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EXIT



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EDITOR'S LETTER

As the coronavirus crisis continues many in our industry are seeing rays of hope. Safety precautions are forcing us all to be patient, but now dealers have clarity that they can offer click-and-collect sales and service, and that their showrooms may be re-opening in June provided the UK's virus infection rate remains subdued.

Our research (pages 6 to 11) shows most manufacturers are supporting their retail networks, and dealers have been busy making preparations for sales. We also know the furlough scheme is being extended – vital to reducing dealers' payroll costs temporarily. Of course, the situation is still far from normal, but there are positives to be found.

Talking of positivity, this month *AM* scooped the Automotive Business Publication of the Year trophy in the Newspress 2020 Awards. It's given a wonderful boost to our spirits in this difficult time, even though lockdown meant we missed out on the champagne and dinner normally laid on for finalists. I'm so proud that our very small team's efforts have been recognised.

On a much sadder note, I must announce that the AM Automotive Retail Congress, planned for the end of May, has had to be cancelled due to the coronavirus counter-measures. Nevertheless, our preparations continue to safely hold our November events, Automotive Management Live at the Birmingham NEC and the AM100 Dinner that same night.

Fingers crossed, the next few months bring us more reasons to regain positivity. Stay safe.



MEET THE TEAM



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long-term
ambitions



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'NON-ESSENTIAL' RULING PUTS BLOCK ON REOPENINGS

Some showrooms had hoped to get going again in first half of May, but June 1 now the earliest – and that's subject to levels of COVID-19 control

Car retailers' showroom re-opening plans were put on ice after Government aligned the sector with "non-essential retail" businesses in its 'COVID-19 Recovery Strategy', leaving a return to business dependent on efforts to control COVID-19.

As *AM* went to press retailers remained in the strategy's "non-essential retail" category, meaning that facilities would not be opened to car buyers until June 1 at the earliest.

It means dealers poised for a mid-May re-opening are under increasing pressure to adapt to an online sales model to drive revenues in the near-term to fund the return of furloughed staff to work.

An *AM* 'COVID-19 car retail recovery survey' laid bare much of the automotive retail sector's continued reliance on its traditional showroom model, however, with

68.9% of respondents admitting they had not delivered any sold vehicles during the coronavirus lockdown period.

Furthermore, 44% of traders were still without the means to deliver an end-to-end sales experience that would improve their chances of increasing their volumes of remote sales and vehicle deliveries.

That figure does represent an 18 percentage point improvement on answers to the same question in the 'AM UK car retail coronavirus impact survey' conducted a month earlier (between March 25 and April 3).

Of the retailers that said they could trade cars wholly online the largest proportion, 41.4%, said they expected no more than 10% of their 2020 car sales to be completed that way in 2020.

A third (33.3%) said they expected online sales to account for between 11% and 25% of their volume.

Vertu Motors chief executive,

“We are very positive for the future.

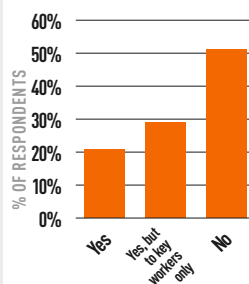
Q2 will be tough, but we expect HY2 to be very strong

RESPONDENT'S COMMENT

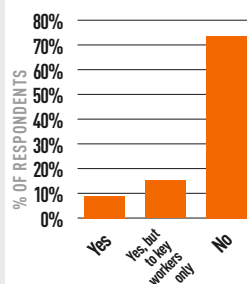
Robert Forrester, was one AM100 retail group leader who had been pinning his hopes on a safe return to the showroom for the sector.

Vertu earmarked a May 11 "proxy date" for the re-start of showroom sales shortly after its March 24 closures and Forrester told *AM* that he had hoped to bypass a 'click and collect' partial re-opening of sales sites on the way to a full re-opening. "I'm currently not engaging in

HAS YOUR DEALERSHIP/ GROUP REMAINED OPEN FOR AFTERSALES DURING THE LOCKDOWN PERIOD (MARCH 24TH ONWARDS)?

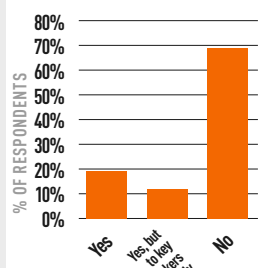


HAS YOUR DEALERSHIP/GROUP COMPLETED ANY VEHICLE HANDOVERS AT A SHOWROOM OR ON A FORECOURT DURING THE LOCKDOWN PERIOD?

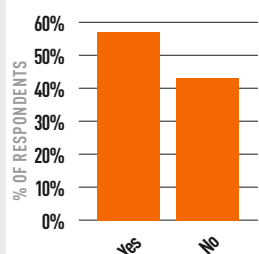




HAS YOUR DEALERSHIP/GROUP DELIVERED VEHICLES TO CUSTOMERS DURING THE LOCKDOWN PERIOD?



IS YOUR DEALERSHIP/GROUP EQUIPPED TO COMPLETE CAR SALES ONLINE 'END-TO-END', WITH NO NEED FOR CUSTOMERS TO ENTER THE PREMISES?



mass deliveries and I think we're so close to being able to open fully with social distancing measures in place that I don't think we'll have to go through the interim step of click and collect," he told *AM*.

Another respondent to the survey said they were "convinced that a 'click and collect' approach would be safer and more cost-effective than the delivery options".

Forrester spoke to *AM* ahead of

FURLOUGH WILL NEED TO BE EXTENDED TO PREVENT CIRCA 30% TO 40% OF DEALERSHIP PERSONNEL (SALES RELATED) FROM BEING MADE REDUNDANT IN PREPARATION FOR A 30% TO 50% DECLINE IN SALES

RESPONDENT'S COMMENT

Government's May 11 publication of its 'COVID-19 recovery strategy', which appeared to align automotive retail with other "non-essential retail business" destined for a June 1 re-opening at the earliest.

That date hinges on the impact of on the COVID-19 infection rate of a May 13 easing of lockdown measures in England, announced by Prime Minister Boris Johnson.

The easing of measures included the ability to exercise outdoors more than once a day, and drive "as far as you like" to do so, and a return to work for "all workers who cannot work from home", provided their workplace is open and safe.

Government advised all workers to avoid public transport where possible.

The easing measures could conceivably drive demand for dealerships' aftersales services as cars not driven for several

RETAILER RECOVERY INTERVIEWS



ROBERT FORRESTER, CHIEF EXECUTIVE, VERTU MOTORS

Robert Forrester has said he wants to re-open showrooms and begin trading in a bid to drive the UK's economic recovery from COVID-19.

"The fact is that the Government can't simply pay for people to stay at home for months and months and months on end," he said.

"You could just sit tight like traders in hibernation, and that might be the best thing to do, but from a moral point of view and from the point-of-view of some of our customers we need to be open."

Vertu said in an interim trading update published on

May 7 that it had built an order bank of 825 retail and 749 fleet and commercial vehicle orders during lockdown and planned to deliver those when restrictions were lifted.

Its aftersales operations had generated £1.7 million in sales as 98 of its 133 locations continued to employ 18% of the group's technicians.

Forrester said social distancing and vehicle sanitisation would mean that dealership standards were "very different" on their return to showroom sales proper.

While temperature checks for staff and customers and the removal of newspaper and customer coffee provisions were likely, Forrester also revealed that the traditional vac and wash had been removed from the aftersales process.

He said: "The focus is very much on cleansing the car and technicians are doing that. The cosmetic side of the aftersales process has been removed and I think our customers understand why that is."

"YOU COULD JUST SIT TIGHT LIKE TRADERS IN HIBERNATION, AND THAT MIGHT BE THE BEST THING TO DO, BUT FROM A MORAL POINT OF VIEW AND FROM THE POINT OF VIEW OF SOME OF OUR CUSTOMERS WE NEED TO BE OPEN"

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RETAILER RECOVERY INTERVIEWS



**MARK LAVERY,
CHIEF EXECUTIVE,
CAMBRIA AUTOMOBILES**

Mark Lavery said he expects “Darwinian evolution” of the car retail sector with up to 25% to 30% of car retail businesses going out of business or being taken over within the next two years.

The Cambria boss spoke to *AM* following publication of an interim results statement for the six-month period to February 29, revealing that while Cambria had not yet ‘war gamed’ redundancies there was a possibility of “over 100” once Government’s Coronavirus Job Retention Scheme (CRJS) ends.

“We don’t yet know whether we are facing a recession or a depression,” he said.

Lavery took a 50% pay cut and other board members

volunteered to reduce their salary and fees by between 20% and 50% after Cambria placed almost 90% of its workforce on furlough.

He said the business had delivered just 22 vehicles since the closure of its showrooms on March 24.

But Lavery was hopeful that the group’s luxury franchise portfolio could help it recover trade from an aftersales point-of-view as lockdown restrictions are eased.

“Many of the vehicles we sell are designed to be driven and if they are stood still for six or seven weeks the first thing their owners should do is bring them to the dealership for a service,” he said.

Lavery remains pragmatic about the outlook for the sector and said that ground would not be broken on the group’s planned new Aston Martin showroom in Solihull until things became clearer.

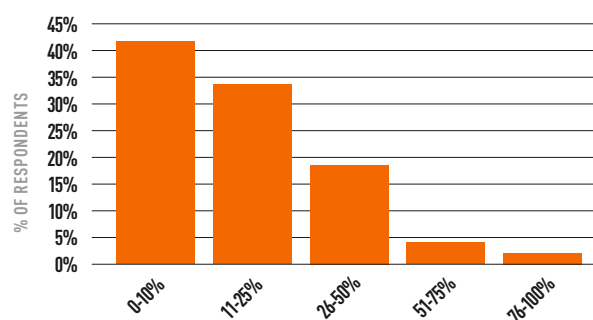
He said his decisions were still based on a three-phased approach, stating: “First lockdown, secure assets and look after associates; second, a fast return to work with a small number of associates; finally, we wait for the end of the Government support to see what the optics of the industry are like.”

“IF VEHICLES ARE STOOD STILL FOR SIX OR SEVEN WEEKS THE FIRST THING THEIR OWNERS SHOULD DO IS BRING THEM TO THE DEALERSHIP FOR A SERVICE”

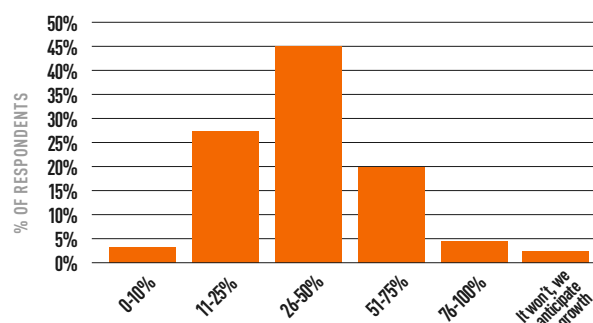
“UNLESS YOU HAVE A ROBUST END-TO-END ONLINE SYSTEM YOU NEED TO BE VERY WORRIED. THE SALE OF CARS ONLINE HAS NEEDED SOMETHING TO KICK START IT AND THIS IS IT

RESPONDENT’S COMMENT

WHAT PROPORTION OF SALES DO YOU EXPECT TO BE COMPLETED ONLINE IN 2020?



TO WHAT EXTENT DO YOU THINK YOUR BUSINESS’S TURNOVER WILL SUFFER A YEAR-ON-YEAR DECLINE IN 2020?



C weeks return to the roads. Research conducted by Auto Trader and What Car? concluded an aversion to public transport – now backed by Government advice – may result in increased used car sales enquiries.

RE-OPENING PREPARATIONS

Responses from *AM*’s ‘COVID-19 car retail recovery survey’ participants

– who logged responses between April 28 and May 4 – suggest that many businesses had joined Vertu Motors in gearing-up for May 11 re-opening.

The vast majority (74.9%) had already invested in personal protective equipment (PPE) and 70.6% had restructured their showrooms to accommodate social distancing.

Clive Brook Volvo managing director, Clive Brook, described his

plan for re-opening as “like starting a new business with your hands tied behind your back”.

Brook had wasted no time in marking a safe route through his showroom for customers – initially of its aftersales departments – and creating ‘socially distanced’ waiting areas along with separate entry and exit points at his showrooms in Bradford and Huddersfield.

At Devon-based Mitsubishi retailer

Devonshire Motors, dealer principal Nathan Tomlinson launched a “DM Stay Safe” initiative which spelled-out the stringent efforts being made to sanitise its cars and showroom premises.

Tomlinson said: “I think this is really important, not only to give customers some confidence but equally to ensure that when we are able to bring staff back into the business, they, too, feel safe and are able



to adapt. To do that we need to look and feel different."

Despite the caution exercised around welcoming staff and customers onto car retail premises during the lockdown period, more than a quarter (25.2%) of our survey respondents admitted they had completed a vehicle handover at a dealership during lockdown.

Of those, 16% said the handover – seemingly completed in contravention of lockdown regulations – was to a key worker.

ONGOING IMPACT

Some retailers may have been motivated to facilitate sales amid anxiety about the ongoing impact of the COVID-19 pandemic.

When asked about the impact on car showroom footfall in 2020, 41.7% of respondents said they expected a decline of between 26% and 50%, with 28.1% anticipating a slump of between 51% and three-quarters.

A corresponding hit to turnover and profit was also anticipated, perhaps highlighting retailers' lack

of confidence that they can make up lost sales via online means.

Almost half (45.6%) of 'COVID-19 car retail recovery survey' respondents said that they expected their turnover to decline between 26% and 50% this year; a further 19.3% suggesting the hit could be worse – between 51% and 75%.

The outlook for profitability is near-identical, with 40.1% of respondents stating that they expected a 26% to 50% decline and 25.9% fearing the loss between 51% and 75% of profitability year-on-year.

One respondent said their expectation was that profit per unit would decline to 60% of "pre-COVID" levels with a "large reduction in F&I penetration and income".

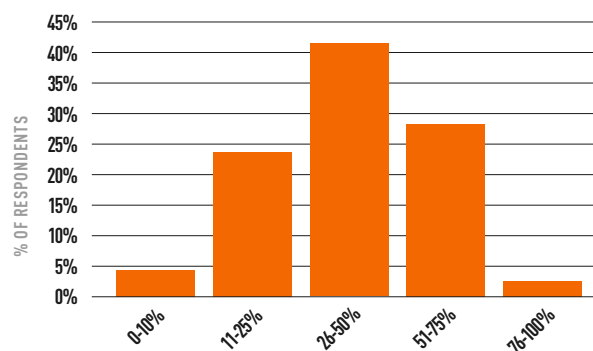
Another concerned respondent described the current trading situation as "very scary", adding: "I historically sell 25 cars in April and sold four this year. That's a lot of money missing from my bottom line."

"If it continues like this for next four months, I will have no alternative but to close." **TOM SHARPE**

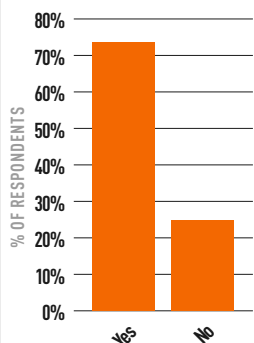
I'M STRUGGLING TO SEE HOW WE CAN RETURN TO A FULL COMPLEMENT OF STAFF (28 IN OUR CASE) IN THE DEALERSHIP UNTIL THERE IS A VACCINE/CURE

RESPONDENT'S COMMENT

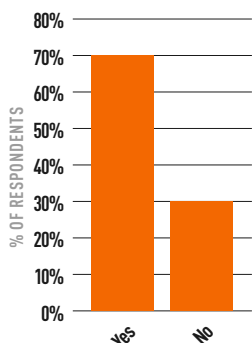
TO WHAT EXTENT DO YOU THINK SHOWROOM FOOTFALL WILL DECLINE IN WHAT REMAINS OF 2020, COMPARED WITH THE SAME PERIOD IN 2019?



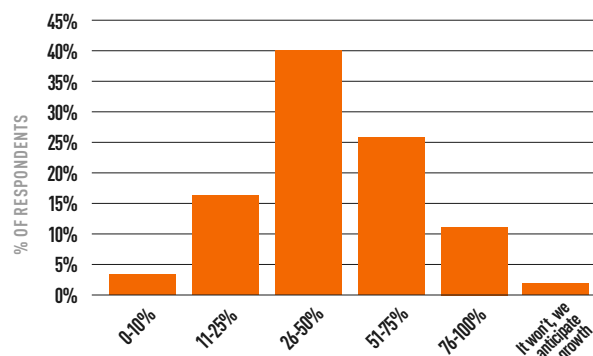
HAS YOUR DEALERSHIP/ GROUP INVESTED IN PERSONAL PROTECTIVE EQUIPMENT (PPE) TO HELP WITH YOUR CUSTOMER CONTACT WHEN LOCKDOWN MEASURES ARE RELAXED?



HAVE YOU MODIFIED THE LAYOUT OF YOUR CAR RETAIL SITE/SHOWROOM TO HELP YOU TRADE WITH SOCIAL DISTANCING MEASURES STILL IN PLACE?



TO WHAT EXTENT DO YOU THINK SHOWROOM BUSINESS' PROFITABILITY WILL DECLINE IN 2020?



PATCHY SUPPORT FROM OEMs

More than 40% of franchised car retailers think manufacturers could be doing more to help

Car retailers have given a mixed verdict on the COVID-19 support offered by car manufacturer partners as pressure grew to deliver a recovery strategy and get back to business.

AM's 'COVID-19 franchised car retailers' OEM and state support survey' – conducted between May 5 and 12 – showed that 42.2% of franchised car retailers don't feel manufacturer partners are doing enough to support their business during the COVID-19 lockdown.

And a lack of continued support on under-strain businesses could be contributing the sector's increasing unease about the future of its workforce, with 71.4% now anticipating making redundancies in 2020.

That compares with 52.8% of respondents to AM's 'Impact of coronavirus survey', conducted a month earlier.

While OEMs, including Suzuki – the first to outline a support package for franchisees – Kia, Mazda and Volvo, have attracted praise for their response, others have not.

Respondents to AM's survey cited pressure to return to trading and insufficient financial breathing space as core issues.

Mixed OEM response

Speaking to AM in the wake of Prime Minister Boris Johnson's UK lock-

"WE NEED TO REDUCE FRANCHISE COSTS DRAMATICALLY FOR THE FORESEEABLE FUTURE GIVEN LARGE LOSSES ALREADY INCURRED AND PROBABLE SLOW RESUMPTION IN BUSINESS LEVELS"
SURVEY RESPONDENT

down announcement, on March 24, Marshall Motor Holdings chief executive, Daksh Gupta said: "I have to give credit to the OEMs. All but one have behaved impeccably and responded incredibly quickly.

"When everyone else is standing on the left-hand side and one's standing on the other, it's clearly the wrong decision and I think they'll realise the mistakes they made when all this is over."

One respondent to AM's survey spelled out the need for ongoing manufacturer support, stating: "We need to see continued support from the OEMs. Some still think that for them it will be business as usual and it is up to the retailer to work their way around sales targets."

Another said: "Our OEM does not appear to be considering the reality of the situation. They are too focused on delivering Q2 numbers without consideration for the restrictions on business caused by the pandemic."

When asked to share the greatest concerns for their business's OEM relationship during the lockdown period, 68.1% cited "over-ambitious sales targets".

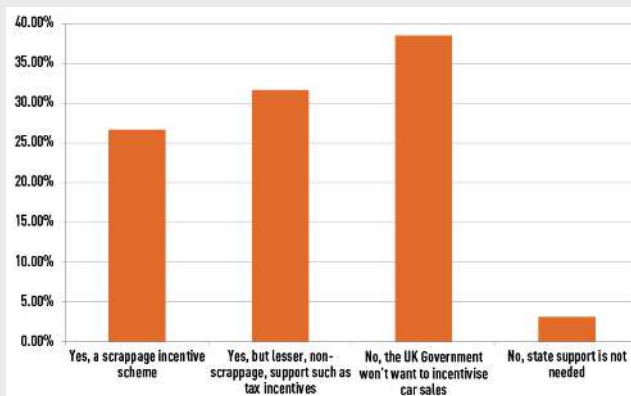
A further 28.8% stated the non-payment of volume bonuses was their largest concern, while 25.6% said an inappropriate stock mix – the result of choked supply and 2020/21 EU emission regulations – was their biggest worry.

