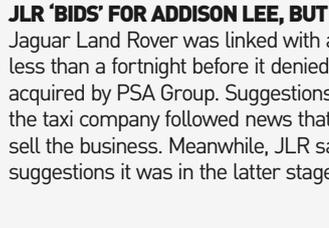
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**UK DEALERS FIRST TO GET VOLVO ONLINE SALES SYSTEM**

Volvo's UK dealers have started online sales of new cars, giving customers the ability to sign online finance agreements electronically. Volvo Car UK managing director Jon Wakefield said about 20% of the network had signed up to Volvo Online at launch, adding that he expected that to rise to 80% within a month.

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**JLR 'BIDS' FOR ADDISON LEE, BUT DENIES PSA SALE TALKS**

Jaguar Land Rover was linked with a purchase bid for Addison Lee less than a fortnight before it denied rumours that it was to be acquired by PSA Group. Suggestions of a £300 million bid for the taxi company followed news that the Carlyle Group plans to sell the business. Meanwhile, JLR said there was 'no truth' in suggestions it was in the latter stages of talks with PSA.

**PERRYS LAUNCHES NEW LEASING SERVICE**

Perrys Motor Sales has launched a new leasing service in response to the "seismic shift of millennials preferring to rent rather than buy". Executive director Denise Millard (pictured, right) said of Perrys Leasing: "We hope that our customers – from the public through to business owners with small fleets – truly feel the benefit."



MAY

02

## PROFITS INCREASE 35% AT SWANSWAY AS TURNOVER FALLS



Swansway Motor Group reported a 35% increase in profit before tax (to £6.9m) in its 2018 financial results – despite a decline in turnover. PBT at the Smyth family-owned 17th-placed AM100 group

has risen by £1.8m after goodwill amortisation of £975,000, as turnover declined by £32 million from 2017's £779.9m.

## TRUSTFORD OPENS 10-ACRE YORKSHIRE PDI CENTRE

TrustFord opened a new 10-acre pre-delivery inspection (PDI) and vehicle preparation centre in Sherburn in Elmet, North Yorkshire, amid plans to grow its fleet volumes to "50,000 to 60,000" in 2019.

## VERTU'S 16.8% PROFIT DIP A CREDIBLE RESULT, SAYS JONES



Peter Jones, the chairman of Vertu, described the group's 2018 financial performance as "a credible result" despite a 16.8% decline in profit before tax. The group's 5.8% increase in used car volumes and 7% aftersales revenues growth did not arrest an overall PBT decline to £25.3m (2018: £30.4m). Jones also announced that he would step down from his position "in the coming months".

## PEUGEOT VOTED UK'S MOST DEPENDABLE CAR BRAND

Peugeot was ranked as the UK's most dependable car brand in JD Power's 2019 UK Vehicle Dependability Study. Volvo was the only premium brand to make the top 10 of the survey, which is based on responses from 11,530 owners of vehicles registered between November 2015 and January 2018.

## HIGH-LUXURY PIVOT PAYS OFF IN PROFIT RISE FOR CAMBRIA



Cambria Automobiles' expansion into the high-luxury sector fuelled H1 results showing a 4.5% increase in turnover (to £308.3 million) and a 14.6% rise in underlying profit before tax, to £5.5m. Chief executive Mark Lavery (pictured), said: "Seven or eight of our 27 franchised sites are now very immature, so we're confident that there's a lot more to come."

## NFDA LAUNCHES OLEV-BACKED EV EXCELLENCE SCHEME

The National Franchised Dealers Association (NFDA) launched the Electric Vehicle Approved (EVA) scheme at the House of Commons. Developed by the NFDA and endorsed by the Government's Office for Low Emission Vehicles (OLEV) and the Energy Saving Trust (EST), the scheme aims to certify retailers' excellence in the electric vehicle sector.

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## ADVERTISING FEATURE

# BCA launches quarterly updates for Dealer Pro

By Stuart Pearson, COO, BCA UK Remarketing



BCA has announced a programme of regular upgrades for its unique Dealer Pro product in 2019, with quarterly enhancements planned and further integration with dealer management systems.

Dealer Pro is a digital product used by leading franchised and

independent dealers to manage their part-exchange processes and is integral to many manufacturers' used car and online retailing programmes.

Last year was a transformational year for the service, with more than two million vehicle appraisals and valuations conducted along with the launch of the Dealer Pro app. The valuations system embedded in the product reflects current trends by using up-to-date market intelligence to ensure that both dealers and consumers have additional confidence in the value generated.

Dealer Pro from BCA not only makes dealers' lives easier by adding integrity to the consumer part-exchange process, but also has the added benefit of offering the option of funding the part-exchange itself to manage cash flow, via BCA Partner Finance.

To drive further efficiencies for its customers, BCA is working on a series of integrations with leading technology providers including Dealerweb, EnquiryMAX, Pinewood, Fast Track and CDK. By working closely with customers and utilising Agile development methodology, BCA ensures that regular upgrades and improvements provide the features that customers need.

The Dealer Pro platform also enables dealers to manage inventory and decide which vehicles to remarket through BCA, while BCA Partner Finance offers dealers secure funding to purchase used cars at BCA and through part-exchange.

Together, Dealer Pro and Partner Finance create a flexible and scalable stock management solution, allowing dealers to react quickly to market conditions and make the most of profit opportunities that arise.

■ Log on to [bca.co.uk](http://bca.co.uk) or call 0844 875 3480





# LAST CHANCE TO ENTER

## ‘WE FIND THE AWARD INVALUABLE’

Survey feedback was a vital tool to promote happy workers, says Drayton Motors Kia, Boston

**D**rayton Motors has entered AM’s Best UK Dealerships to Work For for the third year after it became an “invaluable” tool to gather honest opinions from staff about the business.

A previous winner of the free annual employee survey, Drayton

has been recognised as one of the best dealerships to work for two years in a row.

Group director Darren Bradford said: “It’s a privilege to be able to say that we have won ‘Best UK Dealership to Work for’ two years in a row.

“We find it invaluable to pull all of

our staff together and gather their honest and anonymous opinions about the business. We can build on this feedback to ensure that we have a happy workforce.”

Franchised dealerships can sign up with the reassurance that, should their the results not prove strong enough to be listed as part of AM’s Best UK Dealerships To Work For, no one outside of the business will know and the feedback can be used to improve.

Those businesses that are successful will get free use of the AM Best UK Dealerships To Work For logo for recruitment marketing; a trophy to display in the workplace; press release templates to promote their win; and free registration to AM’s flagship Automotive Management Live 2019 exhibition at Birmingham NEC, where the awards will be presented.

The top-ranking dealership will also receive a VIP invitation to join

AM on the front tables of the 2020 AM Awards.

Although no purchase is necessary to take part, entrants have the option to purchase a detailed report from Best Companies Group, with the employees’ anonymised verbatim comments and benchmarking data.

Bradford said the entry process was “straightforward and everything is emailed and explained well”.

“You are guided through the process and kept informed at all stages so that you can prepare staff for what you need them to do,” he said.

“The questionnaires are good because not only do we collect the views of our staff, but it also makes them think and reminds them of all that we offer a business.

“It’s no secret that we spoil our employees, but we need to ensure that they appreciate this.”



Drayton Motors director Darren Bradford (second from right) receives the award from sponsors Premia Solutions’ sales and marketing director Ian Simpson (second from left), and LTK Consultants’ managing director Andrew Landell and operations director Vanessa Kendrick

### Benefits

What the businesses that become 2019 AM Best UK Dealerships To Work For get:

**FREE** use of AM Best UK Dealerships To Work For logo for your recruitment marketing

**FREE** Best Dealership To Work For trophy to display in the workplace, and press release templates for your use

**FREE** registration to our flagship Automotive Management Live 2019 exhibition at Birmingham NEC, where the awards will be presented

**FREE** publicity in AM magazine and AM-online

# Register by June 7

## www.bestukdealerships.com

**For the third year, AM is running the AM Best UK Dealerships To Work For programme**

Employees at our 2018 Best Dealerships felt supported, respected and recognised for their good work. They have strong connections with supervisors, can share their opinions and feel they have chances to progress their careers and training. If your workforce feels similarly, register your

dealership for our 2019 programme, run in partnership with Best Companies Group. It's totally FREE and there is no risk – if your survey results are not strong enough to make the listing, no one outside your business will ever know. But if they are, you will be celebrated as one of the best.

## 'STAFF RETENTION HIT A RECORD HIGH'

Using win on social media made us stand out as a good place to work, says Roadside (Garages)

**F**amily-owned Kia dealership Roadside (Garages) has increased its staff retention to the highest in its history as a direct result of getting involved in AM's Best UK Dealerships to Work For programme.

The Coleraine-based business was recognised as one of the 11 best in the UK out of more than 45 dealerships that registered to take part in the free employment survey last year. Roadside also qualified as one of the UK's best in 2017.

David Boyd, Roadside director, said: "Our staff retention has never been so high as it is today and this has definitely been as a result of the awards.

"In addition, being able to use this accolade on social media and advertising has been of added benefit in making Roadside stand out as a better place to work than the competition."

Registration for this year's free Best UK Dealerships to Work For survey is still open, but the June 7 deadline is fast approaching.

Boyd said while his business has always engaged well with staff, getting involved with the Best UK Dealerships to Work For survey over the past two years helped to refocus the company on making sure everyone feels part of the family.

Roadside's initiatives included an on-site café that bakes cakes for staff members on their birthday.

It also serves subsidised, freshly cooked food, including daily specials and desserts on Fridays.

Other enticements employees rated highly include subsidised gym membership, an employee car scheme, bicycle loans and options for medical insurance and health screening.

Boyd said: "We have learnt that staff view their place of work as an environment where they like to feel



Roadside (Garages) director David Boyd (second from right) receives the award from sponsors Premia Solutions' sales and marketing director Ian Simpson (second from left), and LTK Consultants' managing director Andrew Landell and operations director Vanessa Kendrick

safe and satisfied. Reducing staff turnover helps create such an environment. It helps staff feel more content about where they work and it saves you a lot of time, effort and money if you can minimise turnover."

AM editor Tim Rose urged dealerships to get involved with the

2019 survey to build on the success of the programme.

He said: "Make the grade and you'll feature in these awards next year.

"And if you don't, you'll at least understand how your employees view their place of work, and identify areas you can improve."

**FREE** The head of the overall highest-scoring dealership will receive a VIP invitation to the 2020 AM Awards, to join AM on the front tables, and to be presented with their award again on the grand stage at our flagship event

**OPTIONAL** You can purchase a detailed report from Best Companies Group, with your employees' anonymised responses to each of the survey's questions, verbatim comments and benchmarking data. **This is purely optional.** No purchase is necessary to take part

A risk-free way to assess and promote your dealership

# PRIVATE REGISTRATIONS PLUMMET 10.3% IN APRIL

Fleet sales' 2.9% flurry offsets worrying decline as Brexit puts off non-corporate customers

**A**pril's overall market decline of 4.1% was not terrible, but at 161,000 vehicles, it was the second-lowest April registration figure since 2012. More worrying, perhaps, was the 10.3% decline in registrations to private customers (fleet sales were up 2.9%).

What seems to be happening is that Brexit is making private buyers increasingly nervous, but companies still need the same number of cars on their fleets. Total year-to-date registrations are down by 2.7% year-on-year, which is a respectable figure under the circumstances.

At a manufacturer level, market-leader Ford continues to have a torrid time. Market share is 10% YTD, due to a 15.9% decline in registrations. The main culprit is the once all-conquering Fiesta, which is down 28.4% so far this year. That means the forthcoming Puma B-segment crossover will have a lot of work to do – at least with a Fiesta platform, it should drive better than the Ecosport.

Even the new Focus (up 9.8%) is not without its issues – it is neck-and-neck with the Golf for segment leadership, but it is only 1,000 units ahead of the Mercedes-Benz A-Class. Could we see Mercedes take segment leadership of the small

family car segment in the UK? When the wobbly, badly-made 1997 A-Class first appeared, the idea that it would one day vie with Ford for the No.1 spot would have seemed preposterous.

In second place, VW continues to make progress, with market share up to 8.7% YTD, from 8.1% in the same period of 2018. This is mostly due to the new Polo and the T-Roc C-segment crossover. Immediately behind VW is Vauxhall, who actually managed to increase market share (7.6% YTD vs 7.4%). However, Mercedes, in fourth place, managed to outsell Vauxhall in the month of April (YTD, Mercedes is slightly behind at 7.4%). Mercedes will be also pleased that it is maintaining its significant lead over BMW, which has a 6.7% market share YTD.

The third member of the German premium brand club, Audi, is still struggling to recover from the sales fall caused by problems homologating cars for the WLTP emissions tests in late 2018. Market share is down to 6.3% YTD from 6.9%, but few doubt that Audi will soon recover its market share losses.

The other brands in the Top 10 are all Asian – two Japanese and two Korean. If you regard VW as a semi-premium brand (positioned somewhere between Ford and Audi), that means there are no

mainstream European brands represented. That is a huge change over the past 15 years: both Peugeot (now 11th and Renault (now 15th) were once major players in the UK market.

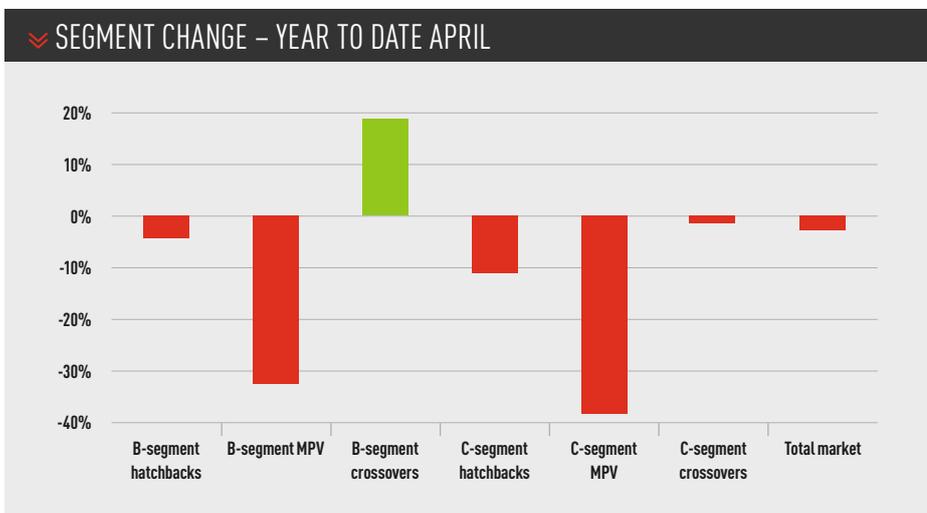
The situation with the UK's most important manufacturer, Jaguar Land Rover, is mixed. Land Rover's market share was up slightly from 3.3% to 3.4%, with most models either stable or growing slightly. However, the Discovery is still in serious trouble, with registrations falling by 24.3% YTD. The Discovery, once Land Rover's heartland car, is now the company's slowest-selling model. It is being outsold 2:1 by the Velar. What the sales mix was intended to be at launch is unclear, but it is a pretty safe bet that the Discovery was intended to be a bigger seller than the niche Velar.

At Jaguar, there is some progress. Market share is up from 1.4% to 1.6% YTD, mostly thanks to the new I-Pace. The XE and XF have increased registrations slightly, but they are still behind the equivalent Volvo models (S60/V60 and S90/V90 respectively). Jaguar will be very disappointed that they cannot sell more executive saloons in their home market than Volvo.

On the subject of Volvo, the company continues to be the star performer of the whole market, with registrations up 30.7% YTD, and market share up from 1.7% to 2.3%. The best performance has come from the XC40, which is currently outselling both the Audi Q3 and BMW X1, but almost all Volvo models are showing gains. For the first time this century, Volvo is making models that can win against the three big German premium brands.

The other major winner has been Dacia, albeit from a lower base (in terms of both sales and market position). The new Duster has led to a rise in market share from 1% to 1.5%, although it was always expected that a new Duster would make a big impact – it is their most significant model, as it adds character to the usual Dacia recipe of low prices.

At a segment level, the story is of continued consolidation. That may seem a strange thing to say when the number of models on sale appears to be proliferating, but the B and C segments now jointly account for close to two thirds of total sales – 56.8% to be precise. There are more crossover variants of superminis and small family cars on the market,



**SPONSOR'S COMMENT**



**By Richard Jones, managing director, Black Horse**

The third area of focus in my look at the FCA's motor finance report is lender controls and the frameworks operated between lenders and intermediaries to monitor risk. The FCA feels some lenders are not taking reasonable steps to manage intermediaries' adherence to the rules in the Consumer Credit sourcebook (CONC). I believe the regulator is signalling that lenders cannot assume FCA-authorized intermediaries are fully CONC-compliant – we need to have oversight of the sales processes, the information provided to customers, and to have confidence that customers are getting the right outcomes.

There are a number of angles to consider:

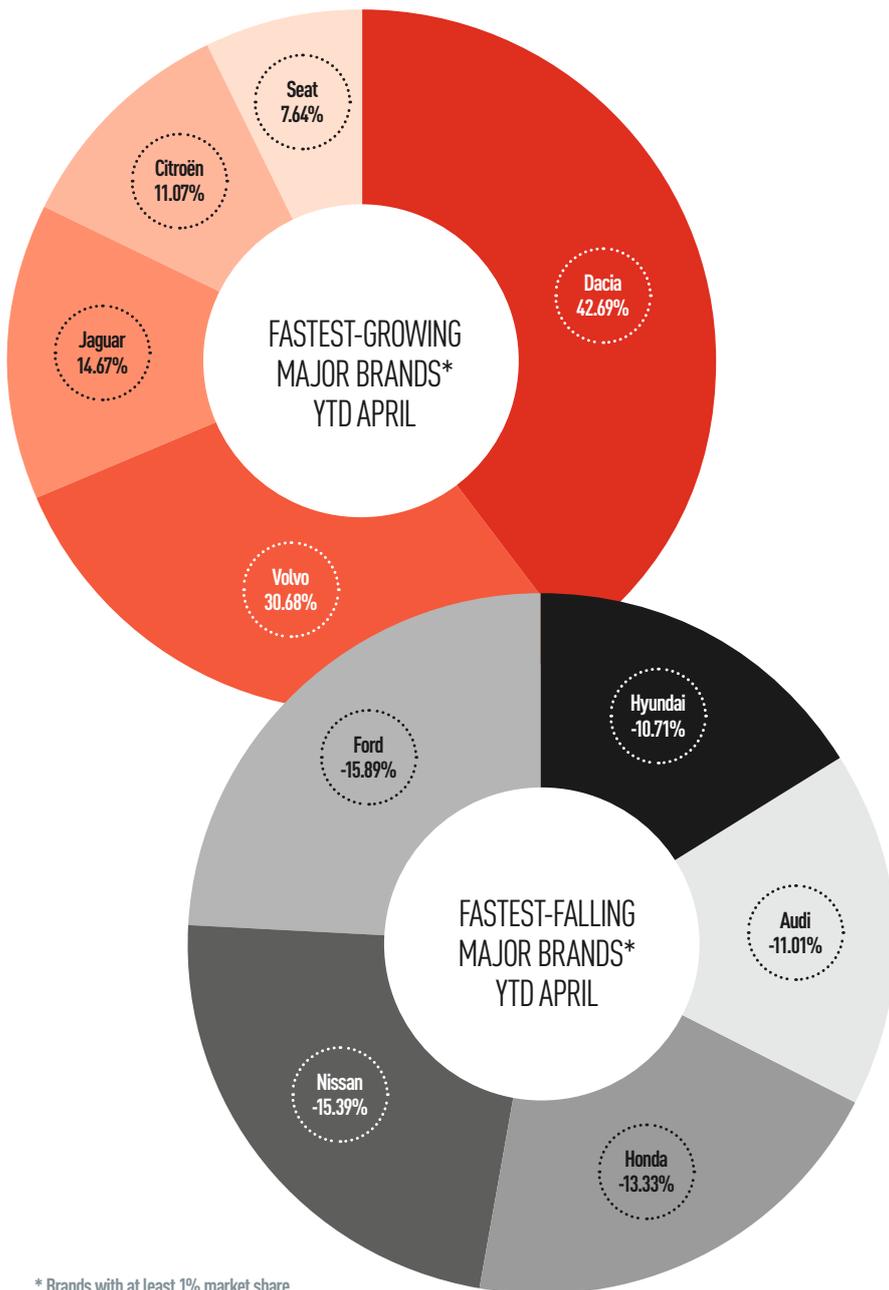
■ **Training and guidance** – lenders should ensure intermediaries have access to up-to-date product guides and training materials, including reinforcing some of these as mandatory, to ensure consistency on regulatory requirements

■ **Tools and management information** – lenders can support intermediaries with accessible management information to help them self-regulate

■ **Feedback loops** – via programmes such as mystery shopping or customer contact post-sale, lenders can understand who is performing well and who needs more support. This should form part of an ongoing dialogue and drives forward continuous improvement and the sharing of best practice in the customer journey.