Moving goalposts

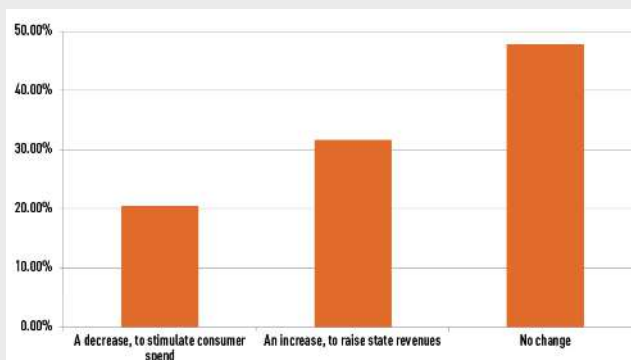
John Clark Motor Group chairman, John Clark, said the time was right for OEMs to reassess franchise costs, with an increased margin and lower CI (corporate identity) demands becoming the new norm.

He said: "If ever there was a time for us to press the re-set button and

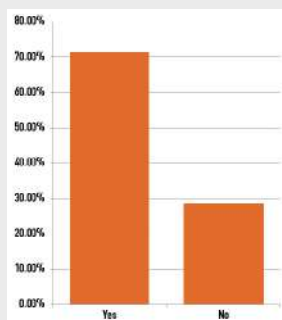
DO YOU EXPECT UK GOVERNMENT SUPPORT FOR THE UK'S NEW CAR MARKET POST-LOCKDOWN, TO INCENTIVISE BUYERS?



HOW DO YOU EXPECT THE CURRENT VAT RATE TO CHANGE AS A CONSEQUENCE OF COVID-19'S IMPACT?



DO YOU EXPECT YOUR DEALERSHIP/GROUP TO MAKE REDUNDANCIES AS A RESULT OF THE FINANCIAL IMPACT OF THE COVID-19 CORONAVIRUS?



start afresh it's now. This crisis is going to demand that we change the way we all do business and the goalposts need to shift."

Among the goalposts temporarily shifted by OEMs during the COVID-19 lockdown, 42.3% of the 163 respondents said that their franchise partner had had paid new car sales bonus at the highest earning level.

Less than a quarter (21.1%) had had their dealer standards frozen (demonstrator requirement, training, etc.), however, and all capital payments and interest charges (demonstrator, new car stock, etc.) had been put on hold for just 15.3%.

Some OEMs' COVID-19 support has surprised retail partners.

Keen to deliver on their safety-

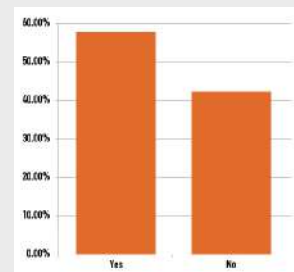
focused USP, Volvo issued a raft of personal protective equipment (PPE) to its dealers to help employees stay safe upon their return to work.

One franchisee said: "I was a little concerned about that, given the shortages of equipment within the NHS."

Speaking to AM, Volvo Car UK managing director Kristian Elvefors said the equipment was different to that used for surgical applications and said his brand was keen to treat staff and consumer wellbeing with the same meticulous approach as it applied to the safety of its vehicles.

Elvefors insisted that a reduced number of cars in a showroom to create extra waiting areas for customers which observe social

DO YOU BELIEVE YOUR OEM FRANCHISE(S) HAS BEEN DOING ENOUGH TO SUPPORT YOUR BUSINESS DURING THE COVID-19 CRISIS?



distancing would not jeopardise the roll-out of the brand's Volvo Retail Experience (VRE) corporate identity to the 15% of retailers who have yet to upgrade their showroom facilities, however.

"We've had good dialogue with our retailers and that's put us in pole position to re-start trading," he added.

Market stimulus

Few survey respondents expected any Government support in the shape of a vehicle scrappage scheme, with 38.5% stating that such a scheme would not be forthcoming as "Government won't want to incentivise car sales".

However, 31.7% thought a lesser incentive – via reduced taxation – could help drive sales and 26.7% felt that Government may, indeed, offer scrappage.

The ICDP's 'clean cars for a post-COVID recovery' report concluded that a CO₂ emissions-reducing car scrappage scheme was needed to avoid a perfect storm of stalled sales

"WE NEED FURTHER OEM SUPPORT WHEN GOVERNMENT SUPPORT STOPS"
SURVEY RESPONDENT

and soaring fines from stringent new EU regulations driving carmakers 'to the edge'.

The report said: "Without intervention in the market a recovery is likely to be protracted and this will lead to business failures among dealers, and potentially with manufacturers."

Data published by PA Consulting back in January stated that the top 13 car manufacturer brands faced emissions fines totalling €14.5 billion (£12.8bn) in 2021.

This would result from the EU's imposition of €95 (£84) fine, per gram of CO₂ over a 95g/km fleet average, per car sold.

Suzuki GB director, Dale Wyatt, said the scheme – backed by manufacturers and not Government in ICDP's model – was a good idea.

"If there is a simple and transparent scheme that can benefit the economy and the environment then we have to do that," said Wyatt.

Almost a third of retailers who responded to the survey feared a rise in VAT might be on the cards – potentially stifling the sector's recovery – if Government needs to recoup the vast sums it has spent to support the NHS and mitigate the impact on business of the pandemic.

In all, 31.7% felt that a VAT hike would be imposed, while 20.5% felt a decrease could be implemented to help stimulate the economy, as 47.8% suggested there would be no change to the current 20% rate.

TOM SHARPE

MANUFACTURER INTERVIEW



DALE WYATT,
DIRECTOR OF
AUTOMOBILE,
SUZUKI GB

Dale Wyatt said Suzuki GB would be promoting a patient approach to its franchised retail network's COVID-19 recovery.

While the Japanese maker has been praised for its swift and decisive measures to help retailers mitigate the impact of the crisis, Wyatt believes there should be no rush to drive the market into a rapid turnaround.

"Our aim will be to start very slowly and start kicking harder when things pick up and the demand is there," he said.

Among the measures outlined to franchisees in March were:

- A 60-day extension to new cars coming to the end of their consignment period.
- 28-day extended terms on parts orders.
- 30-day extended period on direct sales.
- Aftersales levy deferred until Q3.
- Q1 bonus payment pulled forward.
- 100% and 125% band removed, and all units paid at 150% of target achievement.
- 175% volume payment paid if earned.

"It's easy to sit on your hands and wait for more details," said Wyatt. "I wanted to let our owner-drivers and family businesses know that we were there to support them."

"There were some Heath Robinson solutions, but that's what the situation called for."

Wyatt said the COVID-19 pandemic had not affected vehicle production in Japan, but said there would be "no sense" in overloading dealers with stock any time soon.

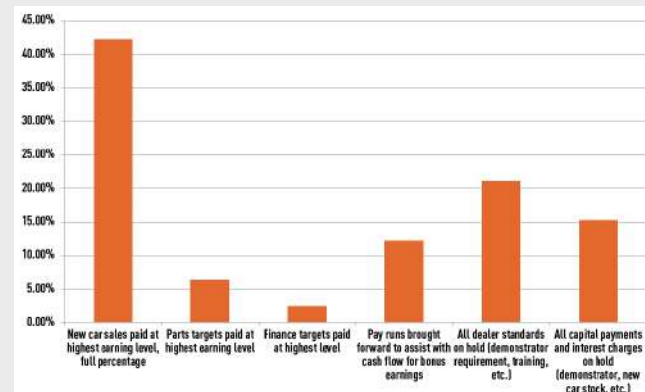
He said that lockdown had set the brand's 100% hybrid goal for 2020 back by two- to three-months, adding that a scrappage scheme would be "welcomed" to help OEMs meet the 95g/km fleet average dictated by 2020/21 EU emissions regulations as a result of the change in trading conditions.

Ultimately, Wyatt wanted to share a "keep calm" message to the sector, though.

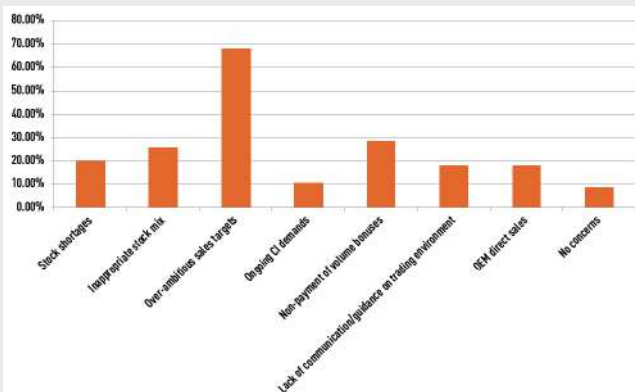
On his desire to see stability maintained in the used car sector, Wyatt said: "We cannot have our retailers treating these days of lockdown as if they were normal trading days."

"When the market returns we cannot afford to have retailers approaching their stock like it's suddenly 90-day over-age. I think we'll need to be more patient than that to minimise the impact of the lockdown period."

WHICH OF THE FOLLOWING MEASURES HAS YOUR OEM FRANCHISE PUT IN PLACE IN A BID TO MITIGATE AGAINST THE FINANCIAL IMPACT OF THE CRISIS ON YOUR BUSINESS?



WHICH OF THE FOLLOWING WOULD YOU RATE AS THE BIGGEST CONCERNS IN YOUR CURRENT OEM FRANCHISE RELATIONSHIP (CHOOSE TWO) FOR THE REMAINDER OF 2020?



INDUSTRY STAFF STEP UP TO THE PLATE IN BATTLE AGAINST CORONAVIRUS

Dealerships around the UK find practical and wacky ways to help their communities during the COVID-19 lockdown

Car retailers across the UK have secured a place at the heart of their local communities through the voluntary efforts of their staff and their workshop technicians' ability to keep keyworkers on the road during the COVID-19 lockdown.

From JCT600's delivery of a 100th birthday present from the people of Yorkshire to NHS fundraising 'royalty', honorary colonel Tom Moore, to Simon Bailes Peugeot's receipt of a letter of thanks for its efforts to aid the fight against the virus' impact signed by the Chancellor of the Exchequer Rishi Sunak, retailers have set the standard.

Here AM looks to celebrate just a few of the charitable feats that businesses have undertaken to offer support, raise spirits and keep the nation driving towards recovery.

1. Vantage Motor Group former managing director, Mark Robinson, a trustee at Harrogate's Saint Michael's Hospice for almost 10 years, has been volunteering to support the facility's In-Patient Unit clinical team. He took to LinkedIn to issue an appeal for personal protective equipment (PPE) on the team's behalf. He said: "The equipment is vital in reducing the risk of coronavirus to both staff and patients alike, but supplies are low across the country."
2. Peter Vardy Group technicians started their own "Aftersales SAS" mobile servicing response team to help keep keyworkers on the road. Group chief executive, Peter Vardy, praised them as he posted an image of a technician repairing a doctor's car in a surgery car park – their first call-out.
3. Sytner Group's Mercedes-Benz of Newcastle dealership put its facilities to good use as a hub to deliver much needed supplies to the local food bank.
4. As well as repairing the local McGill Pharmacy's delivery vehicle, Vertu Motors' Doncaster Honda dealership service driver, Martyn Sutton, went above and beyond by volunteering to deliver prescriptions.



Marshall Motor Group @MarshallGroup · 4m
#MarshallAtWork Marshall heroes (at Marshall #BMW #Hook #Hampshire) keeping the Nation's heroes mobile. 🙌🙌
Stay safe. Stay positive. Stay Marshall.



Peter Vardy · 1st
CEO at Peter Vardy Ltd
3d · 📍
We decided to set up our own "Aftersales SAS team" to keep keyworkers mobile in this difficult time and I've been really impressed with the team and the help they have provided to people so far. To help even further the team suggested setting up a mobile servicing unit for people who couldn't make it to us and this was their first call carrying out work on a Doctor's car at their surgery to keep them on the road. Can't tell you how proud this makes me of the people I have in this company!
Take care of yourself, keep safe and keep in contact with me if you wish - it's really great to keep talking.



Mark Prince @MarkyMark0 · 5h
This is Janet, one of my vehicle administrators at @BSMNissanWidnes. She spent time yesterday volunteering @WidnesFoodbank. A great use of her time whilst not in her usual place of work 🙌. @vertumotors

Marshall Motor Group @MarshallGroup
YOU NEED TO WATCH THIS!
Introducing Marshall Motor Group's Stephen Jones, Company Secretary on drums and Simon Page, Head of Property on guitar and lead vocals with "Don't Stop".
A #marshallmoment created for the COVID-19 #stayathome crisis. Watch > youtube.com/watch?v=d_ZxBp...





5. Marshall Motor Holdings' BMW dealership in Hook was one of many businesses that filled its workshops with emergency vehicles during the lockdown. The AM100 retail group looked to keep the spirits of keyworkers and staff up with the slogan "Stay Safe. Stay Positive. Stay Marshall". The group's company secretary, Steven Jones (drums), and head of property, Simon Page (guitar and vocals), took things one step further by penning their own coronavirus-themed version of the Fleetwood Mac hit *Don't Stop* and posting it on social media.
6. Janet Cartwright, vehicle administrator at Bristol Street Motors' Widnes Nissan dealership was praised for her work as a volunteer at Widnes Food Bank by general manager Mark Prince.
7. Chancellor Rishi Sunak wrote to Simon Bailes Peugeot to praise the car retailer for its support of the NHS. The Richmond MP wrote: "Your substantial contributions – making your demonstrator fleet available for pharmacy deliveries, donating thousands of disposable seat covers to the NHS and extending breakdown assistance to NHS staff – is truly exemplary."
8. Bells Motor Group's Volvo and Kia franchise in Northampton was one of many showrooms across the UK to get a makeover in tribute to the NHS keyworkers.
9. Vertu Motors colleagues across the UK took part in a 'Haircuts for Heroes' challenge to raise £20,000 for NHS Charities Together over the course of a single April weekend. Staff were invited to do a DIY cut and donate their usual hairdressers fee to the cause. Pictured here is Bristol Street Motors Hyundai Silverlink general manager, Jeff Aynsley.
10. JCT600 delivered artwork created by the *Yorkshire Post's* Graeme Bandeira to honorary colonel Tom Moore in a Rolls-Royce Cullinan to celebrate his 100th birthday. The gift was presented to the Keighley-born centenarian who raised more than £30 million for the NHS by completing 100 laps of his garden.
11. Staff at Gravells Kia Kidwelly supported their local community by teaming up with 'Burns Parc y Bocs Farm Shop' to deliver grocery orders placed over the phone by vulnerable residents.
12. Since the start of the crisis paint protection supplier Diamondbrite switched half of its production lines over to making hand sanitiser, surface sanitiser, soap and antibacterial cleaner. Diamondbrite donated supplies of sanitiser to a range of NHS staff, including Gloucester Royal Hospital, the South Leicestershire Medical Centre, and Herts Health GP Federation in Potters Bar. Lance Boseley, Diamondbrite marketing director, said: "We saw an issue with the availability of hand sanitiser at the very start, and as a chemical manufacturer, knew we could help."

HOW WELL DO PRICING GUIDES MEASURE UP?

Study seeks clarity for dealers faced with 'poor value' claims from customers

The UK's used car sector lacks a single, comparable reference in vehicle valuations that would allow dealers to compare services and respond to consumers' 'poor value' claims.

A study for AM has identified an opportunity for a commonly agreed test of valuations accuracy, which would then help dealers to better understand and compare the various pricing products in the market, and help them deal with customers whose views on a car's price have been shaped by a pricing product.

"For an industry that expects cars to

“THE HEART OF THE ISSUE MAY BE THE RELUCTANCE OF THE UK TRADE CUSTOMER TO PAY THE PREMIUM REQUIRED FOR A MORE ACCURATE PRICE PREDICTION”

ANDY CARROLL, CONSULTANT

have standard measures such as crash-worthiness, emissions, acceleration and servicing costs, it is a contrast to the purchase of price prediction products for which there is either no measure of accuracy available or a unique one that doesn't enable any comparisons," said Andy Carroll, the independent consultant and industry veteran who conducted the survey for AM.

"Trade customers deserve a common measure of accuracy, to give them confidence in the selection and usage of such products."

For dealers faced with customers using price predictions on consumer websites, which suggest whether or not a car is well

RETAIL VALUATIONS

Definition of Retail Price

Is the predicted price supposed to reflect initial advertised price, final advertised or transaction price?

Price adjusted for colour?

Price adjusted for factory-fitted options?

Method for adjusting for factory-fitted options

Price adjusted for vehicle condition?

Price adjusted for service history, warranty, type of trade seller?

Adjusted for postcode?

Update frequency: daily or monthly?

Methodology for retail price

Data sources

What is the frequency of your data feeds?

What statistical or other predictive methodologies do you use?

What commercial statistical or machine learning software packages do you use?

In the case where your retail price is used to communicate a "fair" price to consumers, what is the algorithm for calculating the bands around the fair price?

How do you group "similar vehicles" to provide a price for vehicle types with no or very low sample size?

Quality assurance for retail price

What is your measure of accuracy of your retail prices?

What quality assurance processes do you run as a part of your standard production processes?



Auto Trader	Cap HPI	CarGurus	Cazana	Glass's	Indicata
Final advertised	No answer provided	Final advertised	Adjustable: as requested by customer	No answer provided	No answer provided
No, but this is in development	No answer provided	No answer provided	Yes, can be adjusted by customer	No answer provided	No answer provided
Yes	No answer provided	No answer provided	Yes	No answer provided	No answer provided
Analyse 12+ months of dealer advert submissions to find factory-fitted optional extras, standardising them against Auto Trader taxonomy. Applies machine learning techniques to extract the additional value of each extra, this is used to adjust derivative level valuation. If available, also uses OEM VIN-level data to ensure accuracy of specifications, and customer can select.	No answer provided	No answer provided	Four sources of optional equipment data: (i) manufacturer build data, (ii) advertiser-input optional equipment descriptions, (iii) vehicle imagery analysis and (iv) standard equipment definitions against the CazanaD.VIN-level interrogation of manufacturer databases	No answer provided	No answer provided
No, valuation is designed to reflect a retail condition for the vehicle of a stated age	No answer provided	No answer provided	No	No answer provided	No answer provided
No, not deemed appropriate due to lack of objective and consistent assessment of each vehicle's service history	No answer provided	No	Yes; different value for Franchised and Independent sellers	No answer provided	No answer provided
No, not deemed appropriate for a nationwide marketplace	No answer provided	No answer provided	Yes, but minimal impact	No answer provided	No answer provided
Daily	No answer provided	No answer provided	Daily	No answer provided	No answer provided
More than 1.9 million vehicles each day, including 90,000 updates and an average of 19,000 vehicles added or removed from Auto Trader. Plus data from circa 450,000 trade car listings	No answer provided	No answer provided	Retail classifieds listings, DMS extracts, plus remarketing data and data from their own consumer marketplaces	No answer provided	No answer provided
Real-time	No answer provided	No answer provided	Real-time, 24/7	No answer provided	No answer provided
Hierarchical regression method to model cross-sectional and longitudinal effects of age, mileage, taxonomy and pricing to generate values. Completely data-driven and no editorial control of values	No answer provided	No answer provided	Has a team of 60 to collect, normalise and extract insights from the datasets	No answer provided	No answer provided
Industry standard, cloud machine learning techniques, based on Spark	No answer provided	No answer provided	Confidential	No answer provided	No answer provided
Price indicator bandings are designed to reflect the variance observed in the pricing behaviour of retail customers. They are based on the comparison of the advert price and vehicle level valuation (age, mileage, taxonomy, optional extras)	No answer provided	Pricing bands are affected by the category and ratings of the seller	Does not provide a consumer-facing price indicator as this is detrimental to the sales process often resulting in unnecessary downward pricing movements and a "race to the bottom"	No answer provided	No answer provided
Due to the hierarchical nature of its valuation models, it does not deem group observations as necessary	No answer provided	No answer provided	Tends not to group vehicles as (calculation) models are trained to perform in very low data environments	No answer provided	No answer provided
Uses a variety of methods and measures. Primarily compared to customers' prices, adverts and sales data. A secondary model to predict the variance that is expected in valuations can then be used to limit if the trained values are not expected	No answer provided	No answer provided	Measures retail and trade price accuracy daily against actual realised prices in market and publish this to customers	No answer provided	No answer provided
Machine-learning techniques are used to monitor and review valuations as they train each night to ensure they are not acting in unusual ways. And a team of data scientists and engineers make changes to the model, helping the valuations be more specific	No answer provided	No answer provided	Has dedicated team of Quality Assurance engineers which validates the accuracy of the data inputted into models and seeks out any exceptions	No answer provided	No answer provided

priced, this study highlights a number of valid reasons why there may be variance in expectation, including colour, condition and factory-fitted options.

The research found that there are two very different methodologies for the prediction of wholesale prices. Some, such as Cox Automotive, build their predictions directly off auction transactions. Some, such as Auto Trader and Cazana, reflect actual retail market activity, predict retail prices, predict gross margins and then calculate wholesale prices.

"The latter, more indirect, methodology may benefit from the substantially larger sample sizes from retail listings but, in my view, it has the fundamental disadvantage of partially tying together retail and wholesale prices," Carroll said. "While the link is true on average over the long term, the reality is that there are two different marketplaces and retail prices and wholesale prices do not move in step. There are differences in supply and demand, differences in timing."

Cazana's chief executive Tom Wood countered that he believes that in a real-time environment wholesale pricing is intrinsically linked to the retail market and, in the vast majority of cases, the price paid is directly related to what a vehicle can be retailed at.

Factory-fitted options and pricing

Carroll said one of the least understood aspects of used car price prediction products is the impact, or not, of factory-fitted options.

All vehicles have a base specification, on top of which options are often added in the factory, including an optional colour. Vehicle registration data from the DVLA can be combined with standard datasets from Cap HPI, Glass's and the like to provide a complete list of specifications and equipment, except for the fitted factory options.

Carroll said: "Given that the cumulative list price of options on many cars can surpass £10,000, this is a large blind spot for the price prediction products. First, they must analyse price transaction data without being certain of the equipment on the vehicle and, second, they must predict the value of a car based on a VRM, condition and mileage alone, oblivious of factory-fitted options.

"Both these issues lead to inaccuracies and are one reason why specialist, experienced trade buyers

of premium cars may often outperform buyers reliant on guide prices provided by third parties.

"It is very important to understand how the various suppliers of price prediction products handle the issue of factory-fitted options."

The German experience

Those familiar with car retail in Germany know that base specifications tend to be much lower than in the UK. With BMW and their premium rivals, the list price of a car can be nearly doubled once the options have been selected.

How do they cope with such an enormous blind spot in their valuations? The answer is that they don't, but rather they use a functionality known as VIN Look-up. Carroll described VIN Look-up as being different from the standard process used in the UK, whereby a VIN is decoded and the underlying vehicle variant is identified.

A VIN decode cannot help with identifying factory-fitted options, but a VIN Look-up interrogates the relevant manufacturer's master production database and thereby identifies all factory equipment, standard and optional.

Carroll said the service typically costs around 90p, and is considered money well spent by German dealers. Here in the UK, Cap HPI offers a similar service, but take-up is very different to that in Germany. Cazana, too, has its Spec Check product which accounts for VIN-level options.

"The heart of the issue may be the reluctance of the UK trade customer to pay the premium required for a more accurate price prediction, which in many cases is a false economy," added Carroll.

AM understands some manufacturers, finance companies and leasing firms are beginning to warm to such products.

Carroll said: "It is very important the buyers of any price prediction products have an exact idea of their requirements for the datasets they are purchasing. For example, monthly average prices have specific advantages over spot prices in certain applications, such as stock valuation for balance sheet calculations. Similarly, if a dealer group tends to purchase stock on the basis of its ultimate selling price, then it clearly needs to source a robust retail pricing product based on direct access to a large dataset of retail listings."



WHOLESALE VALUATIONS	
	Auto Trader
Definition of wholesale prices	
What is your standard definition?	Recommended buy price. It is adjusted for age, mileage, taxonomy and optional extras
Price adjusted for factory-fitted options?	Yes
Method for adjusting for factory-fitted options	Modelled and extracted in the same method as its retail valuations, but only provided in valuations where this data is available
Price adjusted for vehicle condition?	Yes. Uses the grading provide by the wholesale feeds to make any adjustments to its valuation where a grade is declared, otherwise uses the average grade observed for vehicles of the same age/taxonomy
Price adjusted for colour?	No
Price impacted by auction type?	Yes, excludes closed auctions, and feeds/sources where it observes unrealistic over-inflations from its training data
Adjusted for postcode?	No, deemed inappropriate for a nationwide marketplace
Update frequency?	Daily
Do you provide both average prices (e.g. for a month) and spot prices?	No, only provides daily prices
Methodology for wholesale prices	
Calculation based on retail price less margin, or direct from wholesale transactions?	Retail price less margin. By using a range of trade-sold data, expected margin is calculated for each derivative. This is then used to margin down from the AT Retail Valuation
What data sources do you use to calculate your prices?	Auto Trader plus data from trade car listings
What is the frequency of your data feeds?	Updated daily
What is the total number of vehicles datasets associated with these feeds?	Over 1.9 million vehicles each day, including 90,000 updates and an average of 19,000 vehicles added or removed from Auto Trader. Data from 450,000 trade car listings
What statistical or other predictive methodologies do you use?	Same approaches as its retail valuations model, but focused on predicting the realised margin for each trade transaction against the retail valuation for the day of sale. Uses this to provide a trade valuation across the full taxonomy, age and mileage dimensions of its system
What commercial statistical or machine learning software packages do you use?	Confidential
How do you group 'similar vehicles' to provide a price for vehicle types with no or very low sample size?	The hierarchical nature of the trade model prevents the need to create groupings
Quality assurance for wholesale prices	
What is your measure of accuracy of your wholesale prices and your actual accuracy performance?	As with retail valuations, it uses MPE, MAPE and RMS and in 2019 achieved a MAPE of 7.3% from final sale price
What quality assurance processes do you run as a part of your standard production processes?	Largely the same automated processes as its retail model, ensuring valuations are in line with the observations
Do you provide any financial guarantee or underwriting of this price?	No

BCA	Cap HPI	Cazana	Cox Automotive	Glass's	Indicata
Prediction of the price paid at auction that day	No answer provided	Provides a current wholesale price that is configurable by vehicle condition by the customer	Provides both a part-exchange valuation which is customisable for use in workflow, and an underwritten valuation if customer wishes to dispose of the vehicle	No answer provided	No answer provided
No answer provided	No answer provided	Yes	Yes	No answer provided	No answer provided
No answer provided	No answer provided	Four sources of optional equipment data: (i) manufacturer build data, (ii) advertiser-input optional equipment descriptions, (iii) vehicle imagery analysis and (iv) standard equipment definitions against the CazanaID. VIN-level interrogation of manufacturer databases	Provides the ability to adjust pricing based upon the optional extras fitted. Provides the baseline values per option fitted and allow customers to adjust any element	No answer provided	No answer provided
No answer provided	No answer provided	Yes. Refers to auction grading standards	Yes, uses NAMA grading to adjust pricing. Also provides within-grade pricing adjustments; for example a Grade 2 vehicle can be a 2.1 or a 2.9 Grade. For retail facing solutions the key 5 NAMA grades are translated to Excellent to Poor	No answer provided	No answer provided
No answer provided	No answer provided	Yes, can be adjusted by customer	Yes, can be adjusted by the customer	No answer provided	No answer provided
No answer provided	No answer provided	No, standard trade price is multichannel	Yes, considers the fact that vehicles sold in closed auctions can command higher sold values, so therefore avoids over-inflation of predicted wholesale values	No answer provided	No answer provided
No answer provided	No answer provided	Yes, but minimal impact	Yes, but the regional impact on pricing is minimal	No answer provided	No answer provided
No answer provided	No answer provided	Daily	Daily, pricing validity is typically seven to 14 days	No answer provided	No answer provided
Provides both monthly and daily spot	Provides monthly and daily spot	Provides both monthly and daily spot	Provides both monthly and daily spot	No answer provided	No answer provided
Direct from wholesale transactions	No answer provided	Retail price less margin	Direct from wholesale transactions	No answer provided	No answer provided
No answer provided	No answer provided	Consumes vehicle wholesale and part exchange transactional data from retailer, lending and fleet customers	Access to own (substantial) wholesale data, retail listings data in very large scale (confidential source) and own dealer CRM systems data	No answer provided	No answer provided
No answer provided	No answer provided	Dependent on the source daily to weekly	Updated daily.	No answer provided	No answer provided
5 million transactions	No answer provided	600,000 wholesale transactions per annum	500,000 wholesale transactions per annum	No answer provided	No answer provided
No answer provided	No answer provided	Has team of 60 to collect, normalise and extract insights from the datasets	Confidential	No answer provided	No answer provided
No answer provided	No answer provided	Confidential	Uses proprietary solutions	No answer provided	No answer provided
No answer provided	No answer provided	Tends not to group vehicles as (calculation) models are trained to perform in very low data environments	Has ability to look for like for like vehicles at make/model/trim level to find similar vehicles to allocate pricing principles. Should that prove to be a low volume of data then comes up a level to a comparable make/model and then sector to adjust. However data access is vast so rarely needed	No answer provided	No answer provided
No answer provided	Within 20% of the final trade price four times out of five	Measures retail and trade price accuracy daily against actual realised prices in market and publish this to customers	Target to be within 1% to 3% accuracy on all pricing segments each month dependent upon the stock profile/sector. Always within those parameters	No answer provided	No answer provided
No answer provided	No answer provided	Has dedicated team of Quality Assurance engineers who validate the accuracy of the data that input into models and seek out any exceptions	Uses a blend of algorithms and human intervention to ensure operation within known parameters. Has alerts for unusual variances and a manual valuations service (during office hours) that is used for anything felt sub-optimal from the algorithms output	No answer provided	No answer provided
No answer provided	No answer provided	No	Yes, offers a product called eVA Underwrite where they stand by their valuations and buy the vehicle if the customer or consumer wants to sell	No answer provided	No answer provided

Survey aims to help dealer to engage with its customers better

The purpose of this inaugural *Automotive Management* survey is to help dealers and other trade customers to better understand and compare the various pricing products. This, in turn, will hopefully support better purchase decisions and improve the ability of dealers to engage with customers whose views on the "correct" price have been shaped by a pricing product.

William Glass was the first person to monetise the provision of forecasts for the prices of used cars, back in July 1933. The Glass's Guide was strictly for trade eyes only, was an essential tool for dealers, and its accuracy owed much to the self-fulfilling nature of its predictions, alongside the extensive manual collection and interpretation of data.

Advance almost 90 years and today a number of suppliers provide a broad range of pricing products to dealers, fleet and leasing companies, some products stand-alone and some integrated into other products.

While some forecasts are provided for prices up to five years into the future, the vast majority of pricing predictions used in the dealership environment are, in reality, predictions for only a few days or weeks in advance, where

the primary challenge of the prediction is the fact that all 39 million licenced vehicles on the UK roads are unique, and therefore have a unique value.

Some price prediction products are directly shared with consumers on websites such as Auto Trader or CarGurus. Other pricing products are used to power online part-exchange valuation tools and car buying services such as WeBuy-AnyCar. Buying and selling decisions are now frequently made using algorithms powered by such pricing data products, without human intervention.

Price prediction products are, therefore, more essential than ever to automotive businesses.

But in a world of increasing transparency and ever finer margins, how well are they understood: their definitions, their differences, and their inherent accuracy? Are some better than others, or is it just a question of horses for courses?

Drawing the parallel between buying a price prediction product and buying a new car, for the latter there is documentation available that describes the detailed specification of the product, and its performance for dimensions such as power and fuel consumption.

Putting aside Dieselgate, the figure for fuel consumption is calculated using a detailed, standard, and



IT IS VERY IMPORTANT THE BUYERS OF ANY PRICE PREDICTION PRODUCTS HAVE AN EXACT IDEA OF THEIR REQUIREMENTS FOR THE DATASETS THEY ARE PURCHASING

ANDY CARROLL, INDEPENDENT CONSULTANT

published test procedure. A car buyer can use the information regarding specifications and fuel consumption to compare between products to help choose the best solution.

There is no comparable ability with pricing products.

Survey methodology and participation

The survey questions were broken down into three main categories:

- Looking separately at retail and wholesale values, what is the definition of the value that is produced by a given product? For example, does it reflect the colour, or postcode, or the factory-fitted options of the vehicle? What assumption is made for vehicle condition and is the value affected by who is selling the vehicle or whether it is sold under a manufacturer-approved scheme?

- How is the predicted price calculated? What transaction data is used, and what methodologies are used to make a prediction based on this data?

- How accurate are the price predictions? Specifically, how is accuracy defined and measured, and how accurate is the product over the recent past?

Survey participation

Eight businesses were invited to participate in AM's study:

- One business that features its price predictions on consumer websites: CarGurus

- Five businesses that provide pricing predictions across the automotive trade: Auto Trader, Cap HPI, Cazana, Glass's and Indicata

- Two businesses that provide pricing predictions linked to their auction and other services: BCA Marketplace and Cox Automotive.

Of the eight businesses, two declined to participate, three participated partially and three participated fully.

The purpose of the survey is to help dealers and other trade customers to better understand these products. We would like to sincerely thank those businesses that fully embraced the project.





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THIS MONTH'S NEWS HIGHLIGHTS

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APR

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IT'S OKAY TO KEEP DELIVERING CARS

National Franchised Dealers Association (NFDA) advice concluded that online car sales and deliveries "remain acceptable" during COVID-19 lockdown. The NFDA said vehicles sales could be continued away from the showroom setting and "in a manner that is safe and compliant with all coronavirus-related health and safety requirements".

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STONEACRE DIRECTORS FOREGO SALARY

Stoneacre Motor Group's directors pledged to forego their salaries after taking the decision to furlough 3,000 employees due to the COVID-19 pandemic – vowing not to take a wage until the business "returns to profitability". The South Yorkshire-based group revealed that it had also put its ambitious growth plans on hold.

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LOOKERS DIGS DEEPER INTO FINANCES

Lookers announced that it would expand its internal fraud investigations to its entire business after initial findings from one of its operating divisions resulted in an expected one-off charge of more than £4 million. Lookers said the investigation had identified "certain misrepresented debtor balances in respect of bonus receivables together with a number of fraudulent expenses claims".

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ICDP REPORT CALLS FOR SCRAPPAGE SCHEME

The ICDP's 'clean cars for a post-COVID recovery' report concluded that a CO₂ emissions-reducing car scrappage scheme was needed in order to avoid a



perfect storm of stalled sales and soaring fines from stringent new EU regulations driving carmakers 'to the edge'.

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U-SHAPED RECOVERY PREDICTED FOR NEW CARS

Jato Dynamics reported that Europe's new car market should expect a U-shaped recovery after being hit hard by the COVID-19 coronavirus outbreak in March. As the Chinese market appeared to be working towards a V-shaped recovery Europe's sales declined by 52%.

**PENDRAGON/LOOKERS MERGER TALKS FAIL**

Pendragon confirmed it had discussed with Lookers the prospect of a merger. Pendragon said it "believed that such an exploration would have proved beneficial" and attractive to both sets of shareholders, but the "early discussions" had ended unsuccessfully.

NFDA CALLS FOR POST-LOCKDOWN SUPPORT

The National Franchised Dealers Association (NFDA) has said it is vital that Government and car manufacturers "evaluate a support package that stimulates the market" after lockdown. Director Sue Robinson said: "Over the coming months, it will be vital to evaluate a support package that stimulates the market and ensures the long-term stability of a sector which is key to the UK economy and provides employment to thousands of people."

REDUNDANCIES 'POSSIBLE' AT CAMBRIA

Cambria Automobiles chief executive Mark Lavery has conceded that "over 100 redundancies" are possible within his car retail group when the Government's Coronavirus Job Retention Scheme's (CJRS) furlough period ends. Lavery said he had been open with the AM100 retail group's employees in weekly podcasts, stating that "there will be significantly fewer of us and we'll return to a significantly changed business". Cambria's half-year revenues, to February 29, fell 1.7% to £301.1m.

HOPE FOR SHOWROOMS REOPENING IN JUNE

Car showrooms are likely to join "non-essential" retail businesses in re-opening on or after June 1 if infection rates remain under control, the UK Government's 'COVID-19 Recovery Strategy' document indicates. Garden centres may already be open, but other retailers such as car showrooms are expected to stay closed until June.

FURLOUGH PAYMENTS TO STAY UNTIL OCTOBER

The Government Coronavirus Job Retention Scheme (CJRS) will be extended to October, at its current 80% rate of salary support, capped at £2,500. Businesses will be asked to "start sharing" the cost of the scheme from August.

'CLICK AND COLLECT' SALES OKAY SAYS BEIS

Car retailers can run a 'click and collect' sales process during the COVID-19 coronavirus lockdown, the Department for Business, Energy & Industrial Strategy (BEIS) has clarified. Customers who've ordered cars online or by phone must not enter showrooms, and dealers must abide by social distancing and hygiene protocols on forecourts.

MAY

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FUEL PRICE TAKES A DIVE

WILL CHEAPER PETROL MEAN FEWER EVs?

Petrol prices are dropping but it is difficult to predict impact on car sales

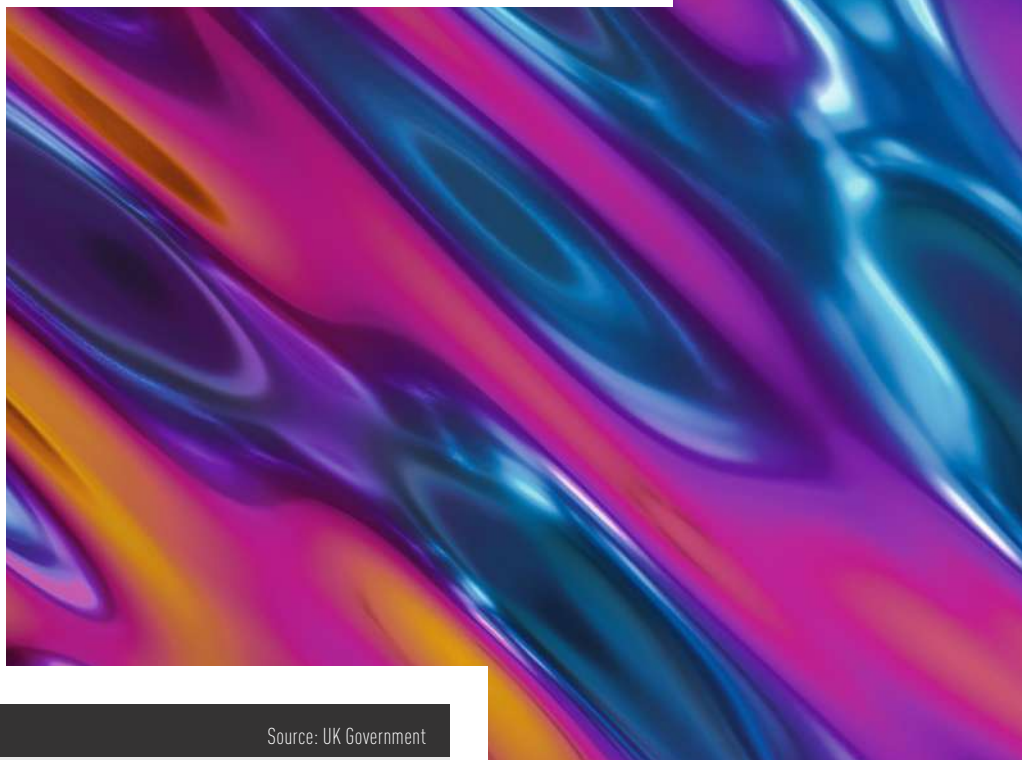
Those of a certain age might dimly remember the fuel crises of 1973-74 and 1979-80. Fuel prices roughly doubled, the economy went into recession, and sales of thirsty cars tumbled. So does the reverse hold true: if fuel prices tumble, do sales of thirstier cars increase?