At Black Horse, we provide services and support in all these areas, helping our intermediaries to evidence their compliance with CONC, providing a vital second perspective to their own internal control and oversight. It's an important value-add.

I also want to touch briefly on the FCA's very recent general insurance (GI) publication concerning GI manufacturing and distribution. The FCA highlighted risks that can lead to customers purchasing inappropriate products, paying excessive prices or receiving poor service. It challenges whether insurance products offer good value once costs of distribution are factored in, including products distributed through the motor market – for example, GAP and other insurance products offered alongside car-buying. Next month, I will share my thoughts on how to define value for such products, helping motor retailers to think about how to respond to this important FCA review.



\* Brands with at least 1% market share

but that is coming at the expense of other sectors. The supermini segment is sucking sales out of the A segment (city cars), which has seen market share fall to 6.8% YTD from 7.3%. Similarly, the small family segment is destroying the D segment (large family cars such as the Mondeo), which is down to 2.1% YTD, from 2.7% a year earlier. Even specialist sports cars have fallen sharply, from 1.6% to 1.2%, and most of those sales are of luxury models, such as the Porsche 911. Young people

tend to associate "cool" with a chunky-looking crossover, not something small with two seats.

Indeed, some non-premium segments are dropping so fast they may, in effect, cease to exist. The industry has traditionally treated large family cars, affordable sports cars/coupés, and large MPVs as discrete segments. With combined market share of all three segments now below 3% of the market, it may no longer be worth even measuring them, let alone make products to sell in them. **DAVID FRANCIS**

NEW CAR REGISTRATIONS

# April market second-lowest in seven years

The UK's new car sales market declined once again in April as registrations fell 4.1% to the month's second-lowest total since 2012, the SMMT reported.

Private registrations fell by 10.3%, or 7,767 units, business demand dropped 32.7%, or 1,578 units, but fleet demand grew 2.9%, or 2,498 units.

Petrol cars' share of the market continued to grow, reaching 64.7% from 64% in April 2018. Alternative fuel vehicles' share has risen from 5.4% to 6.4%, equating to 1,152 extra registrations in the month.

**1 BMW**

Almost a 20% rise in April (1,790 extra units) was purely due to fleet registrations, where demand for the 3 Series, 5 Series and i3 was strong, but BMW's private orders dropped by 5%.



**2 LAND ROVER**

Up 13% (661 units) overall, the SUV brand grew retail registrations strongly (576 units), almost exclusively with the Discovery Sport.



**3 RENAULT**

Down 27% (1,201 units) overall, only its Zoe electric car pulled ahead of its April 2018 performance, a 9%, or 11-unit, rise. Even Renault's Captur and Kadjar SUVs went into reverse.



Marque	April				% change	Year-to-date				% change
	2019	% market share	2018	% market share		2019	% market share	2018	% market share	
Ford	18,074	11.22	20,114	11.98	-10.14	85,848	9.96	102,071	11.52	-15.89
Volkswagen	15,161	9.41	14,607	8.70	3.79	74,680	8.66	72,065	8.13	3.63
Audi	12,454	7.73	13,135	7.82	-5.18	54,330	6.30	61,050	6.89	-11.01
Mercedes-Benz	11,739	7.29	11,854	7.06	-0.97	63,612	7.38	63,027	7.11	0.93
<b>1</b> BMW	10,868	6.75	9,078	5.41	19.72	57,621	6.68	56,471	6.37	2.04
Vauxhall	10,639	6.61	11,214	6.68	-5.13	65,563	7.61	65,749	7.42	-0.28
Kia	7,472	4.64	6,872	4.09	8.73	37,426	4.34	35,623	4.02	5.06
Hyundai	6,468	4.02	6,987	4.16	-7.43	31,245	3.62	34,991	3.95	-10.71
Nissan	6,340	3.94	7,448	4.44	-14.88	35,742	4.15	42,242	4.77	-15.39
Toyota	6,067	3.77	6,713	4	-9.62	38,048	4.41	39,928	4.50	-4.71
<b>2</b> Land Rover	5,688	3.53	5,027	2.99	13.15	29,528	3.43	28,842	3.25	2.38
Škoda	5,680	3.53	6,216	3.70	-8.62	27,672	3.21	27,827	3.14	-0.56
Peugeot	5,674	3.52	6,225	3.71	-8.85	30,916	3.59	30,868	3.48	0.16
Seat	4,882	3.03	5,315	3.17	-8.15	25,517	2.96	23,705	2.67	7.64
Volvo	3,971	2.47	3,782	2.25	5	20,175	2.34	15,439	1.74	30.68
Citroën	3,628	2.25	4,024	2.40	-9.84	20,764	2.41	18,695	2.11	11.07
<b>3</b> Renault	3,261	2.02	4,462	2.66	-26.92	22,291	2.59	24,066	2.72	-7.38
Honda	2,912	1.81	3,089	1.84	-5.73	18,397	2.13	21,226	2.39	-13.33
Jaguar	2,607	1.62	2,414	1.44	8	13,901	1.61	12,123	1.37	14.67
Mini	2,502	1.55	3,846	2.29	-34.95	20,636	2.39	20,855	2.35	-1.05
Dacia	2,060	1.28	1,919	1.14	7.35	12,986	1.51	9,101	1.03	42.69
Mazda	2,033	1.26	1,673	1	21.52	15,091	1.75	15,845	1.79	-4.76
Suzuki	2,027	1.26	2,121	1.26	-4.43	14,007	1.62	13,444	1.52	4.19
Fiat	1,892	1.17	2,166	1.29	-12.65	12,848	1.49	13,710	1.55	-6.29
Porsche	1,717	1.07	1,646	0.98	4.31	4,132	0.48	5,720	0.65	-27.76
Mitsubishi	1,063	0.66	1,189	0.71	-10.60	6,579	0.76	7,186	0.81	-8.45
MG	980	0.61	829	0.49	18.21	3,996	0.46	2,604	0.29	53.46
Lexus	884	0.55	678	0.40	30.38	5,290	0.61	4,751	0.54	11.34
Smart	410	0.25	495	0.29	-17.17	2,116	0.25	2,562	0.29	-17.41
Jeep	371	0.23	477	0.28	-22.22	1,918	0.22	2,205	0.25	-13.02
Alfa Romeo	240	0.15	304	0.18	-21.05	1,263	0.15	1,762	0.20	-28.32
Abarth	212	0.13	358	0.21	-40.78	1,444	0.17	1,885	0.21	-23.40
Bentley	132	0.08	107	0.06	23.36	561	0.07	517	0.06	8.51
SsangYong	113	0.07	151	0.09	-25.17	825	0.10	1,016	0.11	-18.80
DS	107	0.07	529	0.32	-79.77	1,181	0.14	2,637	0.30	-55.21
Subaru	101	0.06	153	0.09	-33.99	981	0.11	1,131	0.13	-13.26
Maserati	94	0.06	103	0.06	-8.74	370	0.04	539	0.06	-31.35
McLaren	63	0.04	55	0.03	14.55	204	0.02	268	0.03	-23.88
Infiniti	37	0.02	72	0.04	-48.61	130	0.02	385	0.04	-66.23
Lotus	21	0.01	32	0.02	-34.38	54	0.01	92	0.01	-41.30
Alpine	8	0	0	0	0	51	0.01	0	0	0
Chevrolet	1	0	3	0	-66.67	4	0	20	0	-80
Other British	135	0.08	169	0.10	-20.12	824	0.10	678	0.08	21.53
Other Imports	276	0.17	260	0.15	6.15	1,333	0.15	1,479	0.17	-9.87
<b>Total</b>	<b>161,064</b>		<b>167,911</b>		<b>-4.08</b>	<b>862,100</b>		<b>886,400</b>		<b>-2.74</b>

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## FINANCE OFFERS

# Finance prices rise as carmakers ease off in Q2

**F**unding a vehicle through retail finance offers has become more expensive in Q2, with average monthly payments increasing by 4%, from £311.40 to an average of £324 a month.

According to AM's analysis of 288 manufacturer representative retail offers from their websites, price increases are across the board, with average deposits up by 16% to £6,092 and average balloon payments up by 11.3% to an average of £12,929.

The level of 0% offers across the industry has also dropped 19%, with 51 vehicles available with no interest, compared with 63 offers in Q1.

The manufacturer finance houses will be generating higher margins on cars funded throughout Q2, as the average APR has also increased from 3.78% in Q1 to 4.28%.

Part of this is seasonal, as manufacturers are not pursuing customers quite as aggressively as in Q1 for the plate-change month.

The market is not moving radically – nearly two thirds (63%) of all offers are priced either at or below that £324 average monthly price for Q2.

There is also a trend in Q2 towards four-year offers, with almost 70% of the market's representative examples calculated at 48 months.

Dacia maintains the lowest-priced offer again in Q2, with its Sandero at £79 a month. The Mitsubishi Eclipse Cross is close behind at £79.78 and while it attracts a much higher deposit of £9,398 for its offer, it is available at 0%.

The S-Class 560 AMG Line Coupé is at the other end of the spectrum, with a monthly payment of £1,189, making it the most expensive model by monthly payment in Q2. The cost isn't surprising for such a premium, performance Mercedes and most of the more expensive end of the table is premium niche products, but there are some outliers.

Kia has its e-Niro in the second half of the table with an offer at £517.12 a month and the Stinger at £534.64. This puts these models in close company with an Audi A7 Sportback and Audi RS 3 in terms of monthly affordability.

Citroën takes the title for the highest APR rate in Q2 at nearly 8% on the Citroën C4 Cactus. The Seat Mii also attracts a higher APR than average at 7.3%, while Audi, Range Rover and Mitsubishi are all pushing higher APRs on their niche products.

Diesel's decline continued in Q1 by 20.3% and, anecdotally, many of the representative examples show the petrol engine example first to consumers browsing online. Petrol and alternative fuel vehicle (AFV) registrations are just about picking up the slack from diesel.

Toyota has the most affordable hybrid, with a 0% offer at £189 a month for its Yaris Hybrid Icon Tech.

## TOP FINANCE DEALS FOR RETAIL BUYERS

Model	Finance type	Deposit	Term	Monthly payment	Final payment	APR	Offer ends
<b>Top 10 most affordable by monthly payment</b>							
Dacia Sandero Access Sce 75	PCP	£1,161	48	£79	£2,974	6.9%	01/07/2019
Mitsubishi Eclipse Cross 3 Petrol Manual 2WD	PCP	£9,398	36	£79	£11,225	0%	26/06/2019
Mitsubishi Mirage 3 Petrol Manual	PCP	£3,999	36	£80	£4,166	6.9%	26/06/2019
Dacia Sandero Stepway Essential Sce 75	PCP	£1,769	48	£99	£3,700	6.9%	01/07/2019
Ford KA+ Zetec 1.2 Ti-VCT 85PS	PCP	£3,427	24	£99	£6,147	0%	30/06/2019
Dacia Duster Access Sce 115 4x2	PCP	£1,446	48	£109	£5,213	6.9%	01/07/2019
Dacia Logan MCV Access Sce 75	PCP	£1,414	48	£109	£2,957	6.9%	01/07/2019
VW up! beats 1.0 60PS S/S 3dr	PCP	£3,331	36	£115	£4,183	0%	30/06/2019
Peugeot 108 Active 1.0L 72 3dr	PCP	£3,171	48	£118	£3,195	2.9%	30/06/2019
Suzuki Ignis Dualjet SZ3	PCP	£1,837	48	£119	£5,269	6.9%	30/06/2019
<b>Top 10 most affordable by 0% offer and lowest monthly payment</b>							
Mitsubishi Eclipse Cross 3 Petrol Manual 2WD	PCP	£9,398	36	£79	£11,225	0%	26/06/2019
Ford KA+ Zetec 1.2 Ti-VCT 85PS	PCP	£3,427	24	£99	£6,147	0%	30/06/2019
VW up! beats 1.0 60PS S/S 3dr	PCP	£3,331	36	£115	£4,183	0%	30/06/2019
Hyundai i10 SE 1.0 67PS petrol 2WD manual	PCP	£2,700	24	£125	£4,702	0%	30/06/2019
Mitsubishi AYGO x-trend	PCP	£2,906	42	£129	£4,770	0%	30/06/2019
Suzuki Swift 1.0 Boosterjet SZ-T	PCP	£2,486	48	£139	£5,341	0%	30/06/2019
Peugeot 208 Active 1.2L PureTech 82 S&S	PCP	£4,079	48	£149	£3,943	0%	30/06/2019
Škoda Fabia Hatch SE 1.0 MPI 75PS	PCP	£1,563	48	£149	£4,613	0%	01/07/19
Fiat 500X Urban 1.6 E-torQ 110PS	PCP	£3,798	37	£159	£7,288	0%	30/06/2019
Fiat 500L 1.4 95PS S-Design	PCP	£3,972	37	£159	£7,514	0%	30/06/2019
<b>Top 10 highest APR rates</b>							
Mitsubishi Shogun Sport 3 Diesel Auto 4WD	PCP	£15,136	36	£301	£15,845	6.9%	26/06/2019
Range Rover Evoque R-Dynamic SE D180 AWD Auto	PCP	£8,090	36	£449	£26,187	6.9%	30/06/2019
Audi Q8 S line 50 TDI quattro 286 PS tiptronic	PCP	£13,237	48	£699	£32,471	7%	30/06/2019
Audi Q8 Vorsprung 50 TDI quattro 286 PS tiptronic	PCP	£20,872	48	£799	£40,641	7%	30/06/2019
Audi RS 3 Sportback TFSI quattro 400 PS S tronic	PCP	£9,597	48	£479	£21,623	7.1%	30/06/2019
Audi RS 3 Saloon quattro 400 PS S tronic	PCP	£9,863	48	£499	£21,441	7.1%	30/06/2019
Audi RS 3 Sportback Audi Sport Edition quattro 400 PS S tronic	PCP	£10,438	48	£529	£23,076	7.1%	30/06/2019
Audi RS 3 Saloon Audi Sport Edition quattro 400 PS S tronic	PCP	£10,628	48	£549	£22,994	7.1%	30/06/2019
Seat Mii Design Mii 1.0 12V 60ps	PCP	£149	48	£149	£2,972	7.3%	08/07/2019
Citroën C4 Cactus PureTech 110 S&S manual Flair	PCP	£4,135	48	£189	£6,840	7.9%	30/06/2019
<b>Top 10 EV or hybrid models by lowest monthly payment</b>							
Toyota Yaris Hybrid Icon Tech	PCP	£3,901	42	£189	£7,110	0%	30/06/2019
Renault Zoe Dynamique Nav R110	PCP	£3,066	48	£199	£4,775	4.9%	01/07/2019
Hyundai IONIQ Hybrid SE 1.6 Petrol 141PS	PCP	£5,500	36	£227	£9,495	4.9%	30/06/2019
Toyota Corolla Hybrid Design	PCP	£7,261	42	£229	£9,976	0%	30/06/2019
Toyota Corolla Hybrid Touring Sports Design	PCP	£6,752	42	£239	£11,094	0%	30/06/2019
Toyota C-HR Hybrid Design	PCP	£6,494	24	£249	£15,244	0%	30/06/2019
Toyota RAV4 Hybrid Design	PCP	£7,851	24	£279	£17,722	0%	30/06/2019
Mitsubishi Outlander PHEV Juro Petrol Hybrid Auto 4WD	PCP	£12,202	36	£287	£14,980	5.9%	26/06/2019
Honda CR-V Hybrid SR 2.0 i-MMD 2WD eCVT - Solid Paint	PCP	£9,236	36	£335	£16,940	5.9%	30/06/2019
Kia Niro Self Charging Hybrid '3' 1.6 GDi 1.56kWh lithium-ion 140PS 6-speed auto DCT	PCP	£2,582	36	£335	£12,150	5.9%	30/06/2019

The Renault Zoe is the only pure EV on the most affordable AFV list at £199 (excluding a £69-a-month battery rental fee). This puts into perspective how far away pure EVs still are from the mainstream, with no other manufacturer able to put a representative example retail offer together

(other than Renault) that sits below the national average of £324. **TOM SEYMOUR**



### SEARCH FOR FINANCE OFFERS

For a searchable list of manufacturers' finance offers, go to [am-online.com/offers](http://am-online.com/offers)

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# VIEWPOINT

## NO SENSE OR NONSENSE – THE CASE FOR LEAVING PROSPERITY BEHIND

**PROFESSOR JIM SAKER** is director of the Centre for Automotive Management at Loughborough University's Business School and an AM Awards judge. He has been involved in the automotive industry for more than 20 years



→ In 1971, then prime minister Edward Heath took Britain into the Common Market on the back of a demand-led reflation.

Up until that time, the UK had a policy of hire purchase restrictions, which stopped products being bought on credit. To boost the economy, Heath withdrew the policy and unleashed a pent-up demand for furniture, carpets and cars. The problem was, at that time there wasn't the likes of Ikea or even DFS around and the UK carpet industry was in a poor state.

The UK car industry was in no better shape, with major quality and employment issues. It was the era of Derek Robinson ('Red Robbo') and militant union power at British Leyland, while, in 1968, Ford's plant at Dagenham had been the centre of the sewing machinists' strike, which led to the Equal Pay Act of 1970. The industry was characterised by poor quality manufacturing, with a built-in obsolescence of nine months on some car parts.

The Government had become fed up with these poor standards and introduced the MoT in 1968. The outcome was that the UK-based car manufacturing plants were unable to respond to this sudden rise in demand, and foreign cars were sucked into the UK, especially

from Japan. What followed in the 1980s was that the then prime minister Margaret Thatcher promoted the UK as being the gateway to Europe. The results included Honda opening its plant in Swindon and Nissan building its Sunderland facility – both with the intention of avoiding the 10% tariff on cars imported from outside the single market.

This was subsequently followed by investment from Toyota at Burnaston in Derby. From this time onwards, UK car brands were seen as attractive to foreign investors, as evidenced by BMW's involvement with Rolls-Royce and Mini and Volkswagen Group's ownership of Bentley.

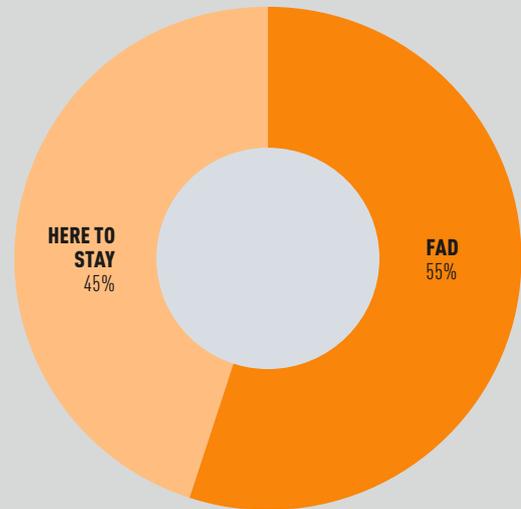
Entry into Europe brought many benefits for the UK car industry – it encouraged foreign investment, provided world-class manufacturing and generated quality jobs. It has shaped our sector and made it more competitive. New types of business have started up as a result, with innovative intermediaries providing a diversity and richness to the offering made to the UK consumer.

Unless there is either no Brexit or the 'softest of soft' departures, the world outside the EU may be less attractive than the delusional vision of the future portrayed by the likes of Johnson, Gove and Farage.

**“ENTRY INTO EUROPE BROUGHT MANY BENEFITS... IT HAS SHAPED OUR SECTOR AND MADE IT MORE COMPETITIVE”**

# AMPOLL

## ARE CARMAKERS' 'STORES' IN SHOPPING CENTRES A FAD OR HERE TO STAY?



Our industry is divided over the long-term prospects of shopping centre 'stores' in motor retail. A small majority believe the trend of carmaker-branded shops targeting people out shopping for fashion and homewares is a fad that will disappear.

"It's a gimmick in my opinion. The vast majority of my customers enjoy the wheeling and dealing, the haggle and the knowledge," said one respondent. Another added: "Just not taking off like everybody thought it would. Yes, great for brand awareness, but, for some reason, it has not been the revelation everyone thought it would be."

Others questioned whether the costs of such sites made them viable, and suggested consumers do not buy very high-value items in mainstream shopping malls.

Yet the voters who believe 'stores' will stay seem convinced of their value to both the carmaker and the consumer.

"The market needs to make sure the product is positioned in an attractive way for the customer to view. The footfall at many dealers has reduced and customers are shopping for cars in a way which is convenient for them," said one.

Another added: "I recently worked in our pop-up store. It was a great way to promote awareness and an excitement of not just the cars but the whole brand. People felt more relaxed in finding information about a product and it was an effective way to generate leads. I don't think it will replace the dealership experience, but will work alongside it."

A third said it will stay, but only if franchised dealers can understand and work with consumer retail buying styles. "A great idea badly executed could make this a fad that many franchises would be too terrified to attempt, but a great idea well executed will revolutionise the car-buying experience," she said.

**NEXT MONTH'S QUESTION: WHAT PROPORTION OF YOUR WORKFORCE IS FEMALE?**

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# Wed 19th June 2019



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A prominent voice in public debates around the EU, education, infrastructure and business, Jo resigned from his role as Minister of Transport citing disagreement over the government's Brexit strategy. Having returned to the backbenches, Jo continues to comment on Brexit and the UK's future relationship with the EU. He also comments more widely on the domestic political scene as well as the relationship between business and policy-making, and issues related to UK infrastructure and transport.



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“ IN 2018 WE WERE JUST OVER 1.2% ROS... IT'S OUR BEST RESULT FOR 10 OR 12 YEARS AND THAT'S DEFINITELY BEEN ACHIEVED THROUGH USED CARS  
ANDY SINCLAIR, SINCLAIR GROUP

## FACE TO FACE: SINCLAIR MOTOR GROUP

# THE USED ROUTE TO RECORD RoS

The ability of pre-owned car sales to resist economic turmoil and changes such as WLTP are key to their profit-boosting capabilities, MD Andy Sinclair tells **Tom Sharpe**

**S**inclair Group may have hit the headlines last year for acquiring its first Land Rover franchise, but it is its record profitability figure – attributed to a “significant used car journey” – that is the real story, according to group managing director, Andy Sinclair.

The South Wales retail group, which has held 35th place in the AM100 for the past two years, achieved a 1.2% return on sales (RoS) figure on £425 million turnover (down 8.5%) and profit before tax of £5.1m (up 41.7%) in 2018.

While the acquisition of Likes Land Rover Hay-on-Wye from Walters Group in December may have cemented Sinclair’s standing as South Wales’s largest franchised retail group, the group’s profitability – and its growth aspirations – were very much tied to an increased presence in the used car sector.

“Used cars are much less affected by the turmoil of the economy and things like WLTP, that’s definite and we’re now on a significant used car journey,” Sinclair told *AM* during an interview at the group’s Mercedes-Benz facility at Bridgend.

“Where we are now is already night and day from where we used to be, but there continues to be an opportunity for significant growth. We are nowhere near what we have the capability to be in terms of volume and profit in used cars.”

About 14,000 of the 24,000 vehicles sold by the Sinclair Group during 2018 were used, according to Sinclair, and the introduction of tighter stock controls, which ensures that product is sold within 60- or 90-day targets – depending on brand and profile – help drive stock turn of 10 to 12 times a year across the group’s 17 locations.

Sinclair is keen to maintain that speed of stock turn as used volumes across the group grow and it plans to expand into building a used car supermarket.

“Used car volumes were up 10 to 12% in 2018, but we have an ambition to grow that

further,” said Sinclair. “We added an average of 5% used stock into each site and really had to be bullish in stocking more, but also really focus on stock turn.

“Some of our sites are stocking 50% more used cars now than they did a year ago. Swansea Mercedes is a prime example. Two years ago, it was hitting 30 to 35 retail cars in a month and its maximum last year was 90 used cars in a month, which makes a major, major difference to the business.”

The group already operates the Sinclair Direct used car operation, which primarily deals with end-of-contract lease cars sold via its Sinclair Finance and Leasing business, a division that handles about 1,200 vehicles annually.

But there is a clear need to expand further to embrace the opportunities that have already been tasted by the group.

A used car supermarket for the group is “definitely” a priority in the short to medium term, said Sinclair, “because at the moment we are trading away really good quality local used cars that people here would expect us to be moving on to them”.

“A new car supermarket site is in my gun sights now.”

The group sends about 100 cars a week to BCA and the same amount – mainly lower-value cars – to Swansea Motor Auctions.

The BCA vehicles are the ones that Sinclair is looking to dispose of as it looks to maintain its stock profile of high-quality premium cars up to six years old and 70,000 miles.

The group has two buyers, which Sinclair accepts may have to increase, with their focus shifting away from the manufacturer stock the group may have been guilty of relying on in the past.

Aftersales operations have already been boosted to accommodate more used car preparation and free up time for customer jobs in dealership workshops. Sinclair has also opened a three-acre PDI centre in Bridgend and it is looking at a five-acre site for a further expansion.

The group’s own bodyshops in Swansea

and Bridgend, meanwhile, help to ensure that even the most involved preparation work can be completed, and the car offered for retail, within three days.

Perhaps the biggest challenge that Sinclair faces is joining the car supermarket trend quite late in the day in a territory where Motorpoint, Car Shop, The Trade Centre Wales and an Evans Halshaw Car Store have all become established.

Sinclair feels confident that the group’s profile and reputation in the area will pay dividends. He said: “For a family-owned group, that is known in an area, to open a car supermarket is a different USP to others.

“There is a stigma to buying used cars out of purely used car businesses. In the used car market, trust is absolutely paramount and I think that will help us.”

### PUSHING PROFITABILITY

Sinclair Group is in a stronger position to grow than it has been for some time.

Since Sinclair took over the managing director’s seat three years ago from his father, Geoff – now 80, he is the founder of the franchised retail side of the business – he has successfully reined in its gearing ratio to its lowest level in two decades.

Profit from used cars and F&I sales have “helped ensure the pounds stick”, he said, while paying off outstanding loans reduces outgoings at the same time.

In recent years, the group’s site acquisitions have been freehold ownership, with 30% of the cost funded by the business and the rest on a 10-year mortgage, which is paid off early where possible, according to Sinclair.

The group’s Volkswagen Cardiff dealership is now its only non-freehold facility, but as the end of its long-term lease nears, the search is on for a new premises.

Trade cars, demonstrators and loan cars are all funded in the business, with used cars on stocking plans held with the manufacturer or Lombard.

One analyst suggested that Sinclair 

had succeeded in “restoring the family silverware”, having reduced debt and improved the group’s efficiency to achieve gearing of 28% in 2017 alongside an EBITDA-to-debt ratio of 1.8.

With the group on a more secure financial footing, the challenge now is to deliver a new

era of growth and improved efficiencies to improve return-on-sales performance.

Sinclair introduced heads of franchise when he took over the business.

His brother, Jonathan, is now in charge of the Audi businesses, Richard Seward runs the Volkswagen sites, Jeremy Phillips is on

Mercedes-Benz and Julian Harrington looks after Seat, Škoda, the group’s body shops, TPS and a smaller used car business.

Sinclair said: “There are now more people with torches across the business, as I see it, and the more light you shed on more things, the better things become.”

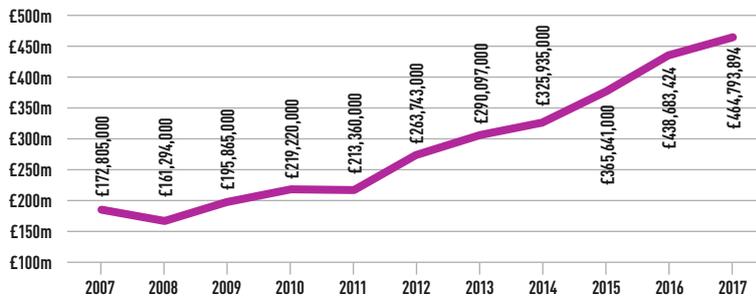
The heads of franchise are charged with taking advantage of opportunities in used cars, aftersales and F&I to help the group push towards a 2% RoS target.

Sinclair claimed that the group’s Mercedes-Benz business has achieved a RoS “north of 2.5% for some time now”, while the Audi businesses have been above 2% “for many of the past 10 years”, but he conceded that there is scope for improvement as the group failed to exceed 1% for a decade before 2018.

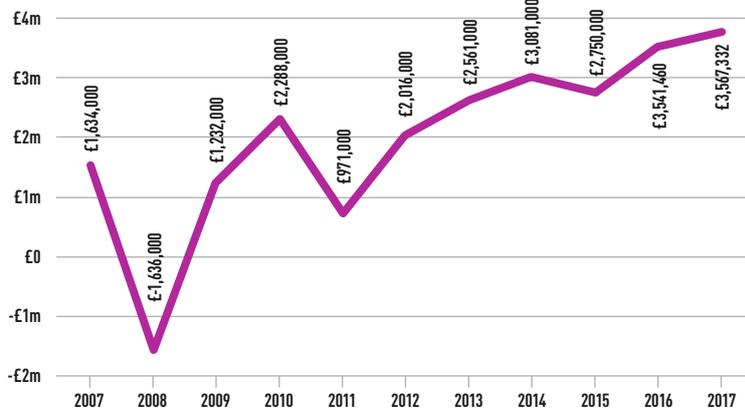
“In 2018, we were just over 1.2% return on sales as a group”, he said. “It’s our best result for 10 or 12 years and that’s definitely been achieved through used cars.

“We’re 11% up in labour hours in the workshop and used car turnover was up 15%, which in itself brings a significant increase in F&I income.”

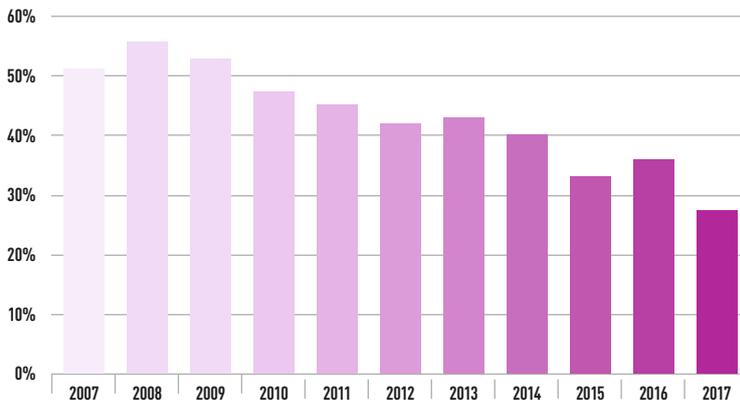
## TURNOVER



## PROFIT BEFORE TAX



## GEARING PERCENTAGE



## BROADER HORIZONS

A wider franchise representation is clearly on Sinclair’s radar following December’s Land Rover acquisition.

“With any sensible business, you have a period of expansion and then a period of consolidation, and I guess we’d just come to an end of that with a very strong balance sheet and, as a cash-rich business, ready to grow,” said Sinclair.

“Certainly Land Rover was the first addition to our group for five or six years. Before that, it would have been Seat in Swansea.”

Sinclair said the December acquisition of Walters Group’s Likes Land Rover dealership in Hay-on-Wye had come 10 years after the group’s chairman and former dealership customer, Dai Walters, bought the business amid the 2009 financial crash.

It had suffered a blip in its profitability in 2018, said Sinclair, but added that it was “rare that you get to buy a well run site with a good brand”, adding: “The customer care levels up there are exceptional.”

Walters had already brought its Hay-on-Wye facility in line with JLR’s Arch Concept corporate identity.

There are no plans to introduce the Jaguar brand to the ‘Single Arch’ facility – due to its rural setting – but Sinclair would like to add the Jaguar franchise in another location, given the opportunity.

To date, Sinclair Group has been closely associated with German brands, with six





RoS at Sinclair Group's Mercedes-Benz businesses is higher than 2.5%, said Andy Sinclair

Volkswagen, four Mercedes-Benz and three Audi sites more recently added to by the VW Group's Seat and Škoda franchises.

The group's relationship with Mercedes-Benz is bolstered in the region by a high-profile sponsorship deal that sees it supply about 80 cars to Welsh Rugby Union – an arrangement that also guarantees maximum exposure at the Millennium and Principality sports stadiums.

Sinclair is ready to embrace new opportunities outside Wales, as long as it meets his "right brand, right location" demands.

"If the next 'right brand' opportunity comes along and it's over the [Severn] bridge, then it's over the bridge," he said.

"We've sort of exhausted all the right brand opportunities in South Wales." 



Up to now, the group has been closely associated with German brands, such as Audi, Mercedes-Benz and Volkswagen

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## GATHERING HEADWINDS

While Sinclair is clearly keen to grow the group and diversify, he insisted that this wasn't the result of a negative experience of last September's Worldwide harmonised Light vehicle Test Procedure (WLTP).

In October last year, *AM* reported that Volkswagen Group brands had accounted for 49% of the UK's total registrations decline of 20.5% (87,336 vehicles) during the key September plate change month as the manufacturer's WLTP-related supply woes were felt by car retailers.

A total of 42,830 fewer vehicles were registered by Audi, Bentley, Porsche, Seat, Skoda, and Volkswagen than in the same month in 2017.

But Sinclair said: "To their credit, they ensured that we were incentivised to buy cars at a time that we traditionally wouldn't.

"They put their money where their mouth was and, where dealers had to force cars on customers or make self-registrations, there was a financial reason and benefit to do that."

Sinclair said of Mercedes-Benz that "there was barely a bump in the road".

The group is already bracing itself for disruption as WLTP is due to be introduced into the LCV sector 12 months on, but Sinclair said he hoped lessons have been learned.

On Brexit, he is optimistic about consumer confidence in Leave-voting Wales. As evidence of customer appetite, he cited a recent Volkswagen sales event which saw it sell 738 retail cars in a single week (up from an average of 400).

"With all the doom and gloom around Brexit, this was important to show the confidence of the consumer," he said. "This wasn't a fire sale of cars. Yes, there were offers on, but they were national offers."

Customer demand for electric vehicles (EVs) is a challenge faced by all franchised retailers, but Sinclair Group's largely rural geography may give it longer to adapt than some.

It has recently installed two additional charge points at each of its Mercedes sites ahead of the arrival of the new EQC SUV, the brand's first full EV.

Sinclair said he thought the sector had been slow to embrace such technology more wholeheartedly due to the "disproportionate rate" currently being charged to improve their infrastructure.

"I think what we're seeing so far is many businesses investing to a fairly minimal level because they are expecting the price of infrastructure to come down as the technology becomes more widespread," he said.

## STAFF SUPPORTING STAFF

As the largest private employer in South Wales, Sinclair Group has empowered its staff in an attempt to offer support to the families of employees who find themselves facing challenges away from work.

Through a payroll giving scheme, employees contribute about £1,400 a month to the Sinclair Foundation, an organisation designed and run by the workforce with a committee dedicated to handing funds to worthwhile causes.

Sinclair said: "We have had some horrendous issues in work where people have passed away unexpectedly and left families in financial difficulties.

"So we have a payroll giving structure where people can donate as little as a

pound a month and we will match that. Members of staff sit on the board of the foundation and requests will come in anonymously via our HR manager."

Sinclair said the foundation offered vital assistance following the sudden death of a sales manager at the group's Neyland site following a heart attack.

It has also helped to fund travel to and from London for the specialist care provided to one employee's child, who has cystic fibrosis, while the disabled child of another employee received an electric trike to help them get around.

"It's a really fantastic way of doing things and a great source of pride for the staff and myself," said Sinclair.

## FUTURE OPPORTUNITY

For now, Sinclair has targeted areas of the business that he sees as least affected by the headwinds of Brexit and alternative fuel vehicle adoption as key to the group's ambition to grow profitability.

As well as its plans for a used car supermarket, multi-brand servicing is perceived as a key growth area alongside its ongoing efforts to retain a greater share of its customers' spend.

Sinclair claimed that the business had finished 2018 having achieved 103% absorption with Mercedes, about 85% at Audi and under 80% at Volkswagen. He said: "You can see the heady days of 100% absorption are back in some businesses.

"Of course it depends on your investment costs and our facilities perhaps aren't as new and expensive as some, but we are very, very focused on maintaining

**MANY BUSINESSES INVEST TO A FAIRLY MINIMAL LEVEL BECAUSE THEY ARE EXPECTING THE PRICE OF [EV]INFRASTRUCTURE TO COME DOWN AS THE TECHNOLOGY BECOMES MORE WIDESPREAD**

ANDY SINCLAIR, SINCLAIR GROUP

customer share, optimising customer spend and – especially at Volkswagen – a real focus on upsell and use of the CitNOW videos.

"It's not about trying to do something that doesn't need doing, but automatically contacting them further down the line to optimise the true wallet spend of the customer."

Workshops tend to book at 108% of capacity at Sinclair and a 22-strong call centre team at Bridgend are charged with making workshop bookings as well as chasing up service reminders.

In an area where the group's reputation is well known, retention of aftersales work may be less of a challenge than that of growing into less familiar territories across the Severn.

"I'm optimistic," said Sinclair.

"Whatever the future holds, I know we have the structure and the financial footing to succeed."

## FACTFILE

**TURNOVER: £464.7m (2017)**

**PBT: £3.6m (2017)**

**NEW CARS SOLD: 10,000**

**USED CARS SOLD: 14,000**

**NUMBER OF STAFF: 950**

**SALES FRANCHISES: Audi (Bridgend,**

**Swansea and Neyland), Land Rover**

**(Hay-on-Wye), Mercedes-Benz**

**(Bridgend, Cardiff, Neyland, Swansea**

**and Newport), Seat (Swansea), Skoda**

**(Swansea), Smart (Swansea and**

**Cardiff), Volkswagen (Neyland,**

**Swansea, Port Talbot, Bridgend, Cardiff**

**and Newport), Volkswagen Commercial**

**Vehicles (Cardiff and Swansea)**

**NUMBER OF LOCATIONS: 17**

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# MINUTES WITH...

Darren Jobling,  
chief executive, Zerolight



**You're in an innovative part of the market. How did the business start?**

We started as an incubator for a games industry supplier. We created driving and racing games and were the worldwide rights holders for NASCAR and Formula One.