Alas, life is not that simple, at least not in the UK. Indeed, for reasons we will come to, sales of bigger cars can also fall at the same time as oil prices drop, in a "heads I win, tails you lose" kind of way.

It is partly true in America when the type of cars bought is closely correlated to petrol prices. In the first oil crisis Americans abandoned their full-size barges in favour of Japanese economy cars. In the second one, diesel became flavour of the month – for about a month, until Americans discovered the horrors lurking under the bonnets of diesel Oldsmobiles.

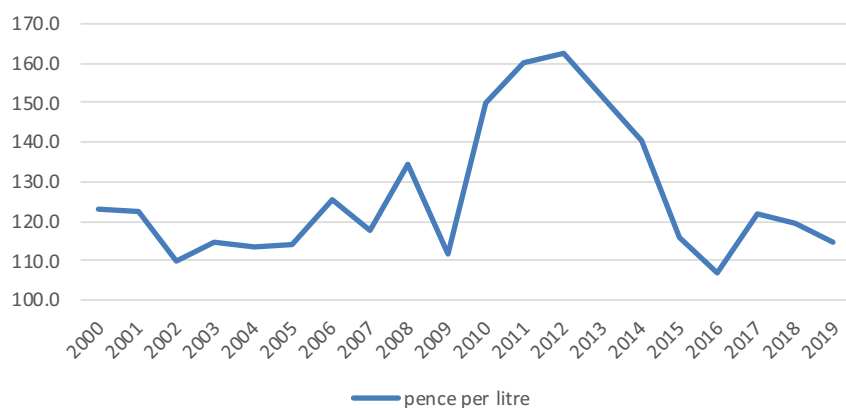
The steady fall in the real price of oil in recent years is a major factor in the rise of pick-ups and SUVs to take more than half the US car market.

The reason the US is so much more responsive to changes in fuel prices is that their fuel tax is so low. US federal tax on petrol is just under five cents



REAL PETROL PRICE PER LITRE

Source: UK Government



per litre (approximately 4p, currently) so, since 2000, the price of petrol has fluctuated between 35p per litre and 88p per litre (at 2020 prices).

In the UK, fuel tax is 58p per litre, so (a) petrol is expensive here and (b) the price fluctuations are proportionately much smaller – from 2000 until last month, our prices were between 110p per litre and 162p per litre (again at 2020 prices).

At the time of writing, petrol is heading below 110p per litre, but that is academic, as hardly anyone is buying a new car – or even driving very far.

But, for the sake of argument, what would happen to the types of car we buy if the economy recovered, but the petrol price stayed low? Probably not very much. Let's take the example of someone who drives a 45mpg Focus but is tempted to change to a 30mpg Mustang (see table). At 160p per litre,

SPONSOR'S COMMENT



By Richard Jones,
managing director,
Black Horse

As the impact of Covid-19 persists, positive responses across the industry continue. Black Horse welcomed the

guidance from the Financial Conduct Authority (FCA) calling for the industry to offer repayment holidays to impacted motor finance customers; we had set up more than 60,000 holidays before the FCA guidance was issued.

Key to our response was fast movement with digital solutions so customers can apply online with immediate acceptances and minimal intervention. We have also changed much behind the scenes to be more agile, take decisions quickly, focus on fewer things and deliver. Behaviours and mind-set are, arguably, the more important aspects that will stand us well for the long term alongside learning how to work remotely at massive scale; more than 90% of our business is now operational through homeworking.

The depth of our colleagues' expertise and passion to serve, plus strength of the relationships we have with our retailers and partners has given a great sense of unity. The financial strength we have as part of Lloyds Banking Group has allowed us to give such broad support and allows us to continue to operate as a business and help our customers through their own circumstances. This is a source of great pride.

Moving forward, we turn to how we support customers at the end of payment holiday periods. We are keen to work with the FCA to explore the right options; it's inevitable that some will need further support. We are well under way with restart planning, ensuring we are fully open for business and can deploy our remote signing and digital solutions at scale, supporting remote solutions for our dealers and consumers.

It's fantastic to see that many businesses have found innovative ways of working, while prioritising colleagues' wellbeing during these unprecedented times.

We must pull together and continue to play our part.

of irritation. The fact is that some people pay more in car insurance than they do in petrol, but we never blockade the offices of Direct Line.

In fact, a falling oil price in the UK is often associated with sales of smaller cars, not thirstier ones. That may sound odd, but the price of oil is a function of supply and demand. Oil demand falls most sharply in a recession, so oil prices tend to fall in economic slowdowns (except in the 1970s when it was an oil price rise that caused the recession). In a recession, people are naturally more cost conscious, so sensible smallish family cars tend to lose a smaller percentage of their sales, and more self-indulgent cars tend to lose a greater percentage.

However, this recession is unique, and there are two opposing factors at work. On one hand, people have noticed how much cleaner the atmosphere is, so they may be inclined to support EVs to try and maintain the current improvements in air quality. On the other hand, they may feel that we have more urgent problems than climate change. To those people, feeding the family looks a lot more critical than saving the planet.

How this argument pans out is going to depend to a large extent on two decisions by the Government.

First, 2020 was going to be the year when the car makers started to pay big fines for missing the fleet average target of 95g of CO₂ per km. It now seems inevitable that the new rules will be delayed for one year, at least.

Car companies can no longer forecast how many of each model they are going to be able to sell (or even to make, given supply-chain problems), so they cannot balance their production to meet the target. In addition, car companies are on the financial edge: no government is going to push a car factory into bankruptcy to meet a numerical target.

Second, all European governments are pondering an automotive scrappage scheme similar to the ones introduced in 2009. Apart from the cost, the big issue is the environment. Having said that petrol and diesel cars need to be phased out within 20 years, it would look strange if the Government gave an incentive for a car that emits, say 150 g/km of CO₂. They will need to put in some environmental limit.

That could mean only EVs get a subsidy – but how many people can afford even an incentivised EV? It could also mean a stiff CO₂ limit for eligible cars.

The Chancellor has far more pressing issues than car incentives right now. However, the fact is that the decision he makes on a scrappage scheme (even if it is not to have one) will probably have more effect on the sales of EVs than any change in petrol prices. **DAVID FRANCIS**

Annual cost of petrol Source: UK Government

	Ford Focus 1.0 125 PS	Ford Mustang 2.3 Conv.	Extra petrol cost of Mustang
mpg	45.6	30.7	
Mileage	10,000	10,000	
gallons used	219	326	
litres used	997	1481	
cost @160p/litre	£1,595	£2,369	£774
cost @110p/litre	£1,097	£1,629	£532

10,000 miles will cost £2,369 for the Mustang and £1,595 for the Focus – a difference of £774 per year. At 110p per litre, the Focus driver can either pocket the £532 saving, or drive the Mustang for about the same fuel cost as they had paid for the Focus a few years ago.

That might sound tempting, but the cost of the petrol for a thirsty car is less important in overall running costs than the tax it attracts (both in company car and VED), insurance costs, residuals, etc. None of those will be affected by a fall in fuel prices.

We do get very exercised about fuel prices, a fact that was scorched into politicians' consciousness by the 2007 fuel duty protests. That is partly because we are reminded of it every time we fill up, so it is a constant source

ISTOCK.COM/WACOMIKA

NEW CAR REGISTRATIONS

April registrations make grim reading

The National Franchised Dealers Association (NFDA) has said it is vital that Government and car manufacturers "evaluate a support package that stimulates the market" following April's 97.3% sales slump.

The Society of Motor Manufacturers and Traders (SMMT) reported that 4,321 new cars were registered during April – the month's lowest total since 1946 – after car showrooms remained closed following the Government order on March 23.

Dealers and carmakers have continued some car sales remotely, prioritising key workers and critical fleets, after the Department for Business, Energy & Industrial Strategy (BEIS) confirmed this was permitted via safe delivery methods. SMMT data shows 871 private registrations in April, 3,090 fleet registrations and 360 business registrations.

Mothballing showrooms has left the UK new car market 43.4% down year-to-date.

The SMMT's new car market forecast for 2020 has now been downgraded from 2.25 million registrations to 1.69 million, putting the sector on course to its lowest result since 1992's 1.59 million new cars.

SMMT chief executive Mike Hawes said: "With the UK's showrooms closed for the whole of April, the market's worst performance in living memory is hardly surprising.

"These figures, however, still make for exceptionally grim reading, not least for the hundreds of thousands of people whose livelihoods depend on the sector.

"A strong new car market supports a healthy economy and as Britain starts to plan for recovery, we need car retail to be in the vanguard. Safely restarting this most critical sector and revitalising what will, inevitably, be subdued demand will be key to unlocking manufacturing and accelerating the UK's economic regeneration."

1 TESLA

As a car brand which does much business online and through brokers, Tesla made a little mark in history in April by topping the best sellers' list. Its Model 3 achieved 658 registrations.

2 VAUXHALL

Its Corsa hatchback and Crossland X SUV achieved 264 and 143 registrations respectively. The brand had furloughed workers at its assembly plants in Ellesmere Port and Luton, but is now preparing to restart with staff observing social distancing rules.

Marque	April					Year-to-date				
	2020	% market share	2019	% market share	% change	2020	% market share	2019	% market share	% change
2 Vauxhall	479	11.09	10,639	6.61	-95.50	27,320	5.60	65,563	7.61	-58.33
Jaguar	396	9.16	2,607	1.62	-84.81	8,363	1.71	13,901	1.61	-39.84
Ford	306	7.08	18,074	11.22	-98.31	44,141	9.05	85,848	9.96	-48.58
Mercedes-Benz	256	5.92	11,739	7.29	-97.82	34,112	6.99	63,612	7.38	-46.37
BMW	211	4.88	10,868	6.75	-98.06	34,473	7.07	57,621	6.68	-40.17
Volkswagen	210	4.86	15,161	9.41	-98.61	45,305	9.29	74,680	8.66	-39.33
Peugeot	189	4.37	5,674	3.52	-96.67	15,242	3.12	30,916	3.59	-50.70
Škoda	177	4.10	5,680	3.53	-96.88	17,507	3.59	27,672	3.21	-36.73
Seat	165	3.82	4,882	3.03	-96.62	15,834	3.25	25,517	2.96	-37.95
Kia	156	3.61	7,472	4.64	-97.91	22,451	4.60	37,426	4.34	-40.01
Audi	136	3.15	12,454	7.73	-98.91	30,805	6.31	54,330	6.30	-43.30
Nissan	106	2.45	6,340	3.94	-98.33	23,669	4.85	35,742	4.15	-33.78
Land Rover	79	1.83	5,688	3.53	-98.61	20,154	4.13	29,528	3.43	-31.75
Fiat	68	1.57	1,892	1.17	-96.41	6,234	1.28	12,848	1.49	-51.48
Hyundai	64	1.48	6,468	4.02	-99.01	13,817	2.83	31,245	3.62	-55.78
Citroën	56	1.30	3,628	2.25	-98.46	9,208	1.89	20,764	2.41	-55.65
Volvo	52	1.20	3,971	2.47	-98.69	12,157	2.49	20,175	2.34	-39.74
MG	45	1.04	980	0.61	-95.41	5,510	1.13	3,996	0.46	37.89
SsangYong	45	1.04	113	0.07	-60.18	480	0.10	825	0.10	-41.82
Renault	44	1.02	3,261	2.02	-98.65	9,952	2.04	22,291	2.59	-55.35
Mini	38	0.88	2,502	1.55	-98.48	13,036	2.67	20,636	2.39	-36.83
Mitsubishi	34	0.79	1,063	0.66	-96.80	3,868	0.79	6,579	0.76	-41.21
Porsche	27	0.62	1,717	1.07	-98.43	2,782	0.57	4,132	0.48	-32.67
smart	22	0.51	410	0.25	-94.63	270	0.06	2,116	0.25	-87.24
Toyota	19	0.44	6,067	3.77	-99.69	27,025	5.54	38,048	4.41	-28.97
Abarth	18	0.42	212	0.13	-91.51	646	0.13	1,444	0.17	-55.26
Alfa Romeo	17	0.39	240	0.15	-92.92	661	0.14	1,263	0.15	-47.66
Dacia	16	0.37	2,060	1.28	-99.22	5,071	1.04	12,986	1.51	-60.95
Mazda	11	0.25	2,033	1.26	-99.46	7,177	1.47	15,091	1.75	-52.44
Honda	7	0.16	2,912	1.81	-99.76	9,627	1.97	18,397	2.13	-47.67
Jeep	7	0.16	371	0.23	-98.11	1,013	0.21	1,918	0.22	-47.18
Lexus	6	0.14	884	0.55	-99.32	4,476	0.92	5,290	0.61	-15.39
Suzuki	5	0.12	2,027	1.26	-99.75	6,282	1.29	14,007	1.62	-55.15
Bentley	4	0.09	132	0.08	-96.97	395	0.08	561	0.07	-29.59
Alpine	1	0.02	8	0.00	-87.50	38	0.01	51	0.01	-25.49
DS	1	0.02	107	0.07	-99.07	718	0.15	1,181	0.14	-39.20
Lotus	1	0.02	21	0.01	-95.24	34	0.01	54	0.01	-37.04
Maserati	1	0.02	94	0.06	-98.94	179	0.04	370	0.04	-51.62
Subaru	1	0.02	101	0.06	-99.01	254	0.05	981	0.11	-74.11
Chevrolet	0	0.00	1	0.00	0.00	0	0.00	4	0.00	0.00
Infiniti	0	0.00	37	0.02	0.00	0	0.00	130	0.02	0.00
Polestar	0	0.00	0	0.00	0.00	0	0.00	0	0.00	0.00
Other British	23	0.53	198	0.12	-88.38	637	0.13	1,028	0.12	-38.04
1 Other imports	822	19.02	276	0.17	197.83	6,955	1.43	1,333	0.15	421.76
Total	4,321		161,064		-97.32	487,878		862,100		-43.41



Beyond finance

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Account Manager
North East Region

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FINANCE OFFERS

On pause, but makers update their Q2 offers

When I wrote the previous finance analysis article showrooms hadn't fully closed across the UK. Now, a month later, the landscape for finance offers is looking very different, if not slightly redundant for a market that is all but on pause.

Interestingly, despite the temporary closure of showrooms, manufacturers have updated their Q2 offers, either as part of a way to keep a sense of normality during these unprecedented times, or perhaps more as a vote of confidence that some restrictions may be lifted before the end of June.

The Department for Business, Energy & Industrial Strategy (BEIS) confirmed on April 22 that online sales and home deliveries can continue during the lockdown and the Financial Conduct Authority (FCA) has finalised how finance companies should deal with those customers in financial difficulty due to the coronavirus pandemic.

This includes a three-month payment freeze facility and there must not be any altering of PCP or PCH agreements in ways that are unfair, such as trying to recalculate PCP balloon payments to reflect likely car value depreciation.

If a payment freeze isn't in the customer's best interests, manufacturer banks should offer an alternative solution, potentially including the waiving of interest and charges or rescheduling the term.

AM's quarterly data tracking 233 representative examples online does show a 2.6% increase in the average monthly price of offers quarter-on-quarter from £344 up to £353 in Q2.

It marks the first time finance offers have become more expensive in the past three quarters, ending what had been a continuing downward trend.

It's an odd time to start ramping up monthly payments while many in the UK are either furloughed and or experiencing financial pressure.

Almost two-thirds (64.6%) of Q2 offers were at or below the average £353 monthly price point.

The percentage APR rate has come down slightly from 4.2% to 3.9% on average, as have deposit levels by 3.3% to £5,654.

Q2 2020 AVERAGES FROM AM'S RETAIL OFFERS DATA

Average deposit: £5,654
Average term: 46 months
Average monthly payment: £353
Average optional final payment: £13,580
Average APR: 3.9%
233 offers in total
44 0% offers
150 offers priced at the average monthly level or below

TOP FINANCE DEALS FOR RETAIL BUYERS

Model	Finance type	Deposit	Term	Monthly payment	Final payment	APR	Offer ends
Top 10 models by lowest monthly payments							
Dacia Sandero Essential SCe 75	PCP	£945.00	48	£109.00	£2,917.00	6.9%	01/06/2020
Mitsubishi Mirage Verve	PCP	£2,115.00	48	£119.00	£3,407.00	3.9%	26/06/2020
Peugeot 108 Active 1.0L 72 5dr	PCP	£1,746.49	48	£129.00	£3,441.00	5.9%	30/06/2020
Dacia Logan MCV Essential SCe 75	PCP	£918.00	48	£139.00	£3,267.00	6.9%	01/06/2020
VW up! 1.0 60PS S/S 3 door	PCP	£3,540.00	36	£145.00	£3,870.00	0.0%	30/06/2020
Dacia Sandero Stepway Essential TCe 90D	PCP	£449.00	48	£149.00	£3,922.00	6.9%	01/06/2020
Suzuki Swift 1.2 Dualjet Hybrid SZT	PCP	£1,696.93	48	£149.00	£4,745.00	6.9%	30/06/2020
Suzuki Ignis Dualjet SZ3 Hybrid	PCP	£1,934.00	48	£149.00	£5,325.00	6.9%	30/06/2020
VW Polo Match 1.0 80PS manual	PCP	£3,690.93	48	£159.00	£5,726.00	0.0%	30/06/2020
MG3 Exclusive 1.5 DOHC VTI-tech	PCP	£1,610.00	49	£159.00	£3,553.00	0.0%	30/06/2020
Top 10 0% offers at lowest monthly payment							
VW up! 1.0 60PS S/S 3 door	PCP	£3,540.00	36	£145.00	£3,870.00	0.0%	30/06/2020
VW Polo Match 1.0 80PS manual	PCP	£3,690.93	48	£159.00	£5,726.00	0.0%	30/06/2020
MG3 Exclusive 1.5 DOHC VTI-tech	PCP	£1,610.00	49	£159.00	£3,553.00	0.0%	30/06/2020
Toyota Yaris Y20 Petrol 1.5 VVT-i Manual	PCP	£4,141.00	42	£169.00	£5,445.00	0.0%	30/06/2020
Ford Fiesta Trend 1.0 95PS EcoBoost 5 door	PCP	£4,197.00	36	£170.00	£5,973.00	0.0%	30/06/2020
MG ZS Exclusive 1.5 DOHC VTI-tech	PCP	£1,910.25	49	£179.00	£5,792.75	0.0%	30/06/2020
Toyota Yaris Y20 Hybrid Petrol 1.5 VVT-i Auto	PCP	£5,202.00	42	£189.00	£7,155.00	0.0%	30/06/2020
Ford Fiesta ST-Line Edition 1.0 3 Door EcoBoost 95PS	PCP	£4,453.00	36	£199.00	£7,123.00	0.0%	30/06/2020
Toyota Tourneo Courier Zetec 1.5 TDCi 100PS	PCP	£2,650.00	36	£199.00	£7,066.00	0.0%	30/06/2020
Toyota Hilux Invincible 3.5t 2.4 D-4D 150 DIN hp Manual	PCP	£10,157.00	42	£199.00	£12,775.00	0.0%	30/06/2020
Top 10 models by lowest deposit							
Fiat 500 POP mild hybrid 1.0	PCP	£169.00	48	£169.00	£3,739.00	4.9%	30/06/2020
Fiat Tipo 1.4 Street	PCP	£199.00	48	£199.00	£4,044.00	4.9%	30/06/2020
Fiat 500C POP mild hybrid 1.0	PCP	£219.00	48	£219.00	£3,842.00	4.9%	30/06/2020
Vauxhall Corsa SE 1.2 75PS in Summit White	PCP	£-	48	£224.49	£5,689.00	0.0%	02/07/2020
Fiat 500L Urban 1.4	PCP	£255.00	48	£255.00	£5,089.00	4.9%	30/06/2020
Vauxhall Crossland X Griffin 1.2 83PS in Summit White	PCP	£-	48	£272.36	£5,354.00	0.0%	02/07/2020
Fiat 500X Sport 1.0	PCH	£299.00	48	£299.00	N/A	N/A	30/06/2020
Vauxhall Astra SRI 1.2 110PS in Lava Red	PCP	£-	48	£315.00	£6,014.00	0.0%	02/07/2020
Vauxhall Grandland X SE Premium 1.2 130PS in White Jade	PCP	£-	48	£361.79	£8,326.00	0.0%	02/07/2020
Vauxhall Combo Life Energy 5-seater 1.2 110PS in Night Blue	PCP	£-	48	£371.36	£6,386.00	0.0%	02/07/2020
Top 10 EV or plug-in hybrid models by lowest monthly payment							
Smart EQ for two coupé passion advanced 82hp (60kW), 22kW charger	PCH	£1,748.00	36	£189.00	N/A	N/A	30/06/2020
Smart EQ for four passion advanced 82hp (60kW) 22kW charger	PCH	£1,708.00	36	£209.00	N/A	N/A	30/06/2020
Seat Mii Electric 61kW 83PS	PCP	£1,980.00	48	£276.00	£7,756.20	5.8%	30/06/2020
Honda e Advance	PCP	£5,855.63	36	£299.00	£16,055.00	5.9%	30/06/2020
Renault Zoe Iconic R110 ZE 50	PCP	£2,000.00	48	£307.00	£12,517.00	4.9%	30/09/2020
Hyundai Kona Electric SE 39kWh Electric	PCP	£5,100.00	48	£316.70	£13,363.00	4.9%	30/06/2020
Vauxhall Corsa-e Elite Nav 7.4kW	PCP	£5,732.88	48	£320.00	£12,154.00	4.9%	02/07/2020
Hyundai Ioniq Electric Premium Electric Motor	PCP	£5,300.00	48	£335.33	£13,409.00	4.9%	30/06/2020
Toyota Prius Plug-In Business Edition Plus 1.8 VVT-i Auto	PCP	£7,976.00	42	£349.00	£13,702.50	0.0%	30/06/2020
Hyundai Ioniq Plug In Premium 1.6 Petrol 141PS DCT	PCP	£5,200.00	48	£370.23	£9,614.00	4.9%	30/06/2020

The lowest priced offer continues to be the Dacia Sandero at £109 and this hasn't changed since Q1.