We were approached by Jaguar Land Rover (JLR), who wanted to create a 3D configurator for the F-Type for the Geneva Motor Show. That was our leg-up into the automotive sector proper, really, so we have a lot to thank them for.

Audi saw what we had created for JLR and they started doing 3D for Audi City, but they weren't able to roll it out. When they realised that our system worked off a normal PC, they couldn't believe it.

After that, we became Audi's official supplier worldwide. That meant we were able to spin Zerolight out more widely as a business in its own right.

Now Audi uses VR almost as an unveiling moment, with a 1:1-scale version of the configured car recreated so that the customer can take a walk around.

**What key gaming influences in the ZeroLight product can help a car retailer sell cars?**

The world of gaming is very good at customer engagement. All a game is is an immersive customer experience and that's what retail really needed.

The analytics at the back end of our system is another thing we have brought across from our gaming background. In gaming, that technology is key in understanding exactly what customers are doing and why they are doing it.

Since we started, we have done deals

**“THE WORLD OF GAMING IS VERY GOOD AT CUSTOMER ENGAGEMENT. ALL A GAME IS AN IMMERSIVE CUSTOMER EXPERIENCE”**

**DARREN JOBLING, ZEROLIGHT**

with 14 car manufacturer brands, including Lamborghini and Pagani, which we have announced fairly recently and we have just signed a contract with a supplier in the US also.

We have previously worked on the launch of the Nissan Leaf with Toyota in Japan and with BMW on the M5, but this will be our first massive contract over in America.

What we do well at Zerolight is play on old-fashioned mental processes and, with the help of software, transform a traditional configurator into a 3D car that you can see on your mobile, on a laptop, in a dealership or via augmented reality.

To adopt this kind of technology really is a strategic decision for a retailer or a manufacturer. Only the most forward-thinking manufacturers have come on board so far.

**Retailers may think VR and augmented reality is a gimmick. How does ZeroLight represent good return on investment?**

We are a technology company, but we like to think that we are very much technology with a purpose.

We are trying to move a manufacturer's cost centre into a revenue centre using our technology.

When Audi was rolling out our technology about two years ago, it put out a press release that said when a dealership digitises its showroom – with the introduction of a 4K screen, or VR or augmented reality – it generates an average of 15% more upsell because the customer will be able to see the options they might like to consider and better understand them. Through that, they are more likely to go on to buy it.

That statistic rises to 20% at an Audi City store like the one in Paris, which is fully digitised.

With our real-time online solution, we see an average uplift in engagement from customers of 66% and an uplift in options orders of 10%. Using Audi's headlights on the A4 as an example, that can mean an extra £1,200 before the customer has even reached the dealership.

It also solves one of the big problems that dealers have in creating their own configurator or 3D marketing portal – that it's very hard to get hold of a computer-aided design (CAD) from a car manufacturer.

Our SpotLight programme basically democratises access to the manufacturers' car models and allows retailers

to create their own bespoke brochures, internet microsite or marketing video – featuring the customer's own configured vehicle.

This allows retailers to create marketing material that would cost thousands of pounds to outsource.

**Can you give an indication of the costs involved in integrating ZeroLight software into a car retail operation?**

We have tried to step away from the big software company heavy sell, so the assets are offered on a licence or subscription basis. As a rule of thumb, it would be about £200 a month.

**Are retailers embracing this technology at a rate that represents a real growth opportunity for ZeroLight?**

There's definitely scope for growth in the retail group environment. It tends to be a head office sale because it's a strategic decision.

The traction the platform can deliver is clear. There are currently about 1,500 Audi, Pagani and Lamborghini dealership sites operating our systems, with a variety of platforms – from a wall-mounted 4K experience to an immersive VR experience, to an online configurator, and you can use any configuration of that hardware. It's the Netflix of car retail.

**Can ZeroLight's software be fully integrated into a modern DMS to deliver marketing insight and help streamline the customer journey from online into the showroom?**

We are currently integrating with existing online platforms and helping customers to transition from the internet into the dealership and feeding through all the information about the customer's configuration journey through to the sales team.

No matter what device a customer is

**“ WE ARE ABLE TO RECREATE ANY CAR FROM THE PAST FOUR OR FIVE YEARS, ALL THEY HAVE TO DO IS INPUT THE VIN NUMBER**

**DARREN JOBLING, ZEROLIGHT**

searching on, we track anonymised data every five seconds. We know what a consumer is looking at and where they spend their time on-site. That data, in turn, informs a retailer about how interested the potential customer is in converting to a purchase.

When a customer walks through the door, they will have a QR code [assigned to them by Zerolight's platform] – which they have been able to generate without inputting any personal data – and the dealer knows how they reached them, what accessories they have looked at, whether they are interested in an optional wheel upgrade or a particular interior trim.

In short, it gives the dealer the information they need to tailor the sale to the individual.

The whole system is integrated into the dealer's DMS and configured cars can be displayed on screens in the dealership.

We presented this customer data journey at CES last year, where we co-presented with Amazon about the value of anonymised personal data.

Traditionally, a consumer's journey through a configurator, or gaining

access to a brochure, has depended on them inputting personal data, which has become a huge compliance issue with the advent of GDPR.

Many consumers will venture far further, engage to a greater extent, if the journey is anonymised.

For our retail partners, that means they stand to learn a lot more about the people looking at their websites.

From a manufacturer point of view, we can feed back data to a marketing department that allows them to find what customers think is the car's best angle, colour or ideal configuration.

It also allows our learning to put different options in front of a customer in the same way that Amazon present a 'people who bought this also bought...' offer.

**Is there a used car solution that ZeroLight can offer, given the recent growth in emphasis on this part of the sector?**

Used cars are interesting. For an Audi franchised dealer, for example, we are able to recreate any car from the past four or five years, all they have to do is input the VIN number.

People will always want to see a photo or video with a used car, because of wear and tear issues, but if you want to see the car and get some handle on the features, then we can play our part.

**What's your ambition for the growth of the ZeroLight business?**

The plan over the next two years is that, with the help of a newly expanded sales team, we'll grow the business in mainland Europe, the US and Japan and China.

For this year, we plan to achieve 100% growth (2017/18 turnover was £4.05 million, loss before tax £3.28m), but we're not making a billion...

**TOM SHARPE**

**FACT FILE**

**COMPANY:**  
ZEROLIGHT

**HEADQUARTERS:**  
NEWCASTLE

**OFFICES IN:**  
MINNEAPOLIS,  
MINNESOTA;  
SILICON VALLEY,  
CALIFORNIA;  
NUREMBERG,  
GERMANY; AND  
CHENGDU, CHINA

**STAFF:** 120



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# PEUGEOT

MD David Peel believes his brand can grow share in 2019's falling new car market, but it won't be at the expense of dealer profits, he tells **Tim Rose**

**P**eugeot's UK boss has cause to be confident the brand can steal market share from its rivals: its franchised network made its best average profit in a decade last year, its SUVs are in high demand, strengthening residual values (RVs) are improving consumer offers, and its electrification programme will put a hybrid or electric powertrain in every model line.

"We've been true to our word over the last two-and-a-half year period in our trading style," said David Peel, who took over as managing director in early 2016.

"From March 2017, we stopped doing month-end deals. We don't force month-ends. We walked away from over 5,000 fleet deals we would have done historically – some where our terms have been abused, passing cars to broker sites, for example.

"The desire has been there to walk away from market share to the benefit of our residual values and our future business.

**Peugeot Online, the brand's digital new car sales platform, achieved about 3,000 sales in 2018**



"The core to our strategy is protecting our residual values, and we have evidence today that what we have done has paid off."

Peel cited Cap HPI data for the Peugeot 3008, which stated that the current generation has increased its RV by 14 percentage points (to 50% at three years/20,000 miles) over its predecessor.

Peel said Peugeot's guaranteed future values (GFVs) on new car PCPs would in the past have been set at 98% to 103% of Cap future value, which meant the company was effectively planning for low equity or negative equity for the customer. Now, instead of making new models cheaper, Peugeot has reduced the GFVs, to improve the equity.

"We're building value into the GFV, so that the benefit will be with the customer in the change cycle," said Peel.

"We don't want to make the car cheap and pump out loads of volume, because if we do that we'll be on a slippery slope and lose the RV."

Product-wise, Peugeot is at the top of its game. The 3008 and 5008 SUVs have led its offensive, and gathered awards across Europe. The new 208 supermini due at the end of this year looks stylish and, with electric versions available from launch, should be well received.

Those SUVs leave the brand less reliant on its city car and supermini, the small cars once crucial for volume. And in-demand bigger-ticket cars are benefitting the dealers. Average dealership profitability in 2018 was 0.9%, or £140,000, as opposed to 0.6%, or £50,000, when Peel became managing director in 2016.

However, Peel said the bottom quartile of dealers muddy a bright picture somewhat, adding that the top 75% of the network made 1.4%, equating to £240,000 per site.

"Because our range is now quite more upmarket, and quite driven by SUV, as well as the RoS increase, the profitability has increased significantly as well. The vehicles we are selling are more expensive than three or four years ago, when we were very reliant on 108 and 208."

After Peel's arrival in 2016, he told the network he wanted to be "stronger together", emphasising that he wanted to help the dealers and Peugeot UK to become more profitable and more effective.

That led to several changes, including allocating demonstrators to dealers on a contract hire basis, getting every dealer to sell vans, reducing the network size from 210 sales points to 183, and setting an



end-of-2017 deadline for upgrades to the Blue Box showroom style. These changes prompted seven dealers to exit. In the past three years, the number of franchise owners has dropped by about 10% to 89.

Peel believes the returns now being achieved show he has lived by his word: "With Brexit and all the headwinds our industry will face this year, we feel really confident that we're in good shape."

He said a 183-site network is sufficient for the 5% total market share (across cars and vans) that Peugeot UK wants by the end of 2021. The brand finished on 4.32% market share (up 0.2ppts year-on-year) last year and Peel wants 4.5% in 2019.

"It's responsible growth. We made 0.2ppts

## KEY PRODUCTS



208

The supermini used to be Peugeot's biggest seller by some distance. In 2014, it recorded 32,424 registrations. Not any longer – at 16,227 registrations for 2018, it was overtaken by the 3008 SUV.



3008

Arguably Peugeot's biggest success this decade, this SUV has put it back on the consideration list of thousands of fleet and private customers. Annual registrations reached 19,979 units in 2018.



**“ WE DON'T WANT TO MAKE THE CAR CHEAP AND PUMP OUT LOADS OF VOLUME – IF WE DO THAT WE'LL BE ON A SLIPPERY SLOPE AND LOSE THE RV**

DAVID PEEL, PEUGEOT UK

growth last year in a responsible way, and a profitable one for us and the network.” Following the modest increase in share, he expects Peugeot’s 2019 registrations volume to be similar to its 117,000 total of 2018 (car: 81,043; LCV: 35,962).

In January, Peel gathered all UK Peugeot dealers together at its national business meeting to outline the future product plan. He described 2019 as Peugeot’s “year of energy transition” – it will have a hybrid or pure EV version in all its model lines by 2023, starting this year with PHEV versions of the 508 and 3008, and the new 208 and 2008 coming at the end of this year will have pure electric versions available from launch.

Peugeot’s new Common Modular

**David Peel, Peugeot UK managing director, wants his brand’s market share to hit 4.5% in 2019**

Platform (CMP) for small vehicles has been designed with electric powertrains in mind, so future new car buyers will choose from petrol, diesel or full electric across all models, including commercial vehicles.

Dealers will be required to invest in charging facilities, at their own cost. For most dealerships, the investment in 7kW chargers and infrastructure will cost up to £40,000 in total, said Peel. Dealers using Peugeot’s supply partner, NG, can have the investment on a two-year funding line from Peugeot’s bank, with a payment holiday until January 2020. This allows them to defer the costs while waiting for the first electric Peugeots to reach their showrooms. Multi-franchise sites that already

have chargers will be able to use those if they meet Peugeot’s requirements.

“Everybody understands it (electrification) is the way forward, it is not optional. That is a real-life example of working ‘stronger together’. We care, we are genuinely interested in dealer profitability and that’s the sort of solution we put in place.”

Peel predicted that about 7% of Peugeot’s UK sales volume in 2020 will be hybrid or electric vehicles.

PSA Group’s view is that a consumer should not have their options narrowed by their desire for a low-emission vehicle. It wants conventional cars with powertrain options, rather than specific electric models, such as Nissan with the Leaf. ➔



◀ 508

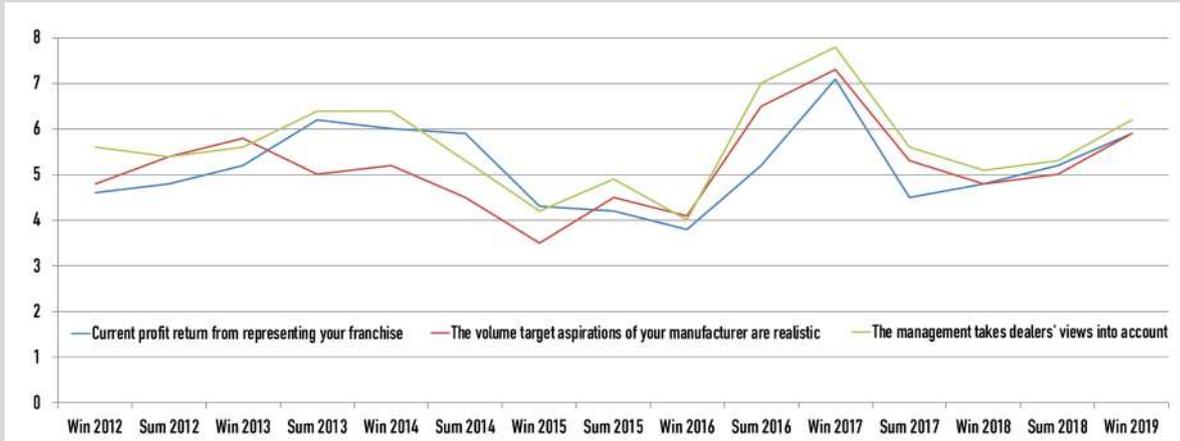
Few UK customers desire large saloons or estates now, but the 508 launched last year is a draw for those who still do. A plug-in hybrid, Peugeot’s first, joins its line-up later this year.



◀ Partner

Peugeot sold more than 15,000 of these vans in 2018, and its larger Boxer van wasn’t far behind those numbers.

PEUGEOT NFDA DEALER ATTITUDE SURVEY RESULTS 2012-2019



Profitability and manufacturer relations were barely average prior to the new MD's arrival in early 2016, but after a year of boosted morale the latest NFDA data suggests the honeymoon period may be over

“In January, I made it clear to the network that we will not have a dealer in loss this year. If you're in loss, you haven't a future with our network.”

“We used to have a lot of individual private dealers in the bottom quartile, so when we cut 30 dealers we took out a lot of the individual, historic loss-making dealers. Today, we have a couple of groups that are in that bottom quartile and they know that if they don't do something, they won't be a part of it [the network].”

Considerably fewer dealers are losing money than three years ago, but those that are have been losing more.

“If I have 75% of the network making 1.4%, there's no reason why the bottom quartile shouldn't be making profit. Historically, we have just tolerated that. We are working very hard with that bottom quartile.” The main issues with these, he said, are overheads and people – either they have too many or they are underperforming.

Since PSA Group's purchase of Opel Vauxhall, some of Vauxhall's head office functions now operate from PSA UK's base,

**WE WILL NOT HAVE A DEALER IN LOSS THIS YEAR. IF YOU'RE IN LOSS, YOU HAVEN'T A FUTURE WITH OUR NETWORK**

DAVID PEEL, PEUGEOT UK



in Coventry. Peel said: “We're working openly together, and from a network development perspective we are looking daily at where there are benefits of trying to bring brands together, because Vauxhall had a lot more sites than we have.”

He said PSA's positioning of its four brands (Peugeot, Citroen, Vauxhall and DS Automobiles) slightly differently means there can be some four-brand sites in the future.

Post-interview, rumours emerged of a PSA plan to acquire Jaguar Land Rover (denied by PSA and JLR's owner, Tata) which would take the group to six brands and give PSA Group its first genuinely premium marques.

Peugeot Online, its digital new car sales platform, is “gradually building”, he said, and achieved about 3,000 sales in 2018, all fulfilled by dealers.

Most Peugeot Online customers opt for a handover at the dealership, and Peel said he was surprised by a recent consumer clinic, which found they still overwhelmingly want to interact with a dealer, even those in the under-25 age group.

“Our e-commerce platform gets about a million visits per month, and it's selling very small volumes a month in reality. It is quite hassle-free, but I think it's still mostly people doing research.”

Peel said the company is very open-minded, because dealer profitability must

be secured. A dealer that is motivated, engaged and making a good return will perform better for the carmaker, he said.

In the national meeting in January, Peel's message to the network was to let other people worry about Brexit, as it was out of their control. He emphasised that the brand was prepared and would move positively. Since Q3 2018, Peugeot had been building up stocks of new cars in case a WTO 10% import tariff was applied on March 29. In Q1, stock levels reached an all-time high at about 25% above normal, to ensure that it had competitively priced tariff-free cars.

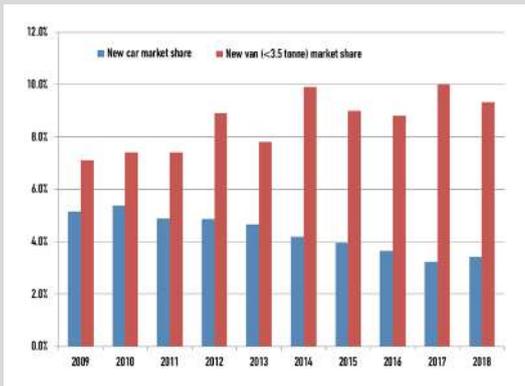
“We told dealers that whatever happens, we had planned for it,” said Peel.

It had also prepared to update vehicle list prices to reflect the increase to wholesale costs, which Peugeot would not have absorbed, he said.

Peel has been in the role for three years, and hopes to stay at least three more. Knowing he will be in the job for at least two cycle changes leaves him conscious not to risk the brand's medium-term opportunity by pushing for short-term market share.

“That is where I think Peugeot will have a huge advantage in the marketplace going into next year. Certain manufacturers have over-traded in certain places and RVs will come under more pressure. As that happens, we will be in a position to be very strong.”

PEUGEOT NEW CAR MARKET SHARE 2009-2018



Peel wants to reverse years of falling demand for cars, while maintaining strong LCV sales, where it is third in the market



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“With car registrations dropping, dealership running costs must be reduced to preserve margins”

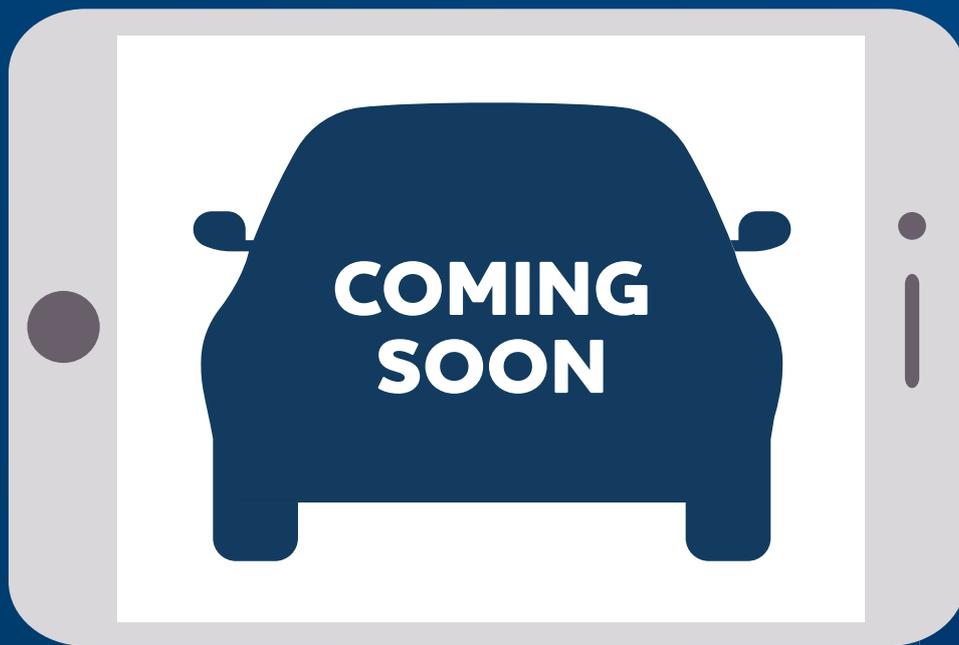
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# THE USED CAR MARKET IN 2019

A look at the road-bumps ahead, what's new in used car finance and where the profit lies

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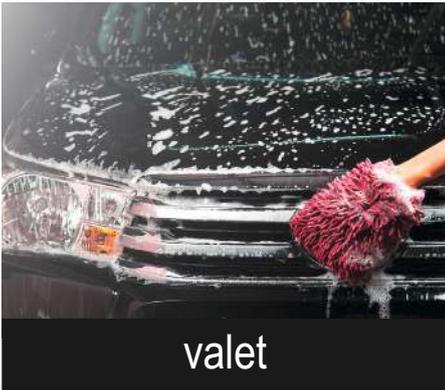
AS POLITICAL AND ECONOMIC UNCERTAINTY SHOW NO SIGN OF ABATING, INDUSTRY EXPERTS CAST AN EYE OVER THE MARKET  
**PAGES 37-39**

## WHY YOU NEED TO WATCH THE 'NETFLIX OF USED CARS'

WILL SUBSCRIPTION-BASED USED CAR FINANCE THREATEN PCP'S DOMINATION?  
**PAGES 42-43**

## BUILDING A BETTER MARGIN

STOCKING PLANS, DATA AND AFTERSALES ADD-ONS ARE THE KEY TO USED CAR PROFITABILITY  
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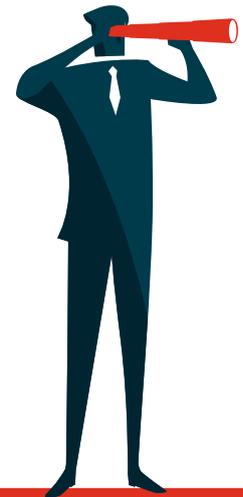


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# Predicting the pitfalls in the used car market



The pre-owned sector proved resilient throughout 2018, but as the political and economic uncertainty shows no sign of abating, *AM* asks four industry experts to cast an eye over its future

**2019-20**

**2018-19**

**2**

2018 was widely touted as the 'year of the used car', and although total sales volume was down 2.1% on the year before, the average ratio of used to new sales increased 8.2% to 1.46:1 and at least some dealers have reported trebling their used car profits in the year (See Page 47). But 2019 and the six to 12 months beyond may still throw up obstacles to used car sales, including:

## THE 'B' WORD

Philip Nothard, customer insight and strategy director (cars) at Cox Automotive, said Brexit is not the only influence that dealers should be taking into account.

"The automotive sector is too quick to blame outside factors, and at the moment, many people are blaming Brexit when their sales and pricing forecasts are out, but there are other important and relevant influences in play," he said.

Rupert Pontin, director of valuations at Cazana, and a director at the Vehicle Remar-

keting Association, said the Government "seem unable to do anything that doesn't relate to Brexit", which is affecting its ability to clearly formulate and communicate policy on other areas, such as diesels, electric vehicles and hybrids.

Louise Wallis, head of the National Association of Motor Auctions (NAMA), said: "We understand that the Government is distracted by Brexit, and they are taking an interest in EVs, but they need to be consistent, and they also need to understand how the used car market works.

"For instance, a diesel which was registered two or three years ago will still be on the road in 10 years, and that issue isn't being addressed, and we haven't even heard suggestions that the Government might introduce a scrappage scheme to remove diesels from the market."

However, Derren Martin, Cap HPI's head of UK valuations, had an intriguing take on the potential effect of Brexit.

"Obviously, nothing is certain at this stage, but if we leave the EU, and tariffs were put on new vehicles, then that would be expected to strengthen the used car market," he said.

Living barely 30 miles from London, Martin said he has already witnessed the arrival of its ultra-low emissions zone (ULEZ), and expects the likely impact to be a dip in demand for diesels, with two-vehicle households perhaps switching to a small EV for their second car.



**Derren Martin, Cap HPI's head of UK valuations**

## DIESEL'S WOES

Diesel's decline is one of the other factors that Nothard believes the industry is not paying enough attention to.

"Only now are we starting to see the true impact of declining demand for diesel. If we look at diesel registrations during 2015 and 2016, then compare that with 2017 and 2018, the latter figure is down by almost 746,000. During Q1 2019, registrations fell again – and by almost 49,000," he said.

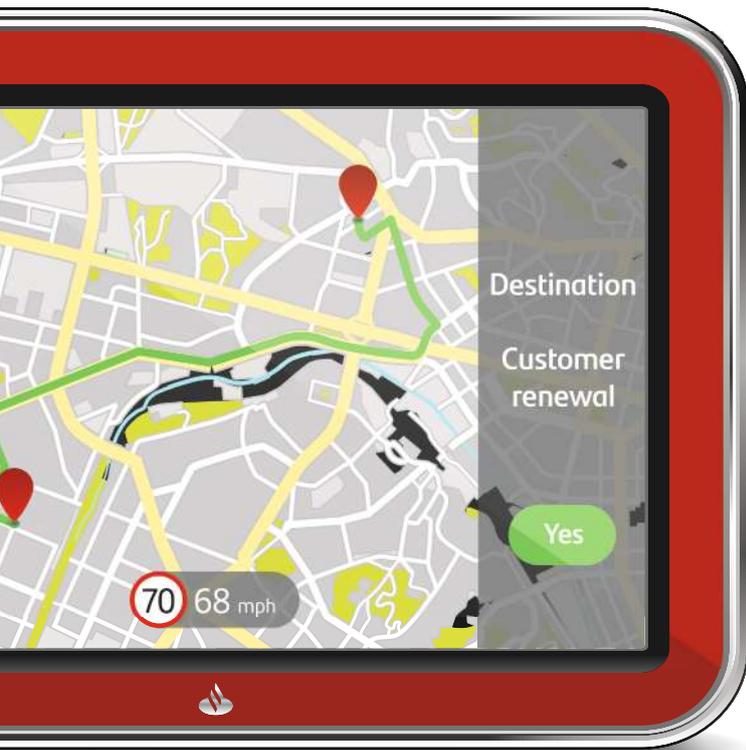
"Some retailers are saying they're not being impacted by the fall, but they will be, and all retailers should start thinking now about the make-up of their stock portfolio, so that their plans are in place before the full impact is felt two, three or four years down the line."

Nothard also cites the looming impact 



**Philip Nothard, customer insight and strategy director (cars) at Cox Automotive**

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➔ of clean air zones (CAZ) in major cities, following April's launch of London's ULEZ, as another big influence on the market.

"Anecdotally, dealers on the edge of the M25 are already struggling to sell Euro 6 diesels, and those with multiple geographical locations are pulling diesel products out of that corridor, putting them into northern locations, and bringing in more petrol products," he said.

"I think the first wave of CAZs will hit dealers in regional centres, such as Birmingham, Leeds and Bristol, harder than those in London. Again, the early indications from London are that while some diesel owners are upgrading, others are leaving diesel."

### THE EFFECT ON EVS AND HYBRIDS

Pontin said the market is also being affected by the Government's lack of clarity with regard to diesels, electric vehicles (EVs) and hybrids.

"They need to quantify what they plan to do on diesel taxation, for consumers, the leasing sector and for everyone involved, but they seem unable to do anything that doesn't relate to Brexit."

Martin reported that demand for used EVs is rising, judged by the number of days that each category of vehicle takes to be sold.

"We track the number of days that cars are online, and to the end of April, an EV was typically sold after 39 days, whereas petrol or diesel would typically take 45 days. If you look at sale values for Renault's Zoe, for instance, they're up about 50% so far in 2019."

Wallis believes that if the Government expects consumers to migrate from diesel to EVs, it should be focusing much more effort and resources into ensuring that public charging points are readily available.

She sees signs that owners of diesels which are three to four years old are looking to switch to other power sources, but doesn't think that



**Louise Wallis,**  
head of the  
National  
Association  
of Motor  
Auctions  
(NAMA)

will happen for drivers of older vehicles.

"There are still buyers out there for relatively old diesels because that's all they can afford, and if dealers make them realise these cars can be clean and efficient, then they should ignore the rumours that they are dirty polluters."

### USED CAR PRICES

The past 18 months have seen little change in used car prices, but looking the same distance ahead, Pontin predicts that petrol prices will drop, while diesels are likely to strengthen.

He believes some leasing companies are already factoring in that shift, by increasing their forward numbers for diesel, and sees a drop-off in used hybrid prices as likely because sales of new models have risen in the past year.

"It won't be easy for dealers to immediately judge hybrid prices, because volumes are still low, but my advice would be to always focus on the models which have the best technology," said Pontin.

"As always, too, if you're operating in a market which is volatile, then your assessments will be more soundly based if you have access to real-time data."

Nothard believes competition among the biggest dealers will become ever more intense, regardless of other factors, because their focus will increase on used vehicles as new car volumes continue to decline.

Martin said: "In general terms, we've seen some realignment in used car values after a very strong 2018, and that trend accelerated during April, but I don't think that's unexpected, given that the new plates increased supply into a market where prices were already high."

"If we're looking a year or 18 months ahead, I expect to see values carry on dipping for now, so that the overall market will gradually return to its previous, more usual, levels."

### WHY DEALERS NEED TO GET THEIR DIESEL SALES MESSAGE RIGHT

Martin believes the market for used vehicles isn't fully transparent, because many would-be purchasers don't fully understand the relationship in emissions between petrol and diesel.

"To be honest, if you need a car, and you want one to do the motorway miles each working day, then diesel is still the car for you, and dealers need to make sure that potential buyers understand that fact. In the



**Rupert Pontin,** director of valuations at Cazana, and director at the Vehicle Remarketing Association

current market, it's more important than ever that sales staff ask the right qualifying questions."

Pontin agreed: "The industry as a whole isn't being clear about diesel. A Euro 6 diesel is no more, or less, efficient than a petrol engine, and diesel remains the best option for business users, but the manufacturers are focusing too much on hybrids."

"It may be that they don't have full confidence in their diesel or their petrol technology, or it could be that they're expecting higher demand for hybrids, but they aren't providing the clarity consumers require."

"Despite the uncertainty, there is still a market for diesels which are eight, 10 or 12 years old, and I expect those cars to migrate into more rural areas and villages, away from the urban CAZs. At the moment, there are no signs of a drop-off in prices for such vehicles, although obviously, it is a potential outcome."

Wallis shared the opinion of her peers: "There is still confusion out there, and also scaremongering, which is to no one's benefit. I appreciate that it's an uphill struggle, but the industry has to increase the level of knowledge in the market."

"Every dealer needs to ensure that their front-line staff are well trained about all the models they sell, and well informed to clear doubts from customers' minds."

She said NAMA is also working with dealers, especially in rural areas, to ensure they realise that diesels are often still the best choice.

"We've heard of customers switching to petrol variants of their diesels, which is interesting. It's important that consumers still feel sufficiently confident to buy used vehicles, even if demand for new ones continues to come under pressure because of political and economic uncertainty."

IAN HALSTEAD

# Remarketing's ever-evolving requirement

The remarketing sector is rapidly evolving to deliver on the potential of an increasingly digitally enabled sector, says Manheim managing director Peter Bell. Now 12 months into his role leading the auction and vehicle services business, we catch up to learn more about Manheim's future direction

**Q** What were your immediate priorities when you were appointed managing director in March 2018?

**A** My first priority was to get a really clear understanding of the business – what was good, but, more importantly, what warranted attention. So I spent a lot of time with customers and in every aspect of the Manheim business, talking to teams and getting operational exposure. That time has paid dividends in how we have gone on to shape our operational transformation and strategic priorities, all of which focus on putting our customer at the heart of everything we do.

At the same time, I kicked off a project with my senior leadership team to formulate our five-year vision. We went on to share this with the market in a white paper last summer. Our vision recognises that the needs of both vendors and buyers are rapidly changing and that it's our job to stay ahead of the game to give them future-fit remarketing solutions.

**Q** How would you describe the current strength of the auction market?

**A** It has been an interesting first quarter, with a lot going on. Our lanes and online channels have been very busy thanks to a thriving used car market, strong buyer interest and good conversion rates. Competition among dealers for retail-ready vehicles has been high, which has been keeping our technical services and vehicle preparation teams hard at it as vendors opt to ensure their stock is well placed to command the best returns.

Having a good level of stock in the lanes is vital and over the course of the quarter we were delighted to report a number of customer contract renewals and wins from vendors including Group 1 Automotive, Hendy Group, Endeavour Automotive, Vindis Group and Sytner's car supermarket division.

We have also retained our position as the number one auction services provider to the light commercial vehicle market. This is an important time for the van sector as it adapts to the clean air agenda and an increased

demand for compliant stock, and we are ideally positioned to help vendors and buyers to achieve their aims.

**Q** Looking ahead, what are the opportunities to develop Manheim's proposition?

**A** I don't think there's ever been a more challenging or exciting time in this sector and being part of Cox Automotive, the biggest automotive services company in the world, puts us in the strongest place to pursue every opportunity. Our ambition is to deliver an increasingly joined up and valuable service for our customers. While digital sits at the heart of this, our physical proposition, particularly vehicle-handling solutions, will continue to play a vital role.

**Q** What is the strategic thinking behind Manheim's vehicle-handling business?

**A** We have three businesses that fall within our vehicle-handling solutions proposition, each specialising on the disciplines of inspection, technical and

logistical services. When you consider that our overall job is to maximise the value of every vehicle we touch for the benefit of both vendors and buyers, then these physical services are essential to us achieving that promise.

Our strategic ambition is to further integrate each stage of a vehicle's journey from one owner to the next, add the data and insight that enables vendors to select the best channel to sell for that vehicle in that moment, and facilitate the sale. We will win by striking the right balance between efficiency, speed and quality, by adding value to the process, and by integrating the new digital world with the physical services needed to deliver on its full potential.

**Q** Manheim is best known for physical auctions – how do you reconcile this with your growing online remarketing solutions?

**A** It's easy to conclude that a business whose heritage is based in the physical side of our trade may be looking to an increasingly digital future with a degree of trepidation. But we are not – far from it, in fact. We have a tremendous opportunity to further evolve our blended physical and digital sales streams to complement the changing behaviour of our customers.

Our five-year vision predicted that 80% of wholesale vehicle sales will be transacted online by 2023, but we are clear that this will not spell the end of physical sites. These are important today and will continue to be so in the future. There will always be some stock that is best suited to trading in the lanes, and event sales will retain a purpose and attraction. But regardless of that, every vehicle will still need touching in one way or another and that requires a physical infrastructure. A key part of our challenge is to help our customers reduce the number of individual vehicle touchpoints and movements to create the physical efficiencies an increasingly digital ecosystem demands.

It's important to remember digital isn't new to Manheim. We already offer online sales via Manheim Online, and Simulcast enables

## COMPANY PROFILE

### Key products and services:

Manheim Inspection Services;  
Manheim Vehicle Solutions; Manheim Auction Services (Digital and Physical);  
Manheim Managed Services;  
Manheim Logistics (including Movex)

**Key staff:** Peter Bell (managing director, Manheim); Martin Forbes (chief executive officer, Cox Automotive UK)

**Founded:** In the 1920s – it was originally called Central Motor Auctions

**Based:** Headquartered in Leeds, Manheim has 16 auction centres and five specialist vehicle defleet and preparation centres throughout the UK.

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buyers to 'attend' a physical auction and bid remotely. Within the Cox Automotive portfolio, our Dealer-Auction.com service has given vendors and buyers the opportunity to trade online for a number of years. The next opportunity comes from the all-new Dealer Auction platform that will result from the joint venture between Cox Automotive and Auto Trader. This is a genuine game-changer for our sector.

**Q How will Manheim fit into the Dealer Auction collaboration between Cox Automotive and Auto Trader?**

**A** Dealer Auction is an exciting proposition as it complements all our existing services and prepares us for the demands of the future. Manheim will be one of the sources Dealer Auction customers will be able to buy from and we will also be able to fulfil the physical requirements of each transaction.

Dealer Auction will aggregate the stock available through Manheim's physical and online auctions, the current Dealer-Auction.com service and Auto Trader's Smart Buying platform, giving vendors access to the biggest audience in the UK and buyers the greatest choice of stock. The new platform will be focused on giving the customer the tools they need to find the right stock, via the right channel, for the right price.

**Q Finally, can you shed light on any new services you plan to introduce this year?**

**A** We have a number of really interesting developments in progress. These include tools that help vendors achieve greater returns and give buyers greater confidence by better establishing the provenance of a vehicle.

We are also preparing to launch a number of new valuation and part-exchange services that will allow customers to unlock their own e-commerce ambitions. Plus we will continue to invest in our physical infrastructure and services. Ultimately, it's about ensuring Manheim retains relevance and purpose for all our customers. There's a lot to do, but I'm confident we have the credentials, plan, talent and backing to get there.



# Why you need to watch the 'Netflix of used cars'

PCH poses no risk to PCP's growing dominance of used car finance, but finance experts believe subscription-based disruptors may still threaten market share

**A**

utomotive finance experts are not expecting personal contract hire (PCH) to break into the used car market any time soon.

PCH offers, which have seen rapid growth in the new car market, would mean customers committing to never owning their used car at the end of the contract.

Both Alphaera Financial Services and Close Brothers Motor Finance said they have been monitoring the used car market, but PCH is not currently being offered.

Spencer Halil, director of Alphaera Financial Services, said: "The closest thing to used car leasing is PCP right now.

"Lenders have shied away from used car leasing because they would be taking on more residual value (RV) risk with PCH if they know the vehicle is coming back at the end of the term.

"There's more of a remarketing challenge there, particularly on a used car that may be seven to eight years old at the end of a contract."

Halil said there are digital solutions that can give lenders a clearer picture of future RVs to potentially introduce a used PCH product in the future, but it's not something he predicts as the next big trend in used car finance.

However, he said disruptors may enter the UK market soon that will try to crack the car subscription market with used cars first.

Fair, a US based company that wants to become "Netflix for used cars", plans to launch in the UK by 2020.

The Fair app gives customers access to dealers' approved-used cars from their phone. The cars can be returned whenever the customer likes, as they are not locked in to a long-term finance deal.

The offer sits somewhere between a loan, a lease and a rental and Fair guarantees its monthly price can't be beaten by a comparable rival finance offer or lease.

When asked if Fair could

be a threat to Alphaera and others in used car finance, Halil said there is potential for them to take market share.

However, he said collaboration and innovation would always be Alphaera (and its parent company BMW's) approach.

Halil said: "We're looking at used car subscriptions as an idea to see how that might play in the UK. It's likely it would only work on younger used cars.

"Collaborating and partnering up is much more important than being dismissive as an industry and hunkering down."

The used car finance market is experiencing a period of stability spurred on by a particular focus on the market from both franchised and independent dealers.

Figures released by the Finance & Leasing Association (FLA) show that while new car finance fell 3% by value and 5% by volume in March compared with the same month in



2018, used car finance reported new business up 9% by value over the same period, while volumes grew by 4%.