Volkswagen has a strong presence across the affordability tables with its Up and Polo performing well for those looking for low monthly payments on a 0% offer.

Vauxhall has some no deposit offers across a range of models in Q2 that could help kickstart orders when home deliveries start and likewise Fiat's range is also available for very low deposits.

The Seat Mii and Honda e are now fighting along-

side the Smart EQ range as some of the most affordable electric cars in the UK for those making the switch before July.

While Hyundai's models are in the second half of the top 10 it appears a manufacturer of choice at the moment for the EV and plug-in hybrid market with the Kona and Ioniq. **TOM SEYMOUR**



SEARCH FOR FINANCE OFFERS

For a searchable list of manufacturers' finance offers, go to am-online.com/offers

VIEWPOINT



COVID-19: IT'S TIME TO SET ASIDE DIFFERENCES AND COLLABORATE

ANDY CARROLL, director and consultant, Albeda



In the life of every war correspondent I have read about, from Marie Colvin to John Simpson, there always comes a time when they could no longer simply observe and report the tragedies unfolding around them, but were driven to participate and to influence what they were watching.

Providers of used car prices have observed and reported on used car values in this country for almost 90 years.

In the days of yore when the one-eyed man was king, publications such as *Glass's Guide* did indeed do more than just observe as their prices were self-fulfilling prophecies that heavily influenced market figures.

These days are long gone, although that doesn't stop the expectations from some quarters that these providers should try to "steer" the market with their monthly pricing updates.

Accurate forecasting is near impossible

In the weeks that have passed since lockdown, businesses such as Cap HPI and Cazana have proactively engaged with their customer base to share their insights on what is happening. To varying degrees they have shared some thoughts on what will happen to used car prices over the coming months.

Making even short-term forecasts in the current circumstances is extremely challenging, as the assumptions that need to be made regarding the elements that drive pricing will, naturally, have high levels of uncertainty.

Prices are driven by the relative movements of supply and demand and so small movements in those two components are amplified in their impact on prices.

From forecasting to shaping the future

Future used car values will have a major impact on the financial life (or death) of many dealers and other automotive businesses over the coming months. So it seems timely to ask if now is the moment for those providers of used car prices to switch away from observing and predicting impending slumps and move towards participating, influencing and trying to minimise those impending slumps?

To draw a parallel with the country's plan to tackle the COVID-19 pandemic, several groups of scientists had developed rival solutions to model the future of the virus in the UK, and forecast the impact of different strategies on deaths and infections.

Once the scale of the crisis was clear, the scientists shared those models with one another and with scientists in other countries as well



as with the politician decision-makers, thus collectively helping to optimise the outcome.

Science and data are key tools to combat COVID-19

Following this same approach, I propose that in this exceptional situation our industry forecasters set aside their competitive differences and work together to jointly develop and implement a plan to minimise the pain caused by both a general lowering of used vehicle prices and also by high levels of volatility in pricing and supply.

They understand better than anyone which are the critical factors in both the supply and demand to which prices are most sensitive. Also they, better than anyone, have the relationships with the manufacturers, the finance houses, leasing companies, auction houses, daily rental operations and, of course, the dealer groups.

I am not naïve enough to believe that businesses will take decisions that will significantly damage their shareholders' interests. But, if those businesses are helped to understand better the broader implications of their actions, for example a rushed remarketing of their vehicle fleets, they can then pursue different actions that are in

the best long-term interests of their collective stakeholders, including their customers and their communities.

Well thought through and joined-up plans will help to minimise job losses and business failures across the industry.

If one takes the example of PCP returns to a manufacturer's captive finance house after 36 months, everyone could gain from a joined-up set of actions, potentially including consumer incentives to extend by six months; lowered optional final payments; rigorous application of auction reserve prices; consultation with dealer groups to optimise the vehicle profile being remarketed.

And many far smarter ideas that a team of industry-leading experts could develop.

Collaboration is key

Extraordinary times call for extraordinary actions.

The Queen put it perfectly when she said we all want to be able to take pride from how we responded to this challenge. I think that such a display of collective leadership would be a huge source of pride for those businesses now and long into the future.

Cap HPI, Cazana, Glass's et al, over to you...

"INDUSTRY FORECASTERS UNDERSTAND BETTER THAN ANYONE WHICH ARE THE CRITICAL FACTORS IN BOTH THE SUPPLY AND DEMAND TO WHICH PRICES ARE MOST SENSITIVE"

VIEWPOINT



COVID-19 ADVANCES BUYING ONLINE – AND THERE'S NO GOING BACK

OLIVER WOODMANSEE is chief executive of XP Group Holdings



BUILDING UP CONSUMER CONFIDENCE WILL BE KEY TO RECOVERY

STEVE YOUNG is the managing director of the ICDP and an AM Awards judge

→ An industry that has seen very little real change will now see an acceleration of permanent change as a result of COVID-19.

The generic dealership model, established in 1898 by William E Metzger, has seen no significant change since. This is unlike almost all other industries which have seen vast moves in technology, lifestyle and economics. The digital revolution has, so far, largely bypassed our industry.

Most business forces in the automobile industry are fairly straightforward: consumers need cars and a procurement channel. Dealers supply cars, but need manufacturers to build them.

However, there is one complicated force which prevents radical change: cars are assets with unavoidable future obsolescence, characterised by procurement costs and, typically, the largest slice of a consumer's annual income outside of mortgage.

Unlike with mobile phones, manufacturers need dealers to finance operations. This is a confusing arrangement and differs from other industries.

COVID-19 is having an unprecedented impact – Moody's has significantly downgraded global

“THE DIGITAL DEALERSHIP HAS BEGUN AND CONSUMERS WILL QUICKLY BECOME COMFORTABLE WITH IT”

vehicle sales expectations.

However, I believe the industry will return more or less to normal eventually.

New car volumes will creep up again as both market and consumer liquidity returns because, as Mark Zandi, chief economist at Moody's Analytics said: “This feels different to other market crisis in that it involves disruptions to daily life – this isn't financial.”

The industry was already on a course of change: the seeds were sown years ago. Frost & Sullivan estimated that around 825,000 new vehicles were sold online in 2019 across the world, approximately 1.2% of total sales.

Their figure includes sales that originate through online financing and where a deposit or part-payment was made online. They estimate this figure will climb to six million within five years.

A world that currently values no human physical contact during procurement will unleash the unexpected consequence of online car purchase and home delivery test drives.

In China, the world's largest car market, major manufacturers are redirecting resources to online marketing and e-commerce. Just as people won't now give up video conferencing, they won't give up buying new cars online.

The digital dealership has begun and I believe consumers will quickly become comfortable with it and refuse to return to traditional models.

I predict that consumers will rapidly begin to look for online transactions over showrooms for new vehicles. This was always inevitable, but will move at far greater speed because of the coronavirus.

→ As some level of activity returns to the car market in Europe the biggest question post-COVID will centre on consumer confidence.

What mood will the public be in when lockdown ends and they have the chance to indulge in some retail therapy?

We can be fairly certain that aftersales will recover reasonably quickly. For fleet car sales, the OEM's No 1 port of call for volume – daily rental – is going to be dead, and they will have to deal with the question of how they handle scheduled defleet for cars that have stood idle for three months.

Policy for large corporate fleets across the board will be influenced by post-coronavirus budget cuts, so expect holding periods to be extended as happened in the financial crisis.

Some consumers will be in similar situations with cars on a personal lease of some form that expired during the lockdown. Some may face financial hardship, and ask for an extension rather than replace, or return their cars without a new replacement.

All of these will influence the flow of young used cars into the market, with as yet unpredictable effects on residual values (RVs). Following the financial crisis, demand exceeded supply and RVs went up in some markets, but where will used car demand be in the summer and beyond?

To address this question, and that of the retail customer for a new car where they have free choice, or whose leases will end in the months ahead, the critical questions will be how will they feel about their mobility needs and their financial security?

“WE NEED TO CONTRIBUTE TO BUILDING A POSITIVE MOOD”

There are some surveys that encourage a positive view, while others are more cautionary.

In the UK, surveys by Auto Trader and WhatCar? both show high level usage of their websites, with most visitors stating they intended to buy a car this year, although there was some tendency for this to be biased towards the period from July onwards.

A McKinsey consumer survey reports declining levels of optimism in EU5 markets.

Germany has remained fairly stable with around a quarter of those polled feeling “very optimistic” or “optimistic” over the past five weeks. By contrast, France has declined significantly from 18% to 10%, Italy slightly from 13% to 10%, Spain from 19% to 12%, and UK from 23% to 17%.

Overall, it feels like the focus in the first few weeks back is to capitalise on the delayed deliveries, leads captured during the lockdown and a well-managed and sensitive approach to past customers whose cars are coming off finance or are in positive equity. We need to contribute to building a positive mood, and have meaningful incentives to encourage those who may be hesitant to come back into the market, such as our COVID/CO2 scrappage proposal.

With that combination, we have the best chance – though not a guarantee – of recovering at least some of the lost new car volume.



SOCIAL DISTANCING MADE COLLECTING A NEW CAR SURREAL

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



Some businesses don't deserve to survive post COVID-19, maybe they didn't deserve to do so in the pre-virus environment.

Let me paint a scenario. I had a PCP on a car that was due to run out in March. From around October I was expecting some contact from the dealership to up sell me, down sell me or just to enquire what my thinking was about the future.

I had bought the car from them and had a three-year service contract. Nothing came, then on January 19 I received a text from the finance company offering me three options, did I want to keep the car, return it or part-exchange in with the dealer? I thought that if they couldn't be bothered to call, email or even send a letter, I would ignore the text and give the dealer a little longer to make contact.

Again, nothing from the dealer, then in February the finance company appeared to panic, and I started to receive letters every two days. I decided to return the car and it was dutifully picked up. To this day I have not had any contact from the dealership apart from a text reminding me that there is some routine work that needs to be done on a car that I no longer have in my possession. I was a nobody in the relationship.

Stage two was then how to buy a new car while supporting the local economy? I thought that this would be socially beneficial rather than selfishly exploiting the

contacts I have in the sector. I visited the showroom a couple of times. It was basic but friendly and the staff remembered my name and made me feel welcome.

The process of actually buying the car was farcical, the finance company's system was clunky, and the sales guy was typing into the computer with one finger but, actually, I didn't care. They had made me feel as if I mattered and there was no hard sell. Owing to the slowness of the process I got to know all about everyone's lives, and they got to find out about me.

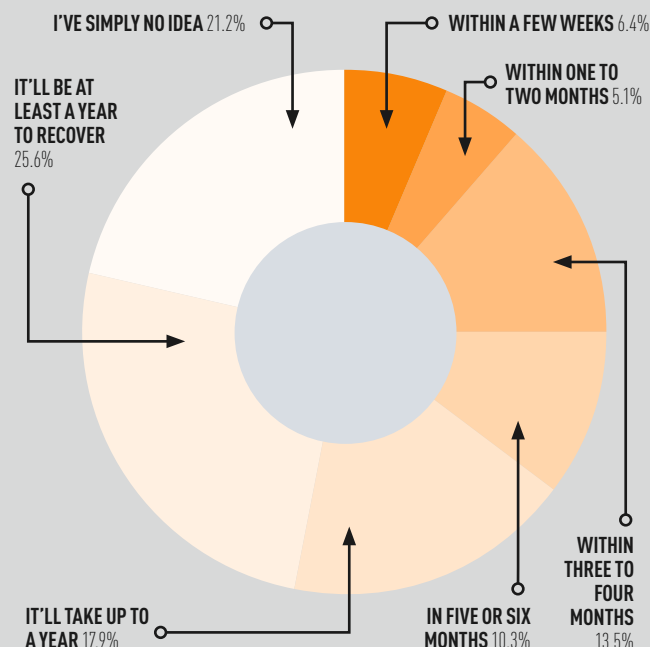
The highlight was the handover in the COVID-19 lockdown environment. It was in the early days when there was some ambiguity in the Government guidelines, so a discussion ensued over whether a car was a necessity or not and should I go and collect it.

I'm pleased I went; the whole experience was surreal. I was issued with mask and gloves and the process was transacted six feet apart. We happily moved around the computer in what to an outsider would have seemed a weirdly choreographed dance. The explanation of the controls on the car was again done with much pointing and shouting at a distance. I managed to get the car home and, thanks to COVID-19, at the time of writing that is where it has sat ever since. When reflecting on the experience I realised that people and relationships really do matter and the coronavirus has reinforced that across not only our industry but also society.

"I WAS ISSUED WITH MASK AND GLOVES AND THE PROCESS WAS TRANSACTED SIX FEET APART"

AMPOLL

HOW SOON WILL YOUR BUSINESS RECOVER AFTER THE CORONAVIRUS THREAT IS OVER?



The UK's measures against the COVID-19 coronavirus pandemic are expected to cause months of financial harm to motor retailers.

Only one-in-four expects their business to recover within at most three to four months from the end of the lockdown. Half of motor retail businesses predict it will almost a year or even longer before they can put the effects of the pandemic behind them.

Many automotive managers are pragmatic in their approach to trading post-lockdown, marking out social distancing guidelines in their dealerships and marketing their delivery services.

One respondent to the AM poll said new uncertainty brought by the after-effects of lockdown, and concern about likelihood of redundancy, will likely make people rein in their spending until there is more stability.

Another, who thought recovery would be up to a year away, suggested older customers, regarded as at higher risk from the virus, may be wary of visiting car showrooms for a while.

He said online car sales "will be the norm" but this will test dealers' processes for digital CRM and distance sales.

About one-in-five poll participants said it was impossible to know the long-term impact of the disruption.

NEXT MONTH: HAVE YOU CHANGED HOW YOU'RE COMMUNICATING WITH CUSTOMERS SINCE LOCKDOWN?

VOTE NOW AT [AM-ONLINE.COM/POLLS](https://am-online.com/polls)



MINUTES WITH...

Tom Leathes,
chief executive, Motorway

moto

A year has passed since AM last interviewed you (for an online article). Could you remind our readers what is the premise of the Motorway offering?

Motorway makes it easy for dealers to move more stock acquisition online and buy more efficiently straight from private sellers.

We provide all the sellers need to profile the vehicle. We take them through any damage, the service history and demand detailed hi-res imagery. We only allow vehicles online that meet those strict requirements and then we manage the transaction through to completion. We have an aftercare team which makes sure that the sales go ahead without any issues and to answer any questions or concerns from dealers or consumers.

There have been 3,500 reviews of Motorway on Trustpilot to date and we have a five-out-of-five rating.

We have two ways in which the platform works, online car buyers that handle most of the lower value cars and then the online marketplace, which offers structured auctions every day.

There were 100 vehicles a day passing through the marketplace prior to the UK lockdown, on top of the sales we're orchestrating online for car buyers. The fee for retailers is based on the value of the car they're buying (ranging from £175 for cars up to £4,999 or to £1,500 more than £250,000). There are no monthly fees.

Has the business delivered on your growth expectations since launch?

Absolutely. We've grown really quickly in the past 12 months. Ahead of the

COVID-19 lockdown we were well over 100% up by volume and value year-on-year.

We now have more than 1,500 dealers using Motorway and right into mid-March we had been averaging an enquiry every 15 seconds, with in excess of 3,000 completed sales each month. The team's now 70 people, up from around 35 a year ago. It's been a real rollercoaster 12 months that saw us complete £300 million in sales. That's a huge increase on where we were. It feels like we've moved from being just another tech start-up to becoming a key source of stock for a lot of dealers.

Which large car retailers were first to embrace Motorway as a source of stock?

Arnold Clark was one of the first to launch 'sell your car', which features on Motorway and we have a good, long-standing relationship with Sytner Group and Carbase. Evans Halshaw has been live for about a month or so, and that's doing really, really well.

Big, well-known brands are joining, and they see that we are one of the best ways of getting private sellers 'through the door' in a very effective way. We're beginning to partner with some big car selling websites too: heycar, Parkers, Regit, Telegraph and confused.com.

That's helped us gain exposure to a much larger selling base. Our marketing has also benefited from a national radio campaign with Neil Morrissey, of *Men Behaving Badly* fame, and is airing on LBC, Absolute, RadioX and Jazz FM. We did some testing on TV last year and found radio to be far more effective.

Has Motorway evolved since its launch, with the addition of new services?

We are now able to provide a transport service, which includes a full vehicle inspection. We're working with third parties at the moment, which means that it can potentially scale very rapidly.

What remains important to us is that the standard of service we would want to offer ourselves is maintained. Inspection and delivery attract an additional cost, but it's based on distance from the dealership and whether a covered vehicle is required, and we've tried our best to keep it as competitively priced as possible.

We haven't done anything about stock funding yet, but we do get a lot of questions about that from dealers. We're looking to solve all the issues with functions that people might normally get from a physical auction but don't currently get from us.

At the moment we're 100% focused on the things that we do right now, though. We're still very small. We're growing, but there's a long way to go. What we really want is to become the clear leader in doing this one thing – sourcing quality vehicles from private sellers in a simple and transparent way.

How has the COVID-19 lockdown impacted the business?

The week prior to lockdown was our biggest ever, by a massive margin, and we had to stop short of making a lot of deals. It was frustrating.