Robin Luscombe, the managing director of Luscombe Motors, said there have been no wild shifts in used car finance at his business.

Luscombe said used car PCPs accounted for 33% of finance deals (versus HP) at Luscombe Motors in December 2017, there was a slight drop to 30% by August 2018, but by March this year it was back up to 34%.

Luscombe Motors is retail-focused, with Suzuki and Mitsubishi new car franchises.

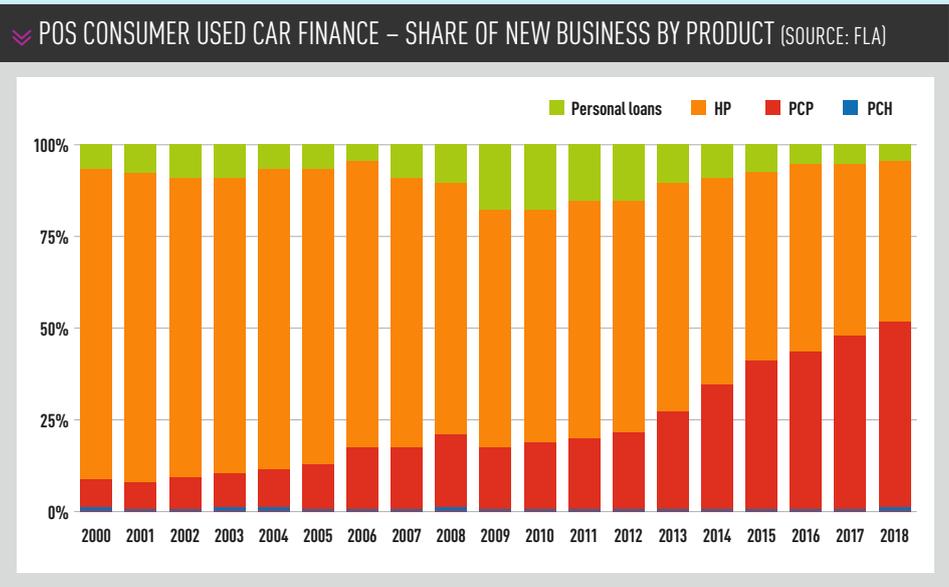
He told AM: "Suzuki in particular is still affordable, so many customers opt for HP as the payments are still fairly low.

"If you're looking at the more expensive models on Mitsubishi, some customers may opt for PCP as it will get that monthly payment down. We perhaps haven't seen as dramatic a shift towards used car PCP as some [prestige-brand] dealers may have, where customers want to lower the monthly payment as much as possible."

Seán Kemple, Close Brothers Motor Finance director for sales, said there is still room for growth with used car PCPs as many franchised dealers look to refocus their operations towards growing their own used car supermarkets.

He said: "It's clear the largest dealer groups in the UK are focusing on used cars in a big way and there's a significant opportunity there to support what they're doing with finance."

Almost 100% of Alpha's business is in used cars, with nearly 75% PCP. Halil said the company is very focused on PCP, whereas others in the industry have more of a 50/50 split with HP.



Kemple said used car PCP growth comes down to that persistent consumer spending trend of monthly payments and budgeting.

He said manufacturers can also see the benefits of used car PCP as it can create an entry point to a brand. Customers can enter at a lower price point with the brand through a used car PCP offer and then transition further into the range.

Halil said the industry is focusing on both customer experience and compliance processes, and is introducing new technology and training to improve them.

"The more automation we can bring to the finance application process, the better. Customers are champing at the bit to get behind the wheel of their next car and they don't want to sit through a finance process that lasts for an hour-and-a-half," he said.

Kemple said there is also an appetite for

customers to complete finance applications online, but it is still a small area of the market.

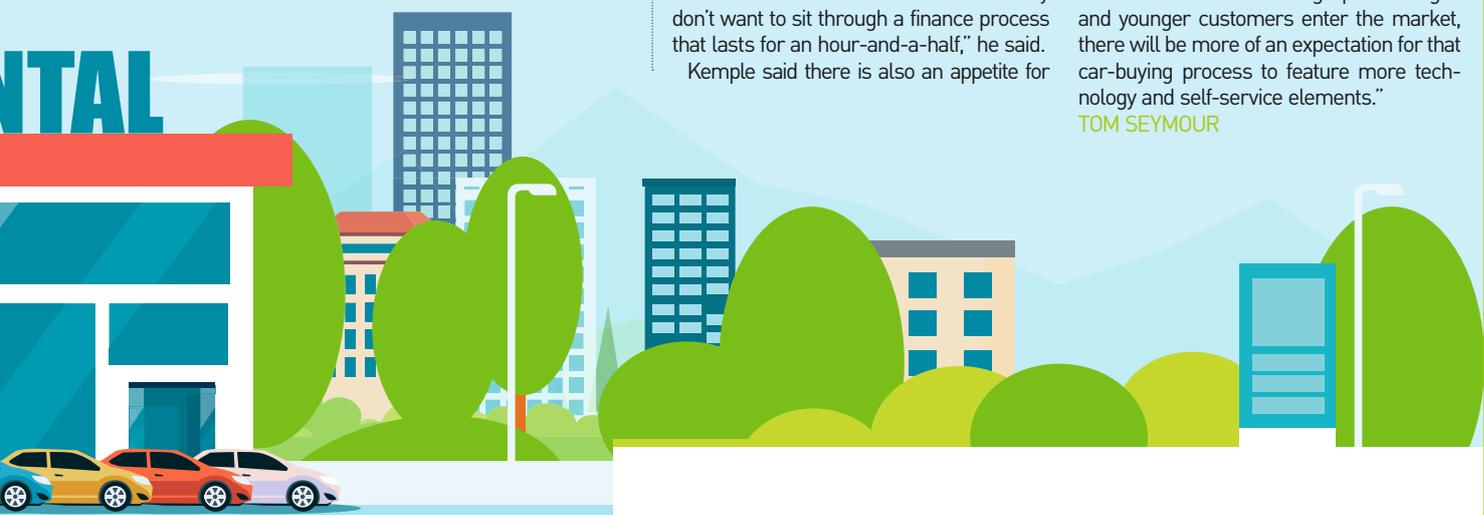
He said: "There is significant amounts of research happening online. The technology is available to complete online and there is a segment of customers that want this. But the vast majority still want to talk to a dealer and complete applications at the showroom."

Halil agreed that those wanting to complete finance applications remotely are still a small part of the market, but said it was clear "this is the way the market is moving".

"Just because it's a small part of the market now, I don't think industry predictions have got it wrong.

"As the customer demographic changes and younger customers enter the market, there will be more of an expectation for that car-buying process to feature more technology and self-service elements."

TOM SEYMOUR



# Flexible funding is the key to unlocking franchise potential

Liam Quegan, managing director of NextGear Capital, explains why growing consumer demand for used vehicles is driving an increased level of interest in non-captive wholesale funding products among franchised dealers

**Q** How do franchised dealer requirements for stock funding typically differ to those of an independent?

**A** Wholesale funding products – and in particular stocking plans – are often thought of as being more suited to the needs of independent than franchised dealers, but more and more franchises are waking up to the benefits they can bring to their business.

Franchises differ from independents in a number of ways beyond the obvious areas of manufacturer alignment, branding, facilities and aftersales capabilities and the capital commitment this requires. Distinct challenges a franchise will have include a requirement to run a prescribed volume of demonstrator, courtesy and staff vehicles over and above their new and used stock. In the main, these are funded via a combination of wholesale captive funding, arranged through the manufacturer, and the dealer's own capital. As the volume of wholesale finance available can fluctuate in line with the volume of retail finance sold by the dealer, and because captive funding typically only funds 80% of the wholesale price and cannot fund the VAT element, it can leave a gap that places a pressure on cashflow.

**Q** Why might a franchised dealer want funding separate to their manufacturer brand's partner provider?

**A** There's a number of reasons as to why a dealer may look to establish a separate funding line, but primarily it's because the typical structure of a captive funding arrangement can leave a dealer with less working capital than is ideally needed to have the right blend of vehicles on their books at any given time. Most manufacturer-derived stocking plans prioritise funding for new vehicles first, then demonstrator, courtesy and staff vehicles, with used vehicles last. Each category will have a minimum expected investment level, meaning the capital required to have a competitive used vehicle offer can often be lacking. With many dealers currently



"A captive funding arrangement can leave a dealer with less working capital than is ideally needed to have the right blend of vehicles on their books"

Liam Quegan, NextGear Capital

expanding their used car offer, a secondary funding source enables them to make this investment on a vehicle-by-vehicle basis without drawing down on their own capital.

**Q How does Stocking Plus differ from your standard Stocking Plan product?**

**A** Whereas our core Stocking Plan product enables dealers to build their used vehicle inventory from any trade source and with no reciprocal expectations, Stocking Plus allows them to invest in demonstrators, courtesy and staff cars too. The primary difference is it reflects that these vehicles will be used prior to sale, so the terms reflect this. There are not mileage limits imposed on vehicles funded this way, and they may be offsite at any given time.

Stocking Plus also reflects that a CAP value is often initially absent for new vehicles, so funds are given against the consignment note value and allows the VAT element to be funded too, which really helps a dealer manage their cashflow as they work to have the right stock in their showrooms and on their forecourts. Then as you would expect, the product shares the same core benefits as our Stocking Plan – you only pay for what you need, the highest levels of customer service, and our partnership mentality.

**Q How else might a franchised dealer use a supplementary stocking plan?**

**A** It's really interesting to see how our different franchised clients are using their Stocking Plan and Stocking Plus funds. The most common use, as you would perhaps expect, is to use the funds to grow their used car inventory. This is a big focus for many



franchises right now as they seek to align themselves with shifting consumer demand. But we also have dealers using their credit facility to bolster their aftersales proposition by extending their courtesy car fleet, both in terms of additional vehicles and higher-spec vehicles so customers can get a more like-for-like replacement while theirs is being serviced. We also have franchised dealer clients using their plan to take advantage of short-notice manufacturer offers. They report previously finding it a challenge to access the funds needed to buy this flash-sale stock quickly, however their Stocking Plan has removed this frustration and given them an advantage. In all cases, a motivation and benefit is that a supplementary stocking plan frees up cash for deployment elsewhere in their business, be that facilities, people or marketing etc.

**Q NextGear Capital is growing in stature and attracting increasing levels of interest. What's behind this success?**

**A** We're very proud that NextGear Capital has funded more than £2 billion worth of stock in the past five years, but even more proud that our customers rate what we do very highly. We commissioned the Institute of Customer Service to audit our performance and this year again scored 9+ (out of 10) in every category. We're part of Cox Automotive, so have the backing of a vastly experienced and relevant business with a long-term vision. This frees us to focus on the one thing we do, and that only – wholesale vehicle funding. In this market, only NextGear Capital has that single-mindedness.

**Q Finally, what do you think is driving the growth in popularity of wholesale finance products in general?**

**A** I think there's a couple of things. The used car market is in a great place right now with consumer demand as strong as it's ever been, and this is fuelling dealers' appetite for growth. In a survey we ran at the beginning of the year, 65% of dealers said they had plans for growth this year and just more than half said they'd be investing in additional stock. And then, I think it's simply that dealer understanding of wholesale finance has matured and there's an acceptance that the products now available are purposely designed to let dealers take a more flexible approach with their own capital while attaching a predictable acquisition and sale cost to each vehicle they trade.

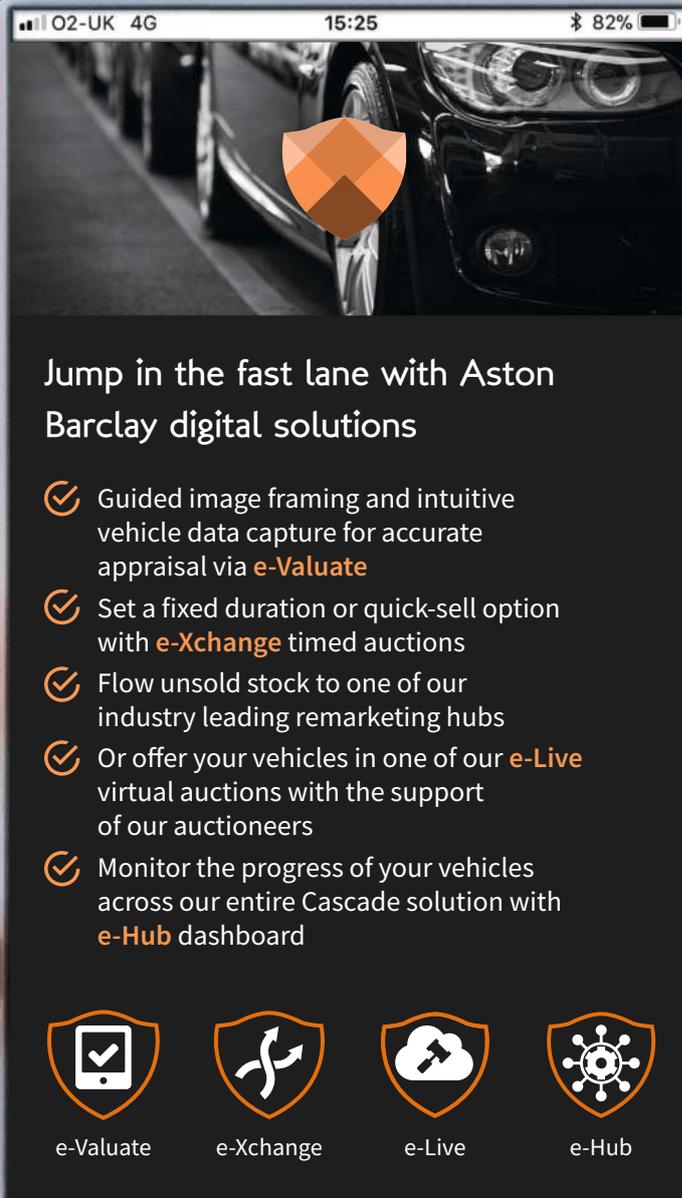


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# Pick the right pieces to boost pre-owned profits

Data-led stocking, add-on sales, multiple touchpoints and ongoing customer relationships are key for dealers wishing to maximise used car RoS

**W**ith the new car market experiencing more than its fair share of challenges over the past 12 months, used car sales have taken on more importance than ever. Franchised dealers, on average, now sell 1.5 used cars for every new car, but how do they maximise their return on those sales?

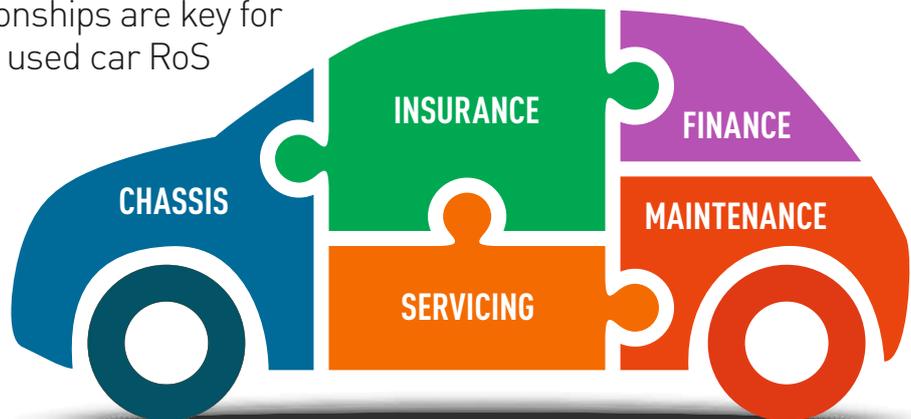
Mike Jones, the chairman of ASE Global, said: "A couple of the businesses that we've been working with have trebled their used car profit this year, compared to last year. The used car market at the moment remains very strong. Done right, it can be phenomenally lucrative."

Jones said stocking policy is at the core of profitability: "Because there's such great visibility across the country on available cars, using the big internet platforms and then the manufacturer used car platforms, and that sort of stuff, everybody can see the car. Getting the right car at the right price is the skill."

Cambria Automobiles CEO Mark Lavery agreed: "Don't go taking a punt. We've all got access to the data streams: we can see what guest [how Cambria refers to its customers] demand is. We can see by territory. We can see what they've searched, we can see how long they've been on the website, we can see what they've looked at on the website and we can consider alternatives as well."

**“ A COUPLE OF THE BUSINESSES WE'VE BEEN WORKING WITH HAVE TREBLED THEIR USED CAR PROFIT**

**MIKE JONES, ASE GLOBAL**



"It's just harnessing technology and data to make sure that bought right, it'll be sold right. We sell one-and-a-half used cars for every new car we sell. If you've got a strong used car operation, inevitably you'll have a strong new car operation."

The car itself is just the start, said Lavery, with about half the profit coming from the chassis and the rest coming from a mix of finance and other add-ons.

"Now in that other half, 57% is the finance itself and 43% is other related ancillaries – tyre and alloy wheel insurance, cosmetic insurance, warranty, etc. Just over 51% of the people who purchase a used car from us, purchase it on some form of finance instrument."

Lavery said Cambria prices its cars just below the market price, because the long-term relationship is more valuable than the short-term profit.

He added: "We work on a basis that the car should be priced just below the market price. We've got multiple data sources that produce that: we've got our own internal algorithms that do that for us, along with BCAuction Pro, which tells you what you can dispose of it at, and Auto Trader. If you combine that data with our own, plus our own algorithms based on demand in our own geographical territories, we find that means if we can sell a car, we don't have to take a huge margin out of it."

"But if we can retain the car and a guest for

life, that means we get lots of retention, and lots of repeat business.

"We sell them the warranty. On top of the warranty, they buy a service plan, which leads to coming into us every year."

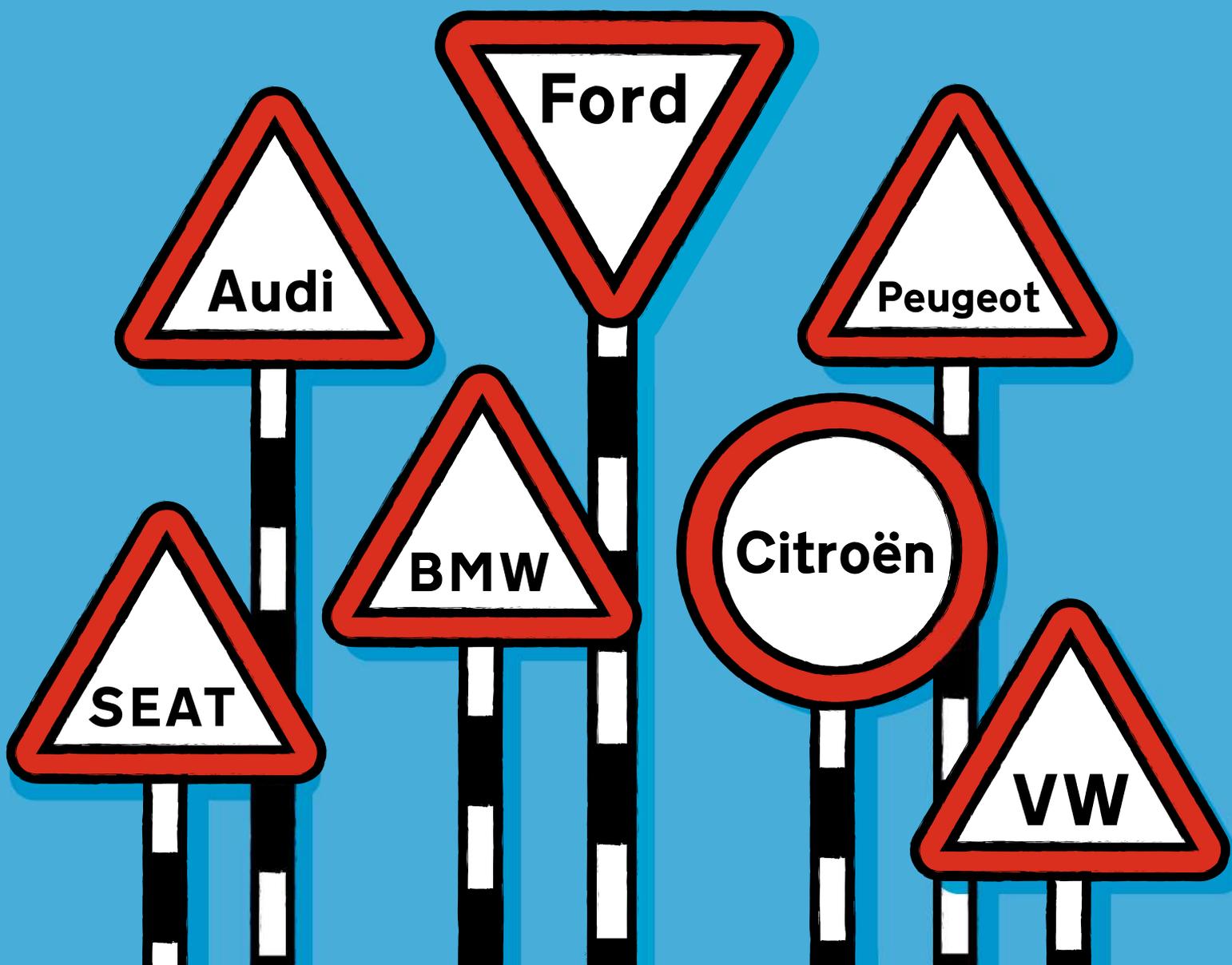
When customers come in every year, Cambria conducts an account review.