We were really transparent in our communication with the dealers and the private sellers, though, and everyone was really understanding. Continuing beyond the point that we did, which was



“THE WEEK PRIOR TO LOCKDOWN WAS OUR BIGGEST, BY A MASSIVE MARGIN. WE HAD TO STOP SHORT OF MAKING A LOT OF DEALS. IT WAS FRUSTRATING”

TOM LEATHES, MOTORWAY

a little earlier than Government suggested, would have felt unethical.

We make a lot of our brand values revolving around honesty and I think it was important for us to come out and say that it was irresponsible to continue trading beyond that point. Making the call allowed us to structure for that and double down our focus on product during the lockdown period to ensure that everything was in order.

Whether or not you eke out the number of transactions that you had pending, it's never really going to be what you need to make a difference.

When we were forced to pause because of the various transport restrictions imposed under lockdown measures, we furloughed our customer service team. We topped up their salaries to make sure they were earning more than the 80%. It's such a stressful time and keeping everyone's mental health intact was important to us.

Are you confident trade will pick up where you left off when lockdown restrictions are eased?

All those sellers are still ready and waiting. We've not been able to formally guarantee the valuations, but from all the conversations we've been having with dealers there doesn't seem to be a huge difference in valuations yet.

We now have to make sure those stalled sales are prioritised when we get back up and running again (Motorway re-commenced online auction activities on May 11). We're doing what we can to help dealers and remaining in touch with them helps us get a handle on when they expect to resume trading.

It's unlikely there'll be an immediate lifting of restrictions, though. The first consideration will clearly be 'is it now okay to move cars back and forth?' Then we'll have to see who is trading again.

What was your approach to the temporary pause in trading, from an operational point-of-view?

We've a software development team of 25. Right now, coronavirus is giving us a bit of time to really double down on our tools and the tech features that really make it easy for people to do business with us. We're focusing our attention on all the dealer tools, including our online bidding app. We're determined to make that the 'best in class'.

If we're going to be asking dealers to take more of their stock sourcing activity online with us, then we need to make that process as simple as it possibly can be. That's not easy when you're looking at an auction platform.

Ultimately, we're trying to make the most of the COVID situation. There was already a move online and this is forcing people to re-think all the physical things that they do.

The car industry has been slower off the mark than some sectors in making that switch and if this is the catalyst for that then I guess you could imagine it as being a really powerful trigger for a step-change.

Our aim is to move as much of that transaction volume online, with more people getting a much better deal. The challenge we have got is delivering the service that we have now to a much larger group of dealers. We have 15 account managers and we're constantly

trying to automate more of the process, so that we're able to get five, six or seven times our current volume of dealers.

You would describe yourself as a tech start-up. How secure is the business' funding, especially given the fragile economic climate right now?

We raised £11m last March, which, I guess, is a decent-sized investment. But underlying that is the fact that we are growing sustainably. We work very hard to ensure we have a sustainable business model that can scale. We've got a strong cash position and our strong trading means we're not burning money.

That's a good position to be in right now. It's scary for a lot of start-ups. If you were just about to raise a round of funding, the current crisis hitting your plans would be a very scary thing.

While Motorway is offering a service to car retailers, many 'start-ups' in the automotive space are widely described as disruptors. How do you see the market evolving?

Many of those are guys we talk to and we share our experiences with. What is interesting about many new online start-ups entering the sector is that they have experience of 'productising' this online experience.

A lot of franchised dealers have (been selling cars online) for a long time, but it kind of exists in the background.

At the moment, it still feels like there are online sales businesses and offline sales businesses. That's not the case but these newcomers just tend to be better at 'productising' what they have to offer. **TOM SHARPE**

FACT FILE

OFFICES:
LONDON,
BRIGHTON, KIEV
DEALER
CLIENTS: 1,500
STAFF
HEADCOUNT: 70

KIA MOTORS

For KMUK to continue to grow, it needs to get the balance right, says president and chief executive Paul Philpott. EVs will play a big role, reports **Tim Rose**

Kia Motors UK and its dealer network are on the cusp of electrification, but the South Korean brand must ensure the coronavirus crisis doesn't derail its plan significantly.

In March, it was quick to move in support of its franchisees as sales were frozen overnight in lockdown and cashflow became critical. The brand guaranteed their first quarter margins and bonuses, extended vehicle stocking lines and supported dealer liquidity in other ways such as deferring demonstrator funding.

President and chief executive Paul Philpott told *AM*: "In the first few weeks of lockdown dealers were focused on cash, how to furlough staff and to ensure their cost base was as low as it could be."

The brand has kept in constant communication with the network. Philpott and fellow directors talk regularly with franchise investors and group directors, and KMUK's field team keeps in touch with the dealership general managers, sales managers and aftersales managers that were not on furlough.

It held a dealer forum meeting via Zoom, with discussions on how to get through the lockdown and into recovery mode.

Meanwhile, plenty of its dealers have been helping their local communities – for example, Gravells in South Wales turned showrooms into hubs for food distribution to isolated residents and loaned its demonstrators to NHS workers or support organisations in need of transport.

The message Philpott has received from franchisees is that 'we're all champing at the bit to get going', he said.

Only about 20% of KMUK's staff chose to be put on furlough after Philpott asked for volunteers only. "So we're running at about 80% capacity but that means we've plenty of people to keep in contact with dealers. We laid out from day one that maintaining our strong partnership approach with the



network, ensuring they remained confident and motivated through this very challenging period, was one of our top objectives."

Well into lockdown more Kia dealerships have been preparing for reopening, and taking service bookings. Philpott believes aftersales will come back quickly, particularly as fear of coronavirus may drive more people to avoid public transport.

Along with the NFDA and SMMT trade bodies, he had hoped, when he spoke with *AM* just days before Boris Johnson's announcement, that car showrooms would be in the first wave of retail businesses allowed out of lockdown.

"They are not high footfall places, customers will come in on an appointment and won't have to meet anyone," he said.

Keeping two metres apart is easy to do in a 300sq m showroom, he said.

Like most other networks, Kia outlets are installing PPE kit. Philpott still hopes for clear guidance from the UK Government on what is the appropriate standard.

Meanwhile, showrooms are adding Perspex screens, technicians will work spaced out, customer test-drives will be unaccompanied and staff will wear masks if that is deemed necessary.

Support for the Kia network remained in place through May. "We need the dealer network to recover as quickly as we do the industry," said Philpott. He said one positive is the good order levels and improving supply of Kia's electrified cars (hybrids, plug-in hybrids and full electrics), which are

AM
AWARDS: 2020
FRANCHISE OF
THE YEAR

Paul Philpott says KMUK's franchisees are 'champing at the bit to get going' post-COVID-19 lockdown



all supplied from South Korea where its assembly plants have stayed open.

And dealers have orders from March buyers who still want their new car. Philpott suggested that as people may not get away on holiday this summer perhaps some will, instead, treat themselves to a new car. It will all depend on consumer confidence.

In 2019, KMUK achieved a personal best market share of 4.2%, with 97,000 new car registrations, becoming the eighth largest car brand in the market. For 2020, Philpott was aiming for 92,000 registrations in a 2.2m market, to maintain market share but drop volume 5% by stemming rental sales, due to the pressures of EU 95g average CO₂ targets under CAFE regulations.

But then COVID-19 attacked the UK, car

KEY PRODUCTS



Niro

Sales of this compact crossover continue to build strongly, as it offers a choice of powertrains between combustion engine, hybrid and electric. Last year's sales volume totalled 9,200, and for 2020 Kia expects 22,000 sales (pre-coronavirus impact).



Picanto

The city car is Kia's cheapest vehicle and it was its second most popular seller in 2019. Emissions targets mean the automatic version has been dropped in 2020, but Picanto can play an important role at dealerships now several other brands have exited the A-segment.



Cee'd

The humble hatchback and estate does good business in the fleet market particularly, and was joined last year by a crossover-style Xceed version. PHEV powertrains were added this spring.



Sportage

There's high demand for this SUV in both new and used car markets. It is Kia's best seller currently, and Philpott doesn't expect that to change for a few years yet. In the long-term it will gain a PHEV powertrain.



Soul EV

Its styling and price will put some off, but its 280-mile range won't. Sales targets are modest, at 2,000 units this year, but it's a distinct pure electric car which helps Kia build awareness.

showrooms were forced to close for 10 weeks, the SMMT reforecast a 1.7m market in 2020 and Philpott was forced to concede the short-term plan is now up in the air.

KMUK has plotted several scenarios, looking at how showrooms can open and how willing customers are to visit to buy and the economic impact on the markets.

"All will have a big impact on our full-year volume," he said.

What won't change, however, is Kia's desire to sell more electrified (hybrid, plug-in hybrid and battery electric) cars. In 2019, these accounted for one-in-10 of its sales. In 2020, to reach those EU emissions targets and avoid huge fines, Philpott needs these to be three in every 10.

The Niro, sold in pure electric, PHEV and

hybrid derivatives, is leading the charge, helped by the just launched Soul EV, Ceed and Xceed PHEVs, and a new Sorento with PHEV and hybrid powertrains by the year-end. In 2021, there'll be a completely new addition to Kia's range, a dedicated electric crossover.

In January, Kia announced Plan S, its next five-year investment plan, putting more than \$25bn (£20.6bn) behind its shift to electrification. By 2025, Kia will have 11 fully-electric vehicles in production, spanning the major product classes, including SUVs. Philpott said he couldn't say how many of those will come to the UK, but by 2025 the 95g CO₂ target reduces to 75g/km "so expect a fairly quick escalation in the number of electric vehicles we

have here”.

By 2026, Kia expects to be selling 500,000 pure EVs globally each year and another 500,000 hybrids or PHEVs. That equates to one third of Kia's current total annual production. It has a battery development joint venture with Samsung, and partnerships with the Ionity charging network and commercial EV developer Arrival.

“Today, Kia has a pretty strong position in electrification with a whole range of hybrid, EV and PHEV, and more coming... and that will then move quickly through the investment we're making in Plan S over the next five years.”

Post-Brexit trade isn't a huge concern. South Korea and UK have already signed a continuity agreement for direct trade, so if there's no deal signed between UK and EU by the end of 2020 then any Kia imported from its Korean factories will have zero tariffs.

For the 2020 plan Philpott's key word was balance. “In every prior year we've had to balance volume and profit. Now we have to balance volume, profit and CO₂, because in EU all manufacturers have to hit 95g weight-related CO₂ this year. Then because it's likely we'll have left the EU this year, in 2021 KMUK has to hit 95g on its own.”

Like many UK motor retail executives, he's keen to push for state support in getting the vehicle markets moving again.

He said that the only time the UK new car market was as low as it is now forecast, at 1.7m units, the Government realised doing nothing would mean huge loss of tax revenue from car sales.

Philpott said the automotive sector is worth around 12% of GDP, and such a slump will have a major affect on the economy. If the Government can afford to provide a stimulus package that might generate 200,000 or 300,000 sales on top of the expected 1.7m market, then the incremental tax revenues “would be huge”.

“If the sums work, and the tax revenue outweighs the support, I'm sure the industry would be willing to co-fund such a programme. I think it would be a win-win



TODAY, KIA HAS A PRETTY STRONG POSITION IN ELECTRIFICATION WITH A WHOLE RANGE OF HYBRID, EV AND PHEV

PAUL PHILPOTT, KMUK PRESIDENT AND CHIEF EXECUTIVE



all round for customers, manufacturers and dealers and the Government. So, through the SMMT we are lobbying for stimulus support in the second half of the year,” he said.

Long-term, now that many people have been forced into video meetings and online shopping, he predicts consumers' confidence in buying cars online to have raised only “to a degree”.

“Ultimately, I still believe car showrooms

are excellent places to really understand the benefits of different products' technology,” Philpott said.

“Technology is moving so fast, it's not easy to understand it all online without someone taking you through it. So, while more digital channels will be incorporated into the sales process, ultimately the process will still be focused on face-to-face contact, albeit two metres apart, where customers receive the best service from someone who's an expert in those products.”

Many brands have withdrawn from the A segment due to the emissions targets, but thanks to Philpott's three-in-10 electrified strategy Kia will retain the Picanto city car, which achieved 18,000 sales in 2019.

Philpott doesn't believe EVs will change how consumers buy cars “in our lifetime” and suspects many will still expect to ‘own’ one's own vehicle, rather than share.

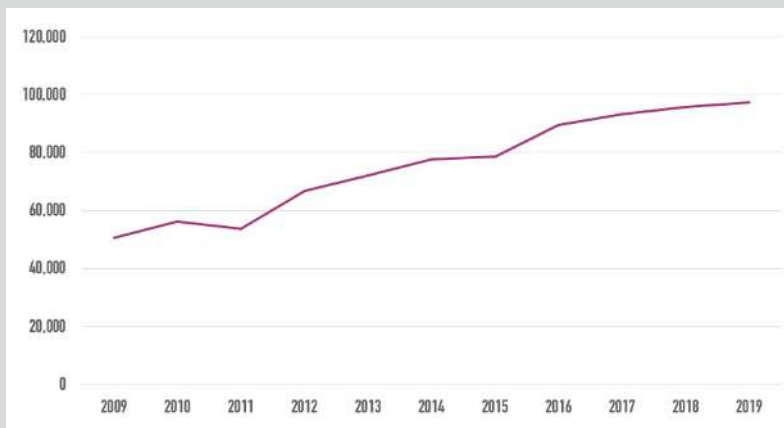
But he called on the Government to provide an integrated policy of decarbonisation and production of environmentally-friendly electricity to enable the country to adapt to millions of electric cars. “They go hand-in-hand, and multiple government departments need to work together,” Philpott added.

The industry was shocked by Boris Johnson moving the goalposts of an electrified-only new car market from 2040 to 2035. Also, banning hybrids came as a complete surprise and some manufacturers' confidence that the UK itself will be ready was rocked.

“Clearly the development of charging infrastructure here is key, and if you're stating that by 2035 all new cars will be electric then someone in a senior position (in Government) needs to be thinking about infrastructure and the capacity to produce electricity,” said Philpott.

Although electric cars are highly priced compared with internal

KIA MOTORS UK PROGRESS SINCE 2009



In 2009, Kia's new sales were around 50,000 units. A decade on it has almost doubled sales, but done so in a measured, profitable way that hasn't left its dealer network burdened with pre-registrations.



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combustion engine (ICE) cars, Kia's research shows 90% of owners charge at home or work, and charging overnight from 0-100%, giving a 280-mile range in a Soul EV, is estimated to cost £8. With petrol or diesel cars it would be almost three times as much. So, he said dealers can combat the price premium of EVs by emphasising the monthly payment that most consumers will budget for and the fuel and taxation savings achievable.

All Kia dealers are offering EVs, and 700 customer-facing staff have been through specific product training to sell or repair electrified models. At KMUK's dealer conference in January the focus was positioning dealers as "the local expert in electrified cars" in their marketplace.

Philpott said: "Electrification is a good opportunity for the franchised dealer, because consumers will want to go to people they believe have specialist knowledge. This is new technology... and you make sure, with the tools we give you, to become that trusted expert, because then consumers will talk about you and your reputation will spread."

Getting dealer staff interested in electric vehicles is no longer a challenge, he said. In the early years, when sales were scant and products limited, it was tough. But now cars have credible, practical range and are becoming desirable to more customers.

EVs aren't getting different margin treatment by Kia. Philpott said he has to "normalise EVs", not make them different.

"In 15 years EVs are what we'll be selling, so we want to make them as normal a part of the franchise as possible, while recognising that customers demand greater knowledge and advice. It's why I think electrification is a real opportunity for franchised dealers," he said.

Those which adapt quickest will secure



ABOVE: Car buyers can collect from forecourts currently, but many Kia franchisees are preparing their showrooms for social distancing

good levels of incremental business. "We've a shorter history in electrification, but we've a strong present situation. We've a good story to tell, and need to do that consistently. *What Car?* Car of the Year for E-Niro last year really put us on the map.

There's evidence today that we're ahead of the game. There's a huge discussion going on about electrification and we have solutions to that now, not in the future. That's a real strength."

The network ended 2019 with 1.2% average return on sales, or £165,000 (down 3% y-o-y), with the upper quartile still making more than 3% ROS. The important

thing is that franchisees are making £150,000-£200,000 average net profit per dealership, year-in-year-out, Philpott said, as no one benefits from boom or bust.

"It's consistency of net profit that our business partners really want," he added. The brand has remained a high performer in the six-monthly NFDA Dealer Attitude Survey results.

Philpott said there is trust in the partnership. "There are no secrets. That's a very healthy position. They have great confidence in the long term future of Kia. But they can also see the current opportunities. This isn't jam tomorrow."

BELOW: The Soul EV has recently been launched



SPOTLIGHT:

FINANCE

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MOTOR FINANCE



Money and machines

Sector changes loom despite ongoing coronavirus crisis



KEY TRENDS IN MOTOR FINANCE
WILL GOVERNMENT'S 'TRAVEL BY CAR'
ADVICE HELP REKINDLE THE INTEREST
IN CAR BUYING? FINANCE WILL BE KEY

PAGES 36-39

FCA PUTS BACK REPORT
COVID-19 CRISIS HAS PROMPTED THE
FINANCIAL CONDUCT AUTHORITY TO
DELAY NEW RULES ON MOTOR FINANCE

PAGES 41-42

FINANCE UNDER LOCKDOWN
LENDERS URGED TO TREAT CUSTOMERS
FAIRLY AS MANY BORROWERS FACE
FINANCIAL PROBLEMS

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Key developments in motor finance

Government's 'travel by car' advice fuels hope for market revival

While the past few months have been the most challenging the industry has seen, the Government's current advice to only travel by private car or active travel (cycling and walking) puts dealerships in a good position for recovery.

Finance will be the key to get the country moving again, particularly for those across the country under financial pressure due to furlough schemes or losing out on work because of the lockdown.

CORONAVIRUS SUPPORT

Many manufacturers, such as Ford and Volkswagen, stepped in to offer payment freezes on finance deals even before the Financial Conduct Authority (FCA) set out its recommendations at the start of April.

The FCA has now asked finance providers to offer a temporary three-month payment freeze to give consumers some breathing space to those who've suffered unexpected temporary financial stress since COVID-19 forced the UK's lockdown (for more details on FCA advice see Finance Under Lockdown on page 44).

FUNDING FOR EVs

While shared mobility and public transport are taking a back seat right now, the increased popularity of car ownership could set air quality targets back if more work isn't done to make electric vehicles (EVs) more attractive and affordable to the mass market.

The good news is that there are already some well priced EVs available in Q2 like the Seat Mii Electric and Honda e, both for less than £300 a month.

AM compiles quarterly data of manufacturers' representative examples and Q2 shows the average monthly payment price across 233 offers was £353.

There are nine plug-in models based on the latest data under the £353 a month mark and four of them are available with a customer deposit of less than £2,000.

Karl Werner, MotoNovo Finance deputy chief executive, said: "Alternatively fuelled vehicles (AFVs) overall are an opportunity for finance quite definitely, not least because this is the type of car that will dominate the new car landscape over the coming years.

"Certainly, there are new options such as battery financing on the horizon and we are looking into this at the moment."

Werner said that even with all that's happening with the pandemic, there needs to be any extra financial stimulus in the form of special rates or

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SPONSOR'S COMMENT



**By Paul Burgess, CEO,
Startline Motor Finance**

In the relatively short period between our agreeing to take part in this AM finance feature near the start of the year and the time I am writing this, the world has altered in ways that would've seemed unimaginable then – and those changes look set to persist for a good while yet.

In common with other motor finance companies, we've been racing to keep up with events and the changing needs of car buyers, dealers and introducers. It's been a demanding process – but there have been aspects that have been unexpectedly rewarding.

While, clearly, no one would wish for the current situation with the horrible cost in terms of lives and economic damage, the coronavirus situation has undeniably provided opportunities to further advance the way in which our sector handles customer relationships.

Many of the people we are talking to are experiencing difficulties – whether dealers whose businesses are essentially frozen or motor finance customers who are facing financial difficulties – but the striking thing has been how generally calm and constructive these conversations have been on all sides despite the circumstances.

There are going to be times when financial realities have to be acknowledged, but we very much agree with the statement the FLA has issued where it says that we need to keep motorists in their cars wherever possible. This is certainly our aim at the moment.

In recent years, as a sector, motor finance has become much more adept at treating the customer fairly. In our view, the crisis provides the opportunity to move forward yet more from there. It seems clear the public will remember the people and the businesses that treated them reasonably and with respect during the crisis. During a watershed moment for the country, motor finance should do the right thing.

startline
MOTOR FINANCE

longer term contracts to help boost the EV market specifically.

He said: "It will happen organically, especially as the charging infrastructure evolves and it is in this re-charging that there may be opportunities to link a finance angle."

However, it's not all about new car manufacturer finance support for EVs.

Startline Motor Finance surveyed 57 dealers at the end of last year and 31.6%, the largest percentage, said EVs will have an impact on how finance is provided to those vehicles when they reach the used car market.

A further 35.7% said there have been challenges with finding lenders for used EVs, or the choice is currently limited. This is something that will need to change for EVs to really take off this year and into the future.

A spokesperson for Startline said: "The vast majority of dealers now view EV as an inevitability, although there is clearly some concern over their impact.

"Much of this revolves around the financing of used EVs, although it is clear that there appears little appetite for new finance products or approaches to resolve this issue.

"Dealers are probably hoping to integrate them into a pretty standard existing sales model – something which may simply not prove to be possible."



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Q2 2020 TOP 10 EV OR PLUG-IN HYBRID MODELS BY LOWEST MONTHLY PAYMENT

	Finance type	Deposit	Term	Monthly payment	Final payment	APR	Offer ends	Mileage limit	Penalty per excess mile
Smart EQ fortwo coupé passion advanced 82hp (60kW), 22kW charger, single speed	PCH	£1,748.00	36	£189.00	N/A	N/A	30/06/2020	7,000	6p
Smart EQ forfour passion advanced 82hp (60kW) 22kW charger, single speed	PCH	£1,708.00	36	£209.00	N/A	N/A	30/06/2020	7,000	6p
Seat Mii Electric 61kW 83PS	PCP	£1,980.00	48	£276.00	£7,756.20	5.8%	30/06/2020	10,000	5p
Honda e Advance	PCP	£5,855.63	36	£299.00	£16,055.00	5.9%	30/06/2020	8,000	7p
Renault Zoe Iconic R110 ZE 50	PCP	£2,000.00	48	£307.00	£12,517.00	4.9%	30/09/2020	6,000	8p
Hyundai Kona Electric SE 39KWh Electric	PCP	£5,100.00	48	£316.70	£13,363.00	4.9%	30/06/2020	10,000	9p
Vauxhall Corsa-e Elite Nav 7.4kW	PCP	£5,732.88	48	£320.00	£12,154.00	4.9%	02/07/2020	8,000	N/A
Hyundai Ioniq Electric Premium Electric Motor	PCP	£5,300.00	48	£335.33	£13,409.00	4.9%	30/06/2020	10,000	9p
Toyota Prius Plug-In Business Edition Plus 1.8 VVT-i Auto	PCP	£7,976.00	42	£349.00	£13,702.50	0.0%	30/06/2020	8,000	9p
Hyundai Ioniq Plug In Premium 1.6 Petrol 141PS DCT	PCP	£5,200.00	48	£370.23	£9,614.00	4.9%	30/06/2020	10,000	9p

FLAT RATE APRs ON USED CARS

Some dealers are looking at offering flat rate APR (annual percentage rate) on used cars as a way of kickstarting the market as customers emerge from lockdown over the coming months.

Flat rate APR has long been a weapon used by car manufacturers in the new market, but Imperial Cars has already been trialling the idea at its centres across the south west.

Neil Smith, Imperial Cars operations director, said: "We ran a trial last year where we looked at fixing the APR rate at different levels to see what impact they had on penetration and volumes."

After originally fixing the finance at 11.9%, which dropped penetration rates from 40% to 33%, Imperial ran finance at 9.9% for 10 weeks.

Penetration increased, but to get it to the 60% needed to remain viable, Smith settled on using a version of the company's rate for risk model.

This model isn't necessarily new, as the APR rate for finance has always been set based on a consumer's creditworthiness, but Imperial now offers a 9.9% fixed rate and those customers with lower credit ratings will still likely be offered finance, but at a higher rate from the group's panel of lenders.

Smith said: "There's an element of this where we're looking at what the lender can do based on the credit rating of each individual."

"The lender needs to cover its risk. What we've

tried to do is narrow that rate corridor down as much as possible."

Werner believes there are other options beyond fixed rates in used car financing.

He said: "We expect to see the use of risk-based pricing becoming more prominent."

"A move to such an approach would be fairer to borrowers and enable dealer's finance to compete with other lending forms to increase finance penetration."

Werner said that from an income perspective, dealers could see finance revenues increase from such a model.

He added: "This is what we have seen in our work to develop this option for a large number of dealers who have piloted this approach for the past few months."

PCP VS PCH AND THE FUTURE

Werner believes COVID-19 could take the wind out of the sales of personal contract hire (PCH) and there could be some closer scrutiny of the product from the FCA in the future.

He said: "The PCH product carries some very different regulatory requirements to PCP. I wonder if this may mean the product comes under closer regulatory scrutiny in future to ensure customers are treated fairly. The challenges of providing forbearance measures to consumers with leasing products may have crystallised the need to make changes."

"In addition, in the immediate future, there may be some residual value setting challenges both from COVID-19 and the switch to AFVs, which will accelerate with new requirements."

Tashfin Osmani, senior analyst at Automotive Services International (ASI), a company which analyses and researches car manufacturer finance incentives, said PCH is set to continue as a good potential consumer hunting ground from car manufacturers as the market starts to wake up later this summer.

Osmani said: "Ageing stock cars being filtered into the market on attractive monthly payments will be an appealing route for brands."

"It minimises the hit on brand perception with obvious 'fat' finance deposit allowance (FDA) discounts."

"However, there could still be a potential risk to PCH if there is a second wave pandemic, as this could put people off lease agreements, with their reduced contract flexibility."

So far, Osmani said only Vauxhall stands out as putting a greater emphasis on PCH in Q2 2020, with exclusive offers online through credit broker Jet Vehicle Finance.

Meanwhile, Smith believes PCPs that are already out on contract could put lenders in store for some pain dependent on whether vehicles drop in value more than predicted.

For now, residual value specialist Cap HPI has said it is not making overall market adjustments while the market is on pause.

On an optimistic note, Derren Martin, head of valuations UK at Cap HPI, said the likelihood of some pent-up demand, and a shortage of new cars when the car industry does return to anywhere close to normality, could well be positive for used car prices.

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Final ruling delayed and industry wants more time

Coronavirus crisis has meant FCA is putting back the release of car finance findings

The final ruling of the Financial Conduct Authority (FCA) following its motor review last year may have been delayed until the end of the year amid the COVID-19 pandemic, but industry bodies believe its content will be broadly similar to its original proposals.

The regulator was due to announce its final rulings imminently, but as the coronavirus crisis unfolded, the FCA issued a statement announcing publication of several of its consultations were now on hold until at least October 1.

While the consultation deadline passed in January, the FCA confirmed 'on-going conversations with the industry' and, given the coronavirus crisis, a spokesperson said: "I imagine consideration will be given for any concerns. It's a fluid situation."

However, Adrian Dally, head of motor finance at the Finance and Leasing Association (FLA) said: "We have to assume that the final rules will be very similar to the draft rules the FCA consulted on."

Focused on the practice whereby some motor finance brokers receive commission linked to the interest rate that customers pay thereby, potentially, acting as an incentive, the FCA estimates the changes would save customers £165 million a year.

By understanding the relationship between the dealership and the finance house and any commission or fees paid, the FCA believes consumers will be able to make more informed decisions. The FCA also raised concerns that commission disclosure was not explained early enough in the car buying process.

All three industry bodies – the National Franchised Dealer Association (NFDA), the British Vehicle Rental and Leasing Association (BVRLA) and the Finance & Leasing Association (FLA), accepted change was necessary. All asked for clarification of certain areas, raised the issue of excluding leasing products like contract hire, and requested an extension of the proposed three-month implementation period to six months.

The NFDA is broadly 'comfortable' with



**WHAT'S
NEXT?**

the proposals and believes that, in the main, dealers will only have to make a few tweaks.

Louise Wallis, NFDA head of business development, said: "The commission disclosure proposals are not going to cause any problems for dealers, they will probably just need to declare their commission a bit earlier in the process. Generally, we are comfortable with it."

"The big thing that we asked for was the implementation period. The FCA wanted to introduce it over a three-month period but we said that was impossible, dealers would have to renegotiate their contracts with finance houses, train staff and put new processes in place so we asked for six months which we are hopeful we will get."

Wallis, however, was critical of the FCA's mystery shop which informed its views on

the point commission was disclosed, arguing the organisation abandoned the 'shop' too early.

She added: "When pushing the FCA to find out at what point did they stop the process, they were very cagey so we believe they stopped incredibly early, even pre-test drive. Dealers were acting in the spirit of the law, they were declaring it as they should do before contracts were signed, but if you look at it honestly, a little too late to what they should be doing to be in the best interest of the customer. It's not a big issue and it's an easy one to resolve."

The BVRLA also recommended that rules are rewritten to provide absolute clarity when commission should be disclosed.

Chief executive Gerry Keane said:



C“There is widespread agreement across the motor finance sector that the FCA needs to ban discretionary commission, and we are confident that this will happen. The big issue for the industry is how and when this is done. We put some sensible and practical suggestions forward in our consultation response, where we also recommended that the FCA provides clarity on the rules surrounding commission disclosure.”

In its submission, the BVRLA requested clarity on ‘when the existence of commission needs to be disclosed, what counts as commission and how the obligation to disclose commission impacts different parts of the motor finance supply chain’.

CLEARER GUIDANCE

The BVRLA called for clearer guidance surrounding the reference to all fees for credit. Its submission stated ‘...it is somewhat unexpected that the findings of the review have been extrapolated across all types of charges for credit, without supporting evidence.’

Since the rental and leasing sector did not form part of the review, BVRLA members were concerned some finance providers could use discretionary commissions with leasing products, while other providers would remove discretionary

commission models everywhere. Dealers and brokers could select funding products accordingly which may not necessarily be in the interest of the customer. Likewise, customers could be pushed towards leasing if commission models were available with other funding products.

This position was echoed elsewhere with a call to incorporate hire products such as PCH (personal contract hire).

With fewer consumer protections, it was argued that it could lead to dealers promoting leasing products because commission structures will still exist. Effectively, such a situation would create additional incentives for brokers and funders to push consumers towards contract hire, even if the product wasn’t suitable. By so doing, the FCA could inadvertently implement rules which could increase consumer harm.

Complexities which also required further explanation and clarity included chains with multiple combinations of lender and how to remain compliant without adversely affecting competition between these different finance channels.

While the FCA believed the cost to implement would be ‘non-material’, this was also questioned, and in some cases, argued vehemently that the investment to realign with the new regulations when announced could be substantial. The point was made that firms would have been

operating under the old rules believing they were compliant, but by updating the regulations due to lack of clarity, the FCA was accepting the old rules were unclear and open to interpretation.

The FCA was urged to monitor the market closely once the rules are updated since its assessment of consumer savings may not be correct.

For example, retailers could exit the market thereby reducing competition. Also, retailers may look for partnerships offering higher commissions and therefore higher interest rates or retailers would not offer vehicle discounts so as to offset the loss of commission, all of which could affect the real-life savings consumers would enjoy.

Finally, with dealers preoccupied with reinstating their businesses once allowed to reopen, Wallis hopes the final ruling could even be delayed long enough so necessary adjustments are made before the regulations are updated simply because the industry is shifting in that direction anyway.

TRAINING AND ACCREDITATION

The Institute of the Motor Industry (IMI) launched its F&I accreditation in 2016, supported by, among others, BMW Financial Services and its sister organisation Alphaera, and, so far, nearly 200 mainly business managers have been accredited.

The IMI’s newly formed F&I Forum, which attracts participants among dealer group professionals, funding providers and insurers, has also highlighted the need for those selling F&I products in the sector to prove their current competence. With the publication of the FCA’s new rulings, the IMI anticipates further interest in its work and accreditation from forum members over the coming months.

The accreditation provides a sector-devised benchmark for an agreed set of competencies measured by practical knowledge and testing. Any FCA updates could require updates to the accreditation which would be agreed with the sector before implementation.

Franco Boscarelli, the IMI’s business development manager, said: “There is an awful lot of good practice out there and in the absence of licensing there’s an incredible amount of goodwill to learn and be tested.

“What we are trying to do is provide solutions so the sector has a means to demonstrate its competence.”

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Finance under lockdown

Lenders are urged to treat customers fairly as the coronavirus pandemic leads to many borrowers facing financial difficulties

The Financial Conduct Authority (FCA) has warned motor finance firms not to repossess vehicles or end contracts with customers in financial difficulty due to the coronavirus pandemic.

It wants a three-month payment freeze facility to give some breathing space to consumers who've suffered unexpected temporary financial stress since COVID-19 forced the UK's lockdown.

The FCA has also told motor finance firms they must not alter PCP or PCH agreements in ways that are unfair, such as trying to recalculate PCP balloon payments to reflect likely car value rapid depreciation.

"The FCA expects firms to act fairly where terms are adjusted," said its statement.

It has also warned that, when a customer wishes to keep their car at the end of the PCP, but there is a disparity between the balloon payment (GFV – guaranteed future value) and the vehicle's real current value, firms should work with the customer to find "an appropriate solution" and simply refinancing the balloon payment "might not be appropriate in the circumstances".

Other measures for consumer credit customers in difficulties include three-month payment freezes for buy-now-pay-later, rent-to-own and pawnbroking agreements.

The high cost credit sector, including payday loans, must freeze payments for one month at no additional interest where customers are struggling to repay.

Christopher Woolard, the FCA's interim chief executive, said: "We have worked at

pace to introduce temporary financial relief tailored for a range of specific credit products.

"Many firms are already working with their customers, but these measures ensure all consumers affected by the coronavirus emergency can apply for a temporary freeze on their payments."

The FCA said firms and consumers should consider the amount of interest on outstanding balances which may build up, and balance this against the need for immediate temporary support.

If a payment freeze isn't in the customer's best interests, firms should offer an alternative solution, potentially including the waiving of interest and charges or rescheduling the term of the loan, it said.

And the FCA said if a customer is unable to start making payments again at the end of a payment deferral period, they should contact their lender, and the lender should work with the customer to resolve these difficulties in advance of payments being missed.

The coronavirus crisis has left motor finance houses with their own difficulties, and the Finance and Leasing Association (FLA) has renewed its appeal for help from Government and the Bank of England after the virus' impact prompted 1.2 million claims to its members for finance forbearance, official repayment relief.

The consumer car finance market declined 27% by volume, to 214,056, and 24% by value, to £3.75 billion in April, according to the FLA.

Pressure on the finance sector is growing and Stephen Haddrill, director general at the FLA, renewed its call to the Government and

the Bank of England to take urgent action to support the non-bank lending market.

FLA members provided a little more than £138bn of new business last month.

Haddrill said: "The industry is committed to supporting its customers during these exceptional times. Urgent action is needed... to deliver financial support to the non-bank lending sector to ensure that we maintain a financial services sector that is diverse, innovative and competitive."

Geraldine Kilkelly, head of research and chief economist at the FLA, said its latest research suggests the value of new business in consumer car finance will fall by 29% this year.

"The FLA urges the Government and Bank of England to open up financial support schemes to all lenders, including non-banks, so they can meet the significant current demand for forbearance and provide new lending when the economy re-opens."

Recently the FLA's head of motor finance, Adrian Dally, told *AM* that every effort should be made to keep motorists "in their cars" as coronavirus inhibits some consumers' ability to make repayments.

Dally said there's a marked difference between a payment holiday on a 25-year mortgages on properties which typically go up in value and on a three-year finance agreement for a depreciating vehicle, but the sector must do what it could to help consumers.

Dally said: "How we support our customers now is really critical... in a nutshell, in the motor finance sector, keeping customers in their cars is what's needed."

Dally suggested that the support had to be



there to maintain consumers' faith in their finance provider and the product they have chosen.

"The risk of people losing their cars is not a new one but the context in which this is happening now is clearly very different," he said.

"The people who have been highly credit worthy until now will be highly credit worthy in the future."

Paul Burgess, chief executive of Startline Motor Finance, said: "Our view is that the public in general will remember the people and the businesses that treated them fairly and with respect during the crisis – it is a watershed moment for the country – and motor finance should do the right thing."

Mark Turner, managing director within the

Duff & Phelps compliance and regulatory consulting practice, said the payment holidays will come as a great relief as many customers are facing an unexpected change in circumstances.

"However, shifting debt from consumer to businesses has the ability to create further pressure in these volatile times. As such, appropriate Government support might be needed to protect consumers and businesses, to prevent creating a knock-on effect for the automotive industry.

"It is important to consider that a payment freeze might not always be the best option for everyone. Often, it might be better to pay down certain debt, for example, higher cost debt, to avoid additional interest accruing which will, ultimately, have to be repaid.

"While three-month payment holidays will be welcomed by many individuals in difficulty, there is a real risk that some customers who could afford to continue payments might see the saving as an opportunity to increase their spending, and find themselves in greater financial difficulty later down the line.

"There is no 'one size fits all' approach and firms need to be mindful in granting payment freezes and will need to take steps to assess each individual case on its own merits."

James Fairclough, chief executive of AA Cars, said the FCA measures ensure every customer will be treated the same, whoever their lender is, and whatever type of finance plan they are on.

TIM ROSE

How putting motor finance data to work is becoming more important for dealers

Startline's new range of online tools made more relevant by coronavirus

Using data drawn from motor finance activity is becoming more important for dealers during the current crisis and into the post-lockdown world, believes near-prime specialist Startline Motor Finance.

Producing a new range of online tools to answer this need was one of the company's major projects for 2020 and the coronavirus situation has only made the project more relevant, says its CEO Paul Burgess.

He explained: "We've been working hard for some time on the issue of how to build genuinely closer and more productive relationships with dealers and other introducers. Our aim has been to identify ways in which we can add new value to our partnerships.

"Out of all the ideas considered, we have pinpointed better use of data as the standout area. For us, using motor finance information in this way is an underdeveloped area

across the industry as a whole.

"Historically, like most motor finance companies, we haven't really provided the means for dealers to dig down into the motor finance business they write with us but the new tools we are planning will change that. They will allow dealers to examine their motor finance activity and gain greater insight into the business that they are writing.

"Overall, what we are trying to do is provide a range of information that can be accessed to help with everything from day-to-day management to major strategic decisions. In a used car market that is likely to be characterised by a high degree of uncertainty and potentially short term, rapid

changes in demand over the next few years if there are further lockdowns, this kind of highly-productive reporting could be invaluable.

"To achieve this means creating easy methods of visibility over all key aspects of motor finance on a daily, weekly and monthly basis. But also providing information about areas such as customer credit bandings

and credit quality. That is what we are working on now."

Paul said that this data, used correctly, could help dealers to gain a greater understanding of their customers, potentially allowing them to identify new approaches to finance and sales in general to respond to changing market conditions.

"It's about putting the information to work for dealers. If you can spot trends that are developing among your customer base from our data, then there are likely to be ways in which you can develop your proposition to meet their needs. This could take many different forms and, correctly employed, could deliver great customer outcomes as well as

"If you can spot trends that are developing among your customer base from our data, then there are likely to be ways in which you can develop your proposition"

Paul Burgess, CEO



genuine business value. We'll be bringing new data products for dealers to market later this year that utilise this approach."

Paul added that the new products were designed to build on extensive investments made by Startline into its online capabilities during the past two years, which were also expected to also become much more important as businesses learnt to find ways to cope with the crisis.

"There is little doubt that online sales are increasing in prominence and we've been investing in ways that dealers can more easily integrate our products into their online offering, from e-agreements to new decisioning software designed to process a higher percentage of customer applications automatically.