"When we have an account review, we get an opportunity to change the car. Basically, if it's on finance they'll renew on finance. So it's just making sure when we get the opportunity and the touchpoint, it's all driven primarily by price. Little and often is our underlying strategy, and a car and guest for life," said Lavery.

Jones agreed: "Building finance into it, building from an aftersales point of view, I want to keep all those customers, or keep hold of those vehicles all the way through that customer's ownership journey. I want to tie the customer into service plans, so looking at promoting service plan sales at the right price for the customer, so it makes sense for both the customer and the dealership, but it helps me build my aftersales."

"Whenever I'm looking at used vehicle profitability, I always look at it as the gross profit, including the finance and add-on sales. As long as that level is okay, then to a certain extent how a dealer chooses to split it within the business is entirely up to them." **CRAIG THOMAS**

There's a bigger range  
of quality used vehicles  
and a better deal at  
1link Disposal Network



# Helping dealers get the used car and van stock they need

A fast, easy, and accurate way for dealers to source high-quality used vehicles

**A**s the new car market continues to fall and margins are reduced even further, more and more dealers are putting increasing amounts of resources into their used car and van operations.

These retailers need a fast, easy, accurate and reliable way to get the stock they need. epyx's llink Disposal Network is, we believe, the single best online source for dealers in the UK.

We offer a wide range of cars and vans from suppliers such as Volkswagen Financial Services, Robins & Day, AA, Hertz, CLM, Autohorn, Agility and more. Each of these is supported by high-quality images using the Auto Trader 360 standard and a comprehensive history – plus the bidding and buying process couldn't be easier.

Vicky Gardner, head of remarketing at epyx, the company behind llink Disposal Network, said: "It is already clear that one of the key industry trends for 2019 is the amount of effort that dealers are putting into their used car operations. This is certainly something that makes sense at a time when new car sales and margins are being squeezed.

"However, the perennial problem for dealers is how to easily get hold of the



kind of stock they need. At a time when they are looking at boosting their used car throughput, this problem is compounded.

"llink Disposal Network resolves this issue like no other online platform, thanks to the great stock on offer, the depth of vehicle descriptions, quality of images, and a buying process that can be done online at your desk – or just

"It is already clear that one of the key industry trends for 2019 is the amount of effort dealers are putting into their used car operations"

**VICKY GARDNER, EPYX**

## Why use llink Disposal Network?

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- Get access to comprehensive vehicle

details including age, mileage, condition, imagery and more

- Set alerts by email or SMS so you will be notified when vehicles of specific interest become available

- Bid, make offers and buy vehicles when you are on the move 24/7 with our handy mobile auction app

- Personal account management provides support to help with all aspects of your purchase, from start to finish

- Sophisticated yet easy-to-use app allows you to browse and buy stock anywhere and any time of day.

\*Pay either an annual fee of £395 plus £75 per vehicle or pay £95 on a single vehicle basis.

about anywhere using our app.

"So far this year, we have seen use of llink Disposal Network increase by 75% compared with last year and this is happening because the platform ticks all the key boxes for all traders from quality independents to car supermarkets to franchisees.

"Not only is it one of the longest-established and best-known trade sites, but it has been continually developed to meet the needs of dealers today."



To find out more, visit [llinkDisposalNetwork.co.uk](http://llinkDisposalNetwork.co.uk), or call 01676 591 085

# TOYOTA COROLLA: RETURN OF AN ICON MARRED BY DIGITAL DRAWBACKS



Toyota GB expects 90% of new Corollas will be sold with a hybrid engine

**T**oyota has revived the Corolla name for its latest hatchback, after a 12-year hiatus. First introduced in 1966, Corolla rapidly became a byword for reliability, but also blandness. In 2007, the brand switched to Auris to attract a new audience for its new C-segment hatch, which was based on a new, Europe-only platform.

The latest model will be sold worldwide and Toyota wants to reflect that by returning to Corolla, in the belief that its heritage will outweigh any negative connotations.

The new car is a significant improvement over the outgoing Auris. It is offered in hatchback, estate and saloon body styles, with a choice of petrol and hybrid engines.

The Corolla's stylish exterior houses a neatly designed cockpit, which is a refreshing departure from the dated and often messy interiors of old Toyotas. Gone are the crude LED clocks and 'old-person-friendly' switch-

gear, to be replaced by a modern concise dash with touchscreen technology.

There's a noticeable step up in quality and driveability, making the Corolla a true contender in the C-segment.

Three engines are offered – a 1.2-litre turbo petrol powers the entry-level car, while two self-charging hybrids are available – a first in the segment.

The 1.8-litre 122PS hybrid has the lowest CO<sub>2</sub> emissions in the range, at 76g/km, making it a key model for business users.

A more powerful 2.0-litre hybrid generates 180PS, but emits just 89g/km of CO<sub>2</sub>.

As a retail proposition, the Corolla is an easy sell. It packages great refinement and build quality with agile handling and class-leading running costs.

It comes at a price, though. The cheapest hybrid is £2,000 more than an equivalent Ford Focus, and the more powerful version starts at almost £28,000.

Toyota said PCPs make it more competi-



**BECAUSE HYBRIDS ARE IN STRONG DEMAND AT THE MOMENT, THE COROLLA RESIDUAL VALUE AVERAGE, COMPARED WITH THOSE OF ITS COMPETITORS', IS MUCH STRONGER**

**PAUL VAN DER BURGH, TOYOTA GB**

tive, due to better residual values (see our interview with Paul Van der Burgh, the president and managing director of Toyota GB, right). On certain models, the brand is offering 0% finance.

All versions of the Corolla are well equipped. The entry-level Icon features heated seats, LED headlights and a reversing camera.

Icon Tech is the predicted best-seller, adding sat-nav and parking sensors.

You have to opt for a Design grade before you can spec the more potent 2.0-litre engine. It comes with rain-sensing wipers, folding door mirrors and rear privacy glass.

The range-topping Excel grade features 18-inch alloys, keyless entry and part-leather sports seats.

The infotainment system uses an eight-inch touchscreen, which unfortunately is the car's biggest weakness.

It has dated graphics and a complex menu system that is difficult to use on the move. There is also no Apple Carplay or Android



The crude LED clocks and chunky switchgear of the Auris are gone



The best-performing Corolla variant delivers up to 65 mpg under WLTP tests



£21,300 -  
£30,340



115PS 1.2 T; 122PS  
1.8 HYBRID; 180PS  
2.0 HYBRID



0-62MPH  
7.9 - 11.1  
SECONDS;  
TOP SPEED  
112 - 124MPH



6SP MANUAL;  
CVT AUTOMATIC



39 -  
65 MPG



76 - 132  
G/KM CO<sub>2</sub>

Auto. The digital experience is also affected by the instrument cluster, which uses analogue dials and a seven-inch display. The layout is not as crisp as the fully digital cockpits offered in rival cars.

Fuel consumption, tested under WLTP, is rated at 55-65mpg for the 1.8 and 50-60mpg for the 2.0. This is much higher than you can expect from similarly powered conventional petrol cars. During our test, we managed to average about 60mpg on a gentle cruise in the lower-powered car.

Toyota says the electric motor powers the car for about half of a typical journey, despite only having a very limited battery range.

As more buyers are concerned about running a conventional petrol or diesel car, but the cost and availability of electric cars remains a restriction, the Corolla is a product that offers all the benefits of a conventional rival, but with lower running costs and little compromise on drivability.

MATT DE PREZ

## Q&A



PAUL VAN DER BURGH,  
PRESIDENT AND  
MANAGING  
DIRECTOR,  
TOYOTA GB

### What is the expected sales mix for the new Corolla?

We expect 90% of new Corollas will be sold with one of the hybrid engines. Battery electric, hybrid and plug-in sales were 114,000 last year in the UK. That was up 21% year-on-year.

But, battery electric was only 16,000 units. Most of the growth was in hybrid. It's clearly a market that has developed.

The 2.0-litre gives us an opportunity to compete in the higher-power segment of the market.

Most customers will go for Icon Tech or Excel. The entry-level Icon car will account for 5% of sales.

### What percentage of sales will the saloon account for?

We don't expect the volumes to be huge, it could account for about 5% of sales. The hatch will be the most popular, taking a 60% share and the Touring Sports 35%.

We did look at the market for a while to understand how big the market for the saloon will be. We did well with Avensis and when we discontinued it, we were still selling up to about 4,000 per year. We wanted to offer those customers a replacement.

It's also the first time a hybrid will be offered to those customers.

### What will attract buyers to the Corolla over one of its rivals?

The car has a very strong residual value. That's one of the things we have done so well. Because hybrids are in strong demand at the moment, the Corolla residual value average, compared with those of its competitors', is much stronger.

It allows us to offer competitive monthly payments. 94% of private sales are on PCP. The customer can pay less than £20 extra per month to go from a base model to an Excel. In terms of the model line-up, as we move from Corolla to C-HR to Rav4 there is a similar price walk.

For business users, it's also a very strong proposition, especially with the low CO<sub>2</sub>.

### When will Apple Carplay and Android auto be available?

We have it on Aygo at the moment. It is something we are looking at introducing a solution for this year.

### How have dealers responded to the name change?

It was a relatively late change in terms of understanding the opportunity we have. Dealers were delighted that we wanted to bring back the name. It's a car that is based on a global platform and it should be called the same across the world.

It's a name I think people associated with lots of qualities. The feedback so far has been very positive.

## REVIEW RATINGS

### AUTO EXPRESS



### CAR



### PARKERS



## KEY RIVALS



### Ford Focus



HANDLING AND FUEL EFFICIENCY



SPECIFICATION ON BASE MODEL



### Volkswagen Golf



REFINEMENT AND POWERTRAIN CHOICE



BLAND LOOKS



### Peugeot 308



STYLING AND COMFORT



REAR SEAT SPACE

## MITSUBISHI OUTLANDER PHEV 4H

REPORT  
PROGRESS



## DEALERS NEED TO START LAYING THE AFV GROUNDWORK NOW

I wrote last time about getting a smug feeling from driving around on electric power in the PHEV. I've since learned that even people I know who normally have little interest in new cars ask questions about the practicalities of PHEV life. But plenty of my friends who change their cars frequently have formed opinions about electric and hybrid cars – sometimes misguided opinions.

It strikes me that there must be a great opportunity for franchised dealers and manufacturers to lead a proper consumer education initiative. Take a long-term view. Many of your customers (and staff) will be driving new powertrains in two model cycles' time, whether or not they currently like the idea. Enlighten them. We need to start building the desire now. Persuading people to change their beliefs takes time.

The NFDA has launched the government-backed Electric Vehicle Approved (EVA) scheme, supported by OLEV and the Energy Saving Trust, to help set EV experts apart. Dealers, you should find customer advocates too. Let them counter the criticism.

So what if I cannot get 30 miles out of town without the Outlander's petrol engine kicking in? I know I'll first drive almost silently past my kids' school without pumping out more particulates for them to breathe in at playtime. And the more people that can do the same, the better.

Isn't that worth some effort? **TIM ROSE**



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Q1 2019 AFV  
SEGMENT SHARE  
10.8%

DEEP BREATHS,  
FEW FUEL FILL-UPS

PHEV PURCHASE  
PREMIUM

CURRENT  
MILEAGE 0 3 0 1 1

START  
MILEAGE 0 0 3 7 2

## NISSAN LEAF TEKNA

REPORT  
PROGRESS



## IS THE TEST DRIVE THE WAY TO REACH THE EV TIPPING POINT?

When will consumers accept electric vehicles? Alternative fuel vehicle (AFV) registrations grew 12.7% year-on-year in April, but battery electric cars still represent just 0.9% of the market.

Two reports out in May, 'Britain under the bonnet', from Close Brothers Motor Finance, and a second, from real estate adviser Colliers International, suggest a shift in attitudes. The former says that while sales figures are low, four in 10 drivers would consider buying an electric car next. A fifth of dealers have seen increased consumer interest and one in seven increased AFV sales in 2018.

Colliers predicts hybrid petrol vehicle registrations will increase 72% to 115,039 between 2017 and 2020. Plug-in registrations "will likely increase" 139% and battery electric cars 134%.

Seán Kemple, director of sales at Close Brothers Motor Finance, said "the speed of growth is accelerating, and it looks like we're months, not years, from the tipping point. Education is needed to help customers overcome their concerns about range, charging time and costs, and this sits with the Government and manufacturers alike."

Six months with the Leaf and I 'tipped', once I worked out the recharging logistics. It's interesting how the biggest evolution in automotive technology in our lifetimes becomes manageable when you're given the chance to do something as old-fashioned as a test drive.

**JEREMY BENNETT**



PRICE: £30,055  
(EXTRAS:  
METALLIC PAINT  
– £575, PROPILOT  
PARK – £1,090)



SEGMENT SHARE  
7.6% (APRIL 2019  
'ALTERNATIVE  
FUELS')  
(SOURCE: SMMT)



COMBINED RANGE  
(WLTP):  
168 MILES

CREATES A NEW MINDSET

TAKES TIME TO ADAPT TO

CURRENT  
MILEAGE 0 8 7 7 7

START  
MILEAGE 0 2 5 1 2

## ≡ GUESS THE CAR COMPETITION

THIS MONTH'S WINNER



**Michael Smith**, group parts manager at Leven Car Company, correctly identified the Renault 16 in our last issue.

See if you can identify this month's model for your chance to win a £20 John Lewis voucher. Email [am@bauermedia.co.uk](mailto:am@bauermedia.co.uk) with 'Guess the car' in the subject line and include your job title and company in your entry. The closing date is Friday, June 7.





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# Give aftersales customers the self-serve option

As aftersales customers begin to embrace an 'Amazon age' of self-service solutions and out-of-hours convenience, eDynamix is responding with a suite of solutions to provide a digitised end-to-end platform for car retailers.

The company has broadened the scope of its expertise in service plans, electronic vehicle health check and automated CRM to include augmented reality, to support its sales and aftersales video capabilities. But at the same time, it is delivering an integrated set of web-based stock- and sales-management applications to drive new levels of functionality and user-friendliness for retailers and customers.

The imminent introduction of new, individually tailored service plan bundles – incorporating roadside assistance, vehicle insurance and extended warranties – and self-serve AutoPoint lockers for aftersales customers is set to streamline an even wider range of dealer services into a CRM system under a single log-in.

"The principle we are working towards is customer-centric, fully self-serve systems, to

“THE PRINCIPLE WE ARE WORKING TOWARDS IS FULLY SELF-SERVE SYSTEMS, TO BENEFIT THE CONSUMER AND THE RETAILER”

IAIN NICKALLS, EDYNAMIX

benefit the consumer and the retailer," said director Iain Nickalls.

"We use the supermarket example, where you might do your shopping at home at night, but you have the groceries delivered and in the cupboard at a time that's convenient to you.

"That is the way the motor sector has to go, ultimately.

"Sure, you can have a new car delivered

to your door now, but aftersales is lagging behind and that comes down to many legacy and disparate systems.

"It's about bringing those things together, into one platform, for both retailers and consumers."

Since it was founded in 2010, eDynamix has helped retailers to manage their aftersales operations through service plans, electronic vehicle health checks, pushing out service, MOT and red and amber work reminders to customers via calls, automated emails and SMS messages, with direct links to online booking forms.

Now it wants to improve the efficiency of customers' interactions with aftersales departments, through the use of AutoPoint lockers.

New for 2019, eDynamix's AutoPoint lockers are being trialled by Volkswagen retailer Parkway Motor Group, which represents VW across four dealerships, in Derby, Leicester, Kettering and Northampton.

Built at a facility near eDynamix's Derby offices, the lockers are equipped with integrated iPads and allow customers to drop off and collect their keys during aftersales appointments. AutoPoint lockers are fully integrated with all other eDynamix systems.

Customers can book their service online, via eDynamix's online booking system, using a link from an automated reminder.

If they choose to use an AutoPoint Locker, the system will issue a unique code for their assigned locker. When they arrive at the dealership, they can then access a secure locker using their unique QR code or an access code on their mobile phone.

Once they have used the iPad-based iVHC Active Digital Reception (ADR) module to check their vehicle in – alerting staff that the vehicle is on site – they can then put their keys in the locker and leave.

On completion of the vehicle health check using iVHC, the customer can view their report online with supporting videos and photographs taken through eDynamix's VIDEO1st platform. They can also authorise and pay for the work at the same time.

For those customers without a service plan, a link can be included offering the opportunity to configure and take out a plan online prior to returning to collect the vehicle, where the keys will be waiting in an AutoPoint Locker.

During the check-out process using iVHC ADR in AutoPoint, customers can also book future amber work through an internal version of online bookings.

They will then receive an email and SMS reminder in the weeks leading up to the booking, with a link to amend it through the online bookings platform if





circumstances have changed.

Nickalls said: "AutoPoint Lockers are a really exciting development for us, because I don't believe anybody else out there has anything like this.

"With other similar systems out there in the market, you have to put your keys in an envelope and post it, but ours is fully automated, mechanical and integrated with all other products. The idea came from Amazon lockers."

Among other new systems delivered by eDynamix is Sales Desk, a sales lead enquiry management system that allows retailers to coordinate their advertising efforts and respond to sales enquiries with photo and video assets.

Stock Master meanwhile adds a level of scrutiny and tracking to retailers' group vehicle stock in an attempt to drive stock turn and profitability.

Nickalls said: "At the moment, many retailers' stock data is very much siloed into individual sites. This system brings everything together in one place, into a platform which is integrated with Auto

Trader and CAP and utilises our own VIDEO1st imagery functionality.

"You can see how the car is performing online, compared with other similar vehicles elsewhere in the country.

"It's all helping retailers to reduce the number of days in stock.

"If you have 300 cars in stock, you only have to reduce your number of days in stock by three to realise a £12,000 saving."

In the past 12 months, eDynamix has devoted itself to broadening its array of services to meet retailers' needs across the full spectrum of stock marketing and management, lead enquiry, and aftersales services, including the provision of augmented reality within its iVHC and VIDEO1st platforms.

Integration has been achieved with a number of industry data providers – including data providers such as the DVLA, DVSA, and VOSA, Auto Trader, Codeweavers, CAP HPI, TPS and MPS – and it has also signed up to CDK's partner programme.

"The new relationship with CDK was

really important for us, because that means that we can now read and write straight into the DMS," said Nickalls.

eDynamix's workforce has had to grow in line with its new services. Its headcount has risen by more than 30% in 12 months, particularly in the support and research and development sides of the business.

A new, purpose-built office and an academy training 10 staff opened in March 2019 to further boost eDynamix's resource from its current 100-strong team.

In the UK, offices in Northumberland and a new User Experience centre in Derby are central to the dealer-facing operation, with business development managers supporting retailers directly.

Nickalls said: "It's a very important time for us. Not because we are nervous about all the new products. We know they work well and it's exciting to see them entering the market. The key challenge is to remain focused on the service we provide to retailers.

"We have developed a strong reputation for delivering and supporting at a high level and we will not jeopardise that."

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# HOW TO LEAD AN AWARD-WINNING TEAM

Beryl Carney, JCT600's head of commercial vehicles, believes the key to good performance is teamwork, communication and empowered employees

**J**CT600 head of commercial vehicles Beryl Carney was awarded the UK motor industry's inaugural Barbara Cox Woman of the Year Award earlier this year in recognition of her work to transform the fortunes of the Bradford-based AM100 retailer's three Volkswagen van centres.

In 2013, the Sheffield site was making a loss, York was barely breaking even and Hull was profitable but underperforming in several KPIs including customer satisfaction. Under Carney's leadership, the division achieved £1.2 million net profit in 2017 and almost £1m in 2018. The Hull and Sheffield sites have also won awards from Volkswagen.

Carney's success is strongly linked to her skills in managing and developing her workforce, and creating an environment where employees support each other. She learned the value of teams and people development early in her career at truck hire firm Kempston in South Africa. It's experience that she applies at JCT600.

"Without a doubt, none of this is possible without a team of people around

you, you drive your results through your people," she said. "And my passion for what I do feeds back into their passion, which gives them the inspiration to want to do better, and I think as well because I have such strong core values a lot of my team appreciate that and feel respected and confident in what they do because they know they have those values behind them which helps them drive their own performances.

"I hear them at work all the time saying 'well, is that treating that person with integrity?' And it's wonderful to hear that because now they're thinking about their own behaviours and how that impacts on the business and themselves and the results within the business."

Communication is another core value and has helped to improve customer satisfaction. Carney has made it plain to all staff that being open and honest with colleagues and customers brings rewards.

"We don't do anything underhand in our dealership, ever. If we've scratched a customer's vehicle, we'll phone and tell them: 'We're happy to repair it at our cost with a reputable bodyshop, it will be guaranteed by the manufacturer, but if you don't want us to do it you tell us how you want to handle it' so we never try and hide things from people and that's all about integrity."

Carney believes it is essential to set a clear strategy, explain to employees why that strategy is in place, what their impact is and what they need to do, but then empower people to make decisions.

"One of the biggest compliments I had

was when a customer rang up and said 'I don't know you, I've never met you but you clearly have a really good management style because your team are clearly empowered'. He'd been in the automotive industry for years and he said 'I've never been into a dealership where I have seen that empowerment'."

That supportive team environment became vital for the division's achievements, and personally for Carney. While leading the turnaround, she was also being treated for cancer (she describes being given the 'all clear' from her oncologist in 2017 as the "jewel in my crown").

"With the right mindset you can fight and survive through life-threatening things," she said. "I learnt the real true meaning of team and support during that period. The fact I could focus on work allowed me to not withdraw into myself, it gave me a huge drive and inspiration."

Carney believes a 'woman's touch' can be beneficial to a dealership as women "have the ability to see a 'softer' side of things" and "to view things in a different way".

"We care about other people, we care about the impact of our behaviour on other people," she said. "We have a natural, nurturing ability."

But Carney also knows when to take a tough stance, particularly when it comes to making sure the business understands and respects the differences between selling commercial vehicles and passenger cars.

"I don't accept the status quo," she said. "I will challenge and push back, and fight for the difference." **SARAH TOOZE**

**“ WE DON'T DO ANYTHING UNDERHAND IN OUR DEALERSHIP, EVER... WE NEVER TRY AND HIDE THINGS FROM PEOPLE AND THAT'S ALL ABOUT INTEGRITY ”**



**BERYL CARNEY, JCT600**

## RESOURCES

### WEBSITE: OXFORD LEADERSHIP

Open access articles on leading and communicating with teams from a global leadership consultancy [www.am-online.com/OxfordInsights](http://www.am-online.com/OxfordInsights)

### TED TALK VIDEO: HOW GREAT LEADERS INSPIRE ACTION

Simon Sinek outlines a model for inspirational leadership in this 18-minute video [www.am-online.com/SimonSinek](http://www.am-online.com/SimonSinek)



### BOOK: THE 7 HABITS OF HIGHLY EFFECTIVE PEOPLE

Stephen Covey's book has long been a best seller due to its principles of fairness, integrity, honesty and dignity. [www.am-online.com/7Habits](http://www.am-online.com/7Habits)

**ADVERTISING FEATURE**

# A different type of demo drive

**Test drives don't work any more, says Simon Bowkett of Symco Training**



Test drives don't work any more, but demonstration drives do – so long as we demonstrate the right features, to the right customer, at the right time. There's no better way of raising the desire to buy.

But a lot of salespeople tell me that they often feel like a driving instructor when they are doing a demonstration drive, and that can make customers uncomfortable. So here's an alternative approach that you may want to try.

Drive half-way around your demonstration route. This is when I tend to do all of my talking and demonstrating. There is so much technology to demonstrate on today's modern cars – the lane-departure warning system, adaptive cruise control, electronic power steering, start-stop technology and so on.

The way I tend to structure it is by alternately demonstrating and talking about a feature on the car, and then chatting with the customer. You'll see what I mean when you watch my new sales training video on the *AM* website this month ([www.am-online.com/symcotraining](http://www.am-online.com/symcotraining), or at [www.symcotraining.co.uk](http://www.symcotraining.co.uk)).

When I get to the halfway point, I will stop the car, turn it around and then let the customer drive back to the dealership. I won't say much to the customer until we are a few minutes away from the dealership, when I start asking those 'mental ownership' and trial close questions.

By keeping quiet when the customer is driving, you can let them fall in love with the car.

When it comes to the stopping point, there are five things I make sure I do before I get out – adjust the driver's seat; adjust the rear-view mirror, so the customer has to realign it; reset the fuel trip computer so the customer can see what sort of miles per gallon figure he or she can expect to achieve now that the engine has warmed up; set up the satellite navigation (if there is one) to guide the customer back to the dealership; and take the car keys out.

I also find that at this point, while I'm sitting in the driver's seat, it's the perfect time to show the customer where all the controls on the car are, rather than wait until they start driving.

Try this method and see what a difference it makes to your sales conversion rates!

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# TALENT ON THE MOVE



**KEVIN HARDING, PRICING DIRECTOR AT CAZOO**

Cazoo has hired three new employees from Auto Trader, Tesla and Manheim.

The newcomers join a 50-strong team at the yet-to-be-launched online used car buying platform, based in London.

Former Auto Trader sales director Kevin Harding has been named as pricing director at the new business.

He has held several senior positions at Auto Trader, including responsibility for monetising and scaling its data and insight solutions.

Tony Long, Tesla's former EMEA general manager for remarketing, takes the role as operations director at Cazoo.

Long brings 15 years of experience across procurement, in-life services, financial services and remarketing.

Bryan Stringer joins as head of operations from Manheim and brings with him 30 years of industry experience with senior board roles at ING and Alphabet.

The new online used car buying platform is a product of Zoopla founder Alex Chesterman. He has already raised more than £30 million to fund the business and has plans to launch it by the end of this year.

Through the Cazoo platform, users will be able to buy, finance or rent a used car online and have it delivered to their door within 48 hours.



**KALYANA SIVAGNAM, MANAGING DIRECTOR, NISSAN GB**

Nissan Motor GB has appointed Kalyana Sivagnanam as its new managing director four months after the announcement that his predecessor Alex Smith would replace Paul Willis as Volkswagen Group UK managing director.

Sivagnanam is returning to the UK from his previous role with Nissan as regional vice-president sales and marketing, Africa Middle-East and India, after 14 years spent with Ford Motor Company, including running its Ford Retail company-owned dealerships across Europe.

He will report to Ken Ramirez, senior vice-president for sales and marketing in Nissan Europe.



**JUSTIN SHIPLEY, NATIONAL FLEET SALES MANAGER, VERTU**

Vertu Motors has appointed Justin Shipley as its new national fleet sales manager, supporting Jonathan Snelson, the group's fleet director.

Shipley began his career in the motor industry as a body shop damage assessor before moving into sales as a trainee and progressing to his current position.



**RICHARD HOWES, CHIEF FINANCIAL OFFICER, INCCHAPE**

Inchcape's chief financial officer, Richard Howes, has stepped down from his position to pursue another opportunity outside the sector.

Howes, who joined the AM100 retail group in April 2016, will leave the business on August 31, to take up a new role as chief financial officer at Bunzl.



**IAN WILSON, DEALER RECRUITMENT MANAGER, SSANGYONG**

Ian Wilson has joined SsangYong Motors UK as dealer recruitment manager. He will be based in Scotland, but will be tasked with securing new partners nationally.

Wilson has worked in the motor industry for more than 30 years, most recently as Kia's general manager of dealer development.



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MOTOR FINANCE

# What's measured is managed (and what's managed normally improves)

Neil Addley, founder and MD, outlines the JudgeService ethos and how it helps you

**Q** What's JudgeService all about?

**A** Insight and content. In essence, we are a research business providing insight into what customers think about your business in real time.

This allows you to improve your customer experience and promote your reviews and star ranking to attract more customers.

**Q** How so?

**A** Some 95% of consumers will read a review before purchasing. 72% won't buy unless you have reviews. People are looking for third-party endorsement of their buying intention. By carrying reviews and ratings using our widgets or API, our clients show they can be relied upon.

**Q** What makes you different from other "review" providers?

**A** We're not just a review provider. We provide insight and 100% verified, authentic reviews.

Some other platforms allow anyone – competitors or even colleagues – to publish reviews. Some allow you to choose which ones to display. This goes against our principles of truth, honesty and integrity.

Our mission is to help our clients make the world a better place, one customer at a time. You can't do that if you hide the truth or, worse still, deliberately set out to obfuscate it.

Also, we are an automotive specialist, which means our clients get really usable, granular insight and reports rather than generic inter-babble!

**Q** How long has JudgeService been going?

**A** We've just celebrated our eighth birthday. Over that time, JudgeService has surveyed hundreds of thousands of car buyers and lost sales.

Our granular surveys mean we have been able to establish the link between stock turn and customer satisfaction and sales.

**Q** How do you do that?

**A** The data used is from more than 100,000 surveys in the past year, matched with the number of days in stock the vehicles have been advertised online for sale.

**Q** And what does it tell us?

**A** Customer satisfaction drives stock turn. Customers at dealerships with higher customer satisfaction buy cars faster, significantly driving down the days a car stays in stock.

**Q** What's the most important driver to satisfaction?

**A** The single most significant factor in this relationship is the customer's opinion of the salesperson. People buy from people.

**Q** What's the difference between promoter scores, recommendation and overall satisfaction?

**A** Not much! The number of days a vehicle is in stock before it sells is directly affected by customer satisfaction. There is an almost perfect correlation between the promoter score and recommendation score.

**Q** And how do you know that satisfaction drives speed of sales?

**A** There is a direct correlation between the number of days it takes to sell a car and the level of customer satisfaction, in this case measured as a promoter score. A dealer with a promoter score of 30% will see cars stay in stock for just over 46 days, whereas a score of 70% will be 34 days. A 90% promoter score brings it down even further, to 28 days.

In effect, this creates additional sales "days" as a "free hit" – more sales requiring no further capital.

**Q** Apart from the salesperson's attitude, what else drives customer satisfaction?

**A** The other key areas that drive satisfaction are the attitude at handover, explanation of paperwork and the vehicle itself. In isolation, a 5% improvement in salesperson's attitude sells a car 5.3 days quicker, attitude at handover 4.8 days, explanation of paperwork 4.7 days and both mechanical preparation and cleanliness 3.9 days quicker.

**Q** And does this really improve stock turn for your clients?

**A** Great question. Yes, clients who use JudgeService typically see their recommendation levels and promoter scores increase over time. Typically by 20% over a three-year period. That's moving metal five days quicker! That improvement starts in the first three months, continuing in the first year, the next three and then ongoing.

**Q** So what are your top tips for car dealers right now?

**A** Knowledge is power. We've got seven top tips on how you can start to improve your customer experience from tomorrow.

**1. Meet and greet. Attentiveness matters!** The results are conclusive. Customers want to know you care about them and are available to help.

Make sure your magic meerkat is on the

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**Based:** Harrogate, North Yorkshire

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**Email:** [neil@judgeservice.com](mailto:neil@judgeservice.com)

**Telephone:** 01423 225 166



lookout for customers on the forecourt or display. Rain or shine, customers want to be acknowledged.

**2. Train your team to explain paperwork, documentation and finance**

Your probably spend time training closes and objection-handling, but how much time do you spend teaching your team to explain paperwork and finance documents?

**3. Keep it clean**

Whether it's the car being cleaned before being put on display or the general standards of the forecourt, customers notice your attention to detail and judge the rest of your business by the standards you set.

**4. Maximise your web presence**

As well as accurate pricing, good specs and great photography, ensure you carry your reviews, recommendations and star ratings on your website. Customers are looking for who to choose.

**5. Invest in customer feedback**

Don't lose sales because someone, somewhere has decided the customer won't deal "today".

One mans tyre-kicker is another woman's hot prospect.

**6. Measure customer satisfaction**

If you're not measuring your used car customer satisfaction or lost sales then you have no barometer on your performance. Its like driving without a speedometer.

**7. Coffee, a tank of petrol and car mats**

People notice these things. Plastic cups and vended coffee may have been alright 20 years ago, but people expect more now. Decent coffee and a proper cup.

Explain whether they have to pay for a full tank or whether they'll get mats. People are used to paying for upgrades, just get the offer right.

**Q That's great. What next?**

**A** Exciting times ahead. We're revamping our websites and doing some fantastic new research into what turns a lost sale into a customer and on the key drivers to long-term customer loyalty. There are some really interesting findings. Watch out for our next white paper, due in late May. It'll be a great read.

**Q So how does someone get on board with JudgeService?**

**A** To get a copy of the new white paper or to put a visit in the diary, drop us a line: [neil@judgeservice](mailto:neil@judgeservice), or call 01423 225 166. You can also visit our website: [business.judgeservice.com](http://business.judgeservice.com)



## EIGHT QUESTIONS TO A...

# NETWORK DEVELOPMENT MANAGER

Mark Hallam, MG Motor UK, on carefully growing its network and dealer sites and why being part of a team is more fun



### What are the main responsibilities of your role?

**HALLAM:** Probably the most important is to develop a network of viable and sustainable dealers, to provide a high level of market opportunity coverage that ensures the brand can continue to grow its presence in the UK. There needs to be enough opportunity for every dealer and new appointments need to cover key locations without affecting the current network.

### What are the most significant challenges ahead in your field of work?

**HALLAM:** There was an existing dealer network in place when I joined and many of the early appointments were not necessarily in the most strategic locations. If you had a blank canvas, you wouldn't necessarily choose to locate dealers where some of these sites are.

Those dealers have done a great job for MG in establishing a foothold in the UK, we want to continue to grow with them and at the same time accommodate new dealer partners that are now knocking on our door and that could provide a solution to representation in what we see as key locations. Our model line-up is constantly growing and the showroom space we need for this is also getting bigger – some of our dealers will need to expand their premises.

### How might these challenges be overcome?

**HALLAM:** Carefully! Thankfully, the past couple of years will have been profitable for most of the current network. They will realise the significant untapped potential with the brand and have the motivation and resource potential to provide the showroom space to display the expanding vehicle range. Some of our location challenges are in more expensive metropolitan territories, but we are starting to hear from dealers looking for another profit opportunity to bolster income from existing brands that are not doing well. In addition, regional dealer groups are taking a very keen interest in the brand.

### What attracted you to this area of expertise?

**HALLAM:** I have been fortunate to work in several different sectors within our industry. I have worked in retail, in sales and sales management, I have worked for vehicle manufacturers in small and large fleet roles

and in regional sales and aftersales territory roles and spent some time working with a leading industry body. During this experience, I saw that network development provided the ideal mix of sales and operational challenges with plenty of other opportunities for personal development. It's probably one of the best jobs in our industry.

### What's the most important thing you have learned in your career, and how have you made use of it?

**HALLAM:** Relationships are key to absolutely everything, people buy from people, products to some extent are secondary. I've attempted to be honest and transparent with internal and external stakeholders such that I would never be concerned about bumping into someone that I had worked with at any other time in my career. **MATT DE PREZ**

## QUICK-FIRE QUESTIONS

### What drives you?

Just to do the very best that I'm capable of and to be respected for it.

### What's your favourite app?

Without question, Spotify. I like music from so many different genres and Spotify provides a great platform to access that at any time and on so many different devices, too.

### How do you relax?

Listening to music obviously, but I still go to a fair number of concerts each year, so often the live performance is much more entertaining than the music itself. I play cricket – the bowling gets slower with each passing year and I'm still striving to get higher up the batting order, but it's a great chance to unwind in a team environment. I'd always played golf but when I started playing cricket 13 years ago I realised how much more enjoyable it was playing sport as part of a team.



AM, Media House, Lynch Wood, Peterborough PE2 6EA  
Email: AM@bauermedia.co.uk

### THIS MONTH'S QUESTION TO THE AM TEAM:

Which mythical creature do you wish actually existed?

#### EDITORIAL

**Editor** Tim Rose 01733 468266  
tim.rose@bauermedia.co.uk

#### ► The minotaur

**News and features editor** Tom Sharpe  
01733 468343 tom.sharpe@bauermedia.co.uk

#### ► The Psammead

**Web producer** Elizabeth Howlett 01733 468655  
Elizabeth.Howlett@bauermedia.co.uk

#### ► Buffy the Vampire Slayer

#### PRODUCTION

**Head of publishing** Luke Neal 01733 468262

#### ► Wonder Woman

**Production editor** Finbarr O'Reilly 01733 468267

#### ► Compassionate Conservatives

**Senior designer** Chris Stringer 01733 468312

#### ► Totoro

#### CONTRIBUTORS

Matt De Prez, David Francis, Ian Halstead,  
Jim Saker, Tom Seymour, Craig Thomas

#### PROJECT MANAGEMENT

**Head of project management**

Leanne Patterson 01733 468332

#### Project managers

Kerry Unwin 01733 468578

Chelsie Tate 01733 468338

Niamh Walker 01733 468327

#### ADVERTISING

#### Commercial director

Sarah Crown 01733 366466

#### Group advertisement manager

Sheryl Graham 01733 366467

#### Account managers

Sara Donald 01733 366474

Kelly Crown 01733 366364

Kate Atkinson 01733 366473

**Recruitment enquiries** 01733 366473

#### EVENTS

**Event director** Chris Lester

**Event manager** Sandra Evitt 01733 468123

**Conference planner** Nina Wright 01733 468907

**Senior event planner** Kate Howard 01733 468146

#### PUBLISHING

**Editor-in-chief** Stephen Briers

**Head of digital/associate editor** Jeremy Bennett

**CRM & marketing manager** Lauren Annis

**Managing director** Tim Lucas

**Office manager** Jane Hill 01733 468319

**CEO of Bauer Publishing UK** Rob Munro-Hall

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or [matthew.mcmullan@bauermedia.co.uk](mailto:matthew.mcmullan@bauermedia.co.uk)

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