"We are very much of the view that the dealers who adapt most quickly and most effectively to the new trading conditions are the ones that will thrive – and that those who maximise their online strategy and make best use of their data will be among these. We very much aim to partner our dealers and other introducers effectively through this process."

Why near-prime has grown more useful to car retailers

Startline Motor Finance has been a frontrunner in service-led, near-prime motor finance in the UK used car market – and research commissioned before the coronavirus crisis by the company shows how useful this approach is becoming to car retailers.

Importantly, two out of three dealers (66.1%) believed that near-prime finance would become more important to their businesses if there was a recession this year.

The findings also showed that 54.6% expected prime lenders to reject an increasing number of applications in 2020 in a continuation of a trend they have seen during the previous 12 months.

Gregor Sutherland, COO at Startline Motor Finance, said: "In light of the

rapidly changing circumstances, there is a good chance that near-prime lending will come even more into its own as an attractive alternative during the remainder of this year and further into the future."

The research carried out for Startline showed that 29.8% of dealers already have a near-prime option on their lending panel and 80.7% overall see near-prime as important or somewhat important to their business.

Gregor continued: "It is interesting to see the speed with which near-prime lending has established itself in the UK used car market and the value that dealers already place upon it.

"Given market conditions, it is reasonable to expect this trend to develop."

"It is interesting to see the speed with which near-prime lending has established itself in the UK used car market and the value that dealers already place upon it"

Gregor Sutherland, COO

About Startline Motor Finance

Startline Motor Finance uses a unique mix of technology, financial acumen and human skills to often approve applicants who have been previously declined by mainstream prime lenders, while still offering attractive rates and terms.

We are now used by more than half of the UK's top 50 dealers by turnover, adding flexibility to their lending panels and meeting the needs of car buyers who might otherwise be lost. Run by a highly experienced motor finance team, the business is headquartered in Glasgow with a sales presence throughout the whole of the UK.



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How the customer purchase journey is evolving rapidly

The appetite for digital solutions has never been greater while identifying and understanding established and emerging trends will help dealers futureproof their business, reports [Debbie Kirlew](#)

Increasingly, car buyers want more content from websites and they don't expect to divulge their personal details to access information. Fail to deliver and consumers will swiftly move on.

Autoweb Design's digital solutions director Martin Dew said: "It's important for dealers to understand the concept of the anonymous lead, you don't know who they are but you know what they've done. You need to build audiences for remarketing purposes and retargeting will become even more important.

"If you look at other industries, there's an expectation from the consumer that you can get all the information you want without talking to a sales person, whereas in automotive, we have always tried to steer people into showrooms to talk

to sales people. Consumers don't want to do that, we have seen the sector adapting to what other industries can tell us."

CitNOW now advocates the provision of more content on dealer websites, Ollie Parsons, head of sales and client services, said: "We have seen a reluctance to give customers everything from a digital point of view, the idea has always been to get people on site, but you can give more than just a teaser on the web and customers really respond to that."

Interior 360 shots have grown in importance with CitNOW logging a longer dwell time in the cabin. CitNOW is creating more content in other areas such as dealer focused yet-to-be-launched car videos as a response to consumer requests for more information. These use material not available online together with a personal message.

Dealers are also embracing a data-driven approach based on their own data, according to Dew, enabling the website to be tailored to the individual, with a move away from the template approach.

Online trust

Anthony Gaskell, managing director for EMEA at Reputation.com, said two priorities for dealers are to manage the accuracy of dealer location data online, in order to get found more often in Google search, and to capture feedback in good time and ensure the feedback is seen online to reassure new prospects.

A dealer's Google My Business information can get up to nine times more traffic than the dealer's own website, and Google is making it easy for consumers to find out vital details, such as opening hours, location, contact details and customer ratings,

without clicking through to the dealer.

"As an industry so much time and attention is focused on dealer websites. Too often I see businesses neglecting to monitor the performance of their Google My Business page. Google today is unquestionably the front door to your business," said Gaskell.

It is no longer enough for companies to study their in-house satisfaction surveys and complaints, because their customers will continue to discuss and review them online and they need to monitor this. Dealers should have a process to generate more review volume, and take time to respond to those reviews, he added.

A great online reputation helps prospective customers to select the business, as it validates that other consumers have had a great experience buying or servicing their cars.

Your Reputation Matters Get Found. Get Chosen. Get Better.



A HIGH REPUTATION SCORE = MORE SALES

“Dealerships that improve their Reputation Score see up to a 10% increase in sales.”

– Reputation.com’s European Automotive Reputation Report 2020

FOCUS ON YOUR ONLINE ‘FRONT DOOR’

Google is the first place someone looks when they’re searching for information about you. Ensure your Google My Business profiles are correct and up-to-date at all times, and you’ll see the benefit.

THE LEADING ORM & CX SOLUTION

We’re proud to be the Online Reputation & CX Management platform of choice for the UK’s leading auto brands, including dealership groups such as Arnold Clark, Inchcape and Lookers, and OEMs like Kia, Renault and Toyota.

Instantaneous information and rapid responses

Liveperson has seen the growth of messaging across all sectors along with consumer demand to interact with brands in multiple channels seamlessly. Messaging volume has grown year-on-year by 25% but in the week following the lockdown, that rocketed to 90%.

Richard Ward, its global head of OEMs, said: "You can connect with a brand on Facebook one day and WhatsApp the next. When consumers are offered the choice, they will accept it (messaging) in every single scenario."

In the past two years, artificial intelligence (AI) has evolved messaging even further, allowing bots to manage some conversations freeing up agents to deal with more complicated queries. Now consumer intent is identifiable, allowing brands more agility in their messaging.

Messaging also allows the conversation to be spread over a longer period of time with the effect of maintaining customer engagement. Ward said: "Consumers can come back to the conversation whenever and that's the key as they can jump in and out whenever they want. We are seeing a shift from the more forward-thinking dealer groups to pushing messaging as the primary contact source."

Bluesky Interactive integrates a number of live chat providers on its websites. Lauren Cooke, head of marketing, said: "We almost always see an incremental increase in overall leads when our clients adopt a live chat strategy. What's particularly interesting is that as providers move more to platforms like WhatsApp, live chat is seeing increasing mobile uptake too."

Personalisation is now a customer expectation with Parsons citing



TOO OFTEN I SEE BUSINESSES NEGLECTING TO MONITOR THE PERFORMANCE OF THEIR GOOGLE MY BUSINESS PAGE

ANTHONY GASKELL, REPUTATION.COM

personal video messaging as a means to deliver such an experience. Following COVID-19, CitNOW predicts more familiarity with video which will see consumers willing to interact more extensively using video. As the demand for digital solutions grows, CitNOW has launched its two-way live video link to facilitate more accurate part-exchange valuations.

Social as a channel

One of the few listing companies on Facebook Marketplace which isn't a web provider, dealers are turning to Marketing Delivery to promote their stock on Facebook reflecting the growth of 'social as a channel'.

Managing director Jeremy Evans said: "People have started to use Marketplace as somewhere to find stock locally so it's worth a look, especially as Facebook is not charging for it yet."

Email vs SMS

Marketing Delivery has seen a drop off in consent for SMS following the introduction of GDPR. Whereas email consent has settled around 70-75%, SMS is down to about 55% suggesting SMS as a marketing channel is not as well received although acceptable for information, such as a service reminder.

Evans said: "Email is going from strength to strength. Open rates of 40% on properly targeted customer

journey emails three or four years ago would have been good, but now we are saying anything more than 60% is good. The engagement with email as a customer journey channel is continuing to rise."

Fintech

Chrysalis Loyalty provides a range of loyalty solutions for dealers, manufacturers and finance providers. Its data shows 50-65% of customers, approached between 12 months after the start of the finance agreement and six months before it ends, renew making a new purchase at the same business, compared with an industry average of around 25% of people contacted in the last 12 months of the agreement. In addition, those who renew early are more likely to put additional funds into the deal.

However, Chrysalis CEO and founder Jolyon Barker said fragmented tech platforms are holding back the sector from delivering a holistic customer service: "There's been an awful lot of investment in technical platforms outside the customer journey such as how vehicle sales or leads are managed, but tech supporting the customer journey itself is very under-invested."

Barker said: "There's lots of disconnected elements reliant on someone in the showroom bringing them altogether. With the coronavirus crisis, we are seeing finance agreements hastily rescheduled or extended which shines a light on how we are reliant on people to connect everything together."

Some brands are offering a joined-up solution using customer portals where multiple pieces of information are kept in one place,

accessible by all parties including the customer, the brand, the dealer and the finance provider to allow a more proactive approach. But, due to disparate systems, only one Chrysalis client has so far been able to deliver this service.

Dealerships

In a burgeoning digital customer journey, questions inevitably arise around dealership survival and alternatives are emerging.

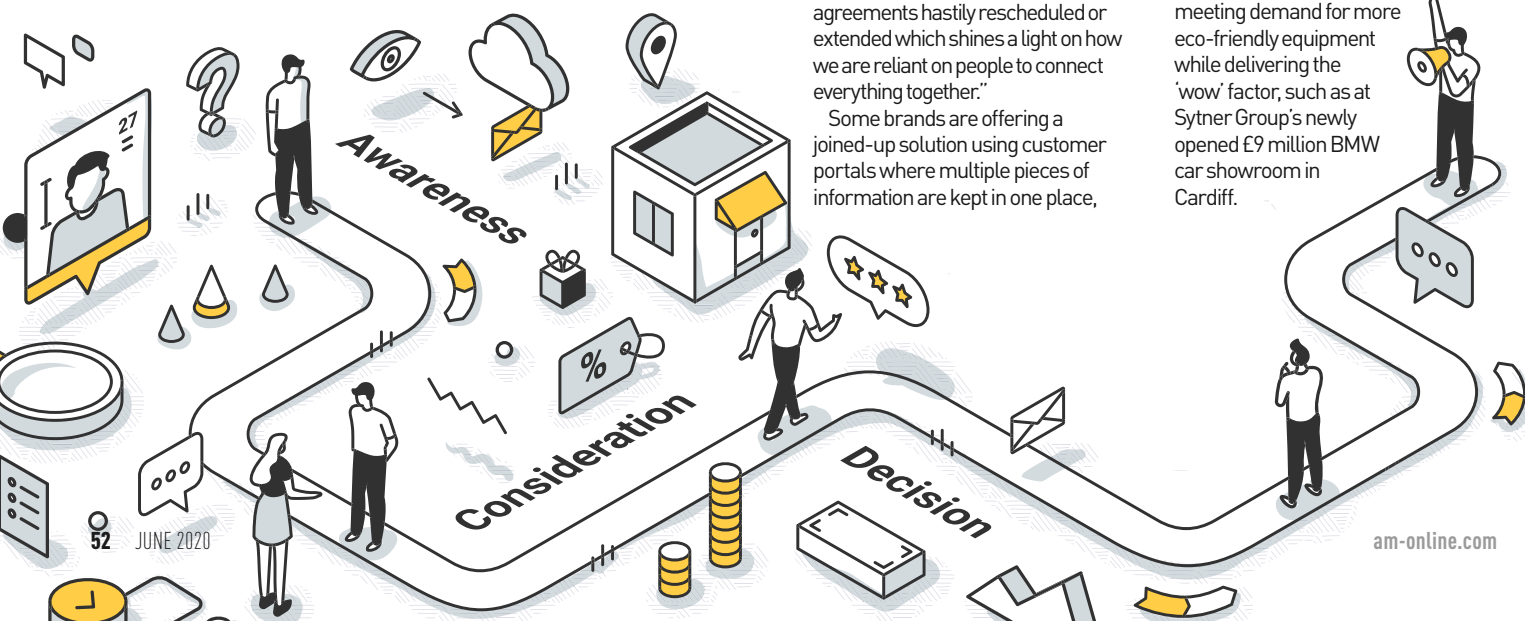
Richard Adams, founder and director at Accendia, which advises dealers and OEMs on future retail routes to market, foresees a reduction of traditional retail sales points and the emergence of a cheaper and more flexible network.

He said: "Digital platforms will be augmented by a diverse range of 'brand experience centres' tailored to local requirements and distributed on a sub-regional basis. Local representation will be maintained in the form of 'fulfilment centres' offering workshop, demonstrator and vehicle distribution functions."

Automotive commercial property agent RS & Co, whose directors also co-founded Accendia, is already involved in projects which provide an alternative to the traditional dealership.

Director Richard Stephens said: "The new experiential retail concepts we have been working on in 2019 like Fourth Mile and Axiom are letting now and we expect to see other opportunities to engage with retail landlords, enabling NSOs (national sales operations) to trial innovative new concepts within a low cost, flexible, 'plug and play' environment."

However, the dealership presence won't disappear anytime soon. Through its work with BMW dealerships, graphic display specialist Leach is meeting demand for more eco-friendly equipment while delivering the 'wow' factor, such as at Sytner Group's newly opened £9 million BMW car showroom in Cardiff.



Race to the top

2020 is bringing new challenges for automotive dealers and brands that require a heightened focus on reputation and CX management – especially online

Reputation.com recently published the European edition of its *Automotive Reputation Report 2020* providing dealerships and OEM brands with detailed insights into their strengths and weaknesses – uncovering opportunities for operational improvements.

To create the report, Reputation.com's data science team applied machine learning and sentiment analysis to unstructured text from consumer reviews on Google and Facebook and other sources for leading automotive brands and 10,000+ dealerships in Europe.

Key findings:

- European brands have lower average reputation scores than brands in North America.
- Toyota pulls ahead in the UK with the highest average reputation score at 688. The lowest was Ford at 523.
- Mitsubishi is on top in DACH (Austria, German and Switzerland) and Mercedes-Benz is on top in France.
- Mazda excels in all service NPS (net promoter score) categories.

Why reputation matters?

Reputation.com research has revealed that auto dealers who effectively manage their reputations see in excess of a 10% increase in average sales volume compared with those who don't. The opposite is true, as well: Dealers whose reputation scores drop see a corresponding drop in sales.

Reputation management is an ongoing endeavor as consumers' expectations and



the customer journey are constantly evolving, and to keep pace, auto brands and dealerships must tune in

and be prepared to take action.

Some reputation experts' recommendations are:

1. Make sure your Google My Business (GMB) listings stand out.
2. Generate review volume on Google and other industry review sites.
3. Monitor and respond to reviews on all channels.
4. Engage on social channels regularly and respond to comments and mentions.

5. Take action on customer feedback from insights to improve CX (customer experience).

To find out where you rank in the 2020 Auto Reputation Report, download the full report on reputation.com/resources/report – learn more on how to improve your score using recommendations from industry experts and more.

"We're thrilled to be a leader in the European Automotive market for CX and reputation management. Our consistently high review scores are testimony to the effectiveness of our reputation management programme. This has continuously delivered significant advances in dealer engagement and has brought into sharp focus the importance of online reviews as well as provided the tools to effectively manage them, thanks to the Reputation.com platform"

– David Yearby, head of Ownership Experience, Hyundai Motor UK



For more information visit: reputation.com,
call: 0800 066 4781 or email: contact-uk@reputation.com

 **reputation.com**®

Setting up a virtual showroom now more necessity than nicety

Lockdown hasn't stopped people checking out possible purchases online

Despite the current coronavirus lockdown, unprecedented numbers of consumers are pondering the return or replacement of cars financed on expiring three-year PCP deals.

That's the unavoidable consequence of more cars being registered in March 2017 than at any point in UK history. Legions more, confined to their homes, are gravitating online as they contemplate a future car purchase. Others will be thinking about vehicle maintenance or repair.

These individuals might not yet be in a position to visit a showroom or workshop, but each represents a future commercial opportunity that cannot be neglected.

Make your showroom 'virtual' to maintain contact with customers

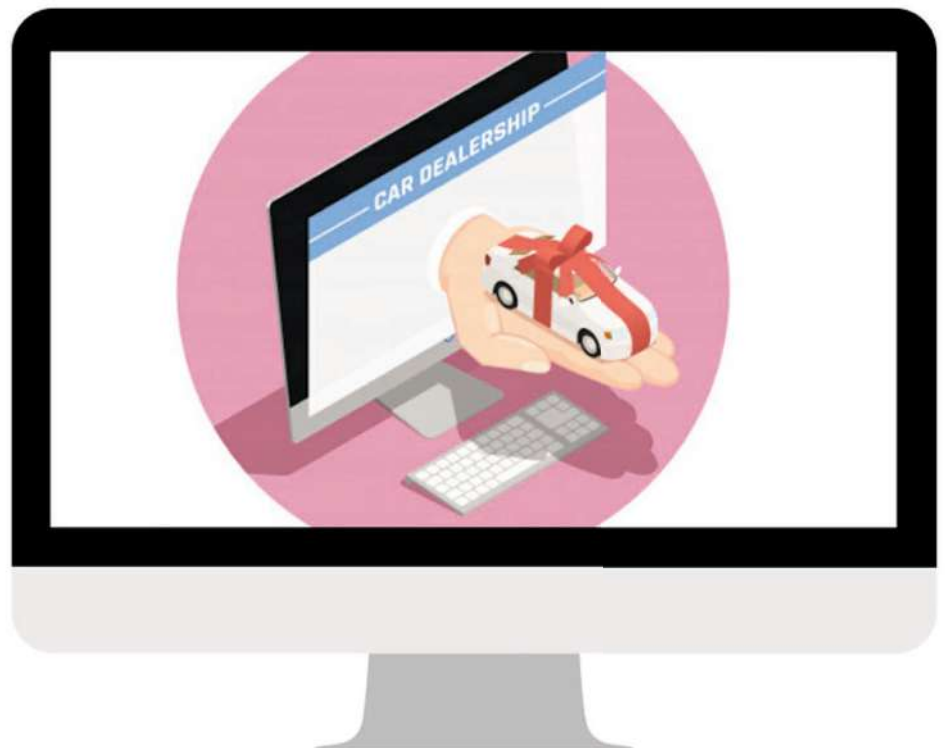
With facilities closed and many staff furloughed, the best way for dealers to sustain and even bolster a pipeline of sales leads is to operate a 'virtual showroom', which brings together an online stock repository and an automated digital contact strategy.

Highly targeted email and social media campaigns drive interaction with current and potential customers, and ensures your sales function will be in the strongest possible position when life returns to normal.

The virtual showroom starts with social media

Our data suggests more customers are turning to social media during lockdown, so those with a stronger social presence are inevitably best placed to benefit. In the first weeks of the lockdown one large UK dealer group saw its Facebook impression numbers grow 80%. The total reach of that group's posts also grew by 70%, while the number of engaged users increased 18%.

Even before the lockdown, 40 million people in the UK visited Facebook at least once a month; 80% of those more than once



a day. It's become a communications lifeline for many adhering to Government calls to stay at home. Used in the right way, Facebook's targeting functionality makes it an ideal marketing platform for dealers.

Marketing Delivery's SocialStock tool enables dealers to automatically maintain an up-to-date Facebook 'product catalogue', populated by a stock feed taken directly from their website. Once this is set up, it's easy to populate organic and paid-for adverts, and use targeting tools to promote posts to hyper-relevant audiences.

Keep your customers informed with automated emails

Email also has a role to play in engaging prospects. In fact, Marketing Delivery research found that email is consumers' most preferred channel for hearing from

dealers, for both car sales (47.6% of respondents) and aftersales (48.3%).

Automated electronic customer relationship (eCRM) tools

These enable sales staff to easily send relevant, personalised communications to existing customers and qualified prospects – and then direct responses back into the sales funnel. Marketing Delivery's latest upgrade, Real-time Click Alert immediately notifies a dealer when a prospect views a specific vehicle advert, allowing sales teams to follow up in a timely manner. It's free-of-charge to dealers using Marketing Delivery's Car Alerts eCRM system, and those newly signing up to use Car Alerts.

Car retailers can contact Marketing for a free, no-obligation guide to setting up a 'virtual showroom'.

**Visit: www.marketingdelivery.co.uk call: +44 (0)1892 599917
or email: get.in.touch@marketingdelivery.co.uk**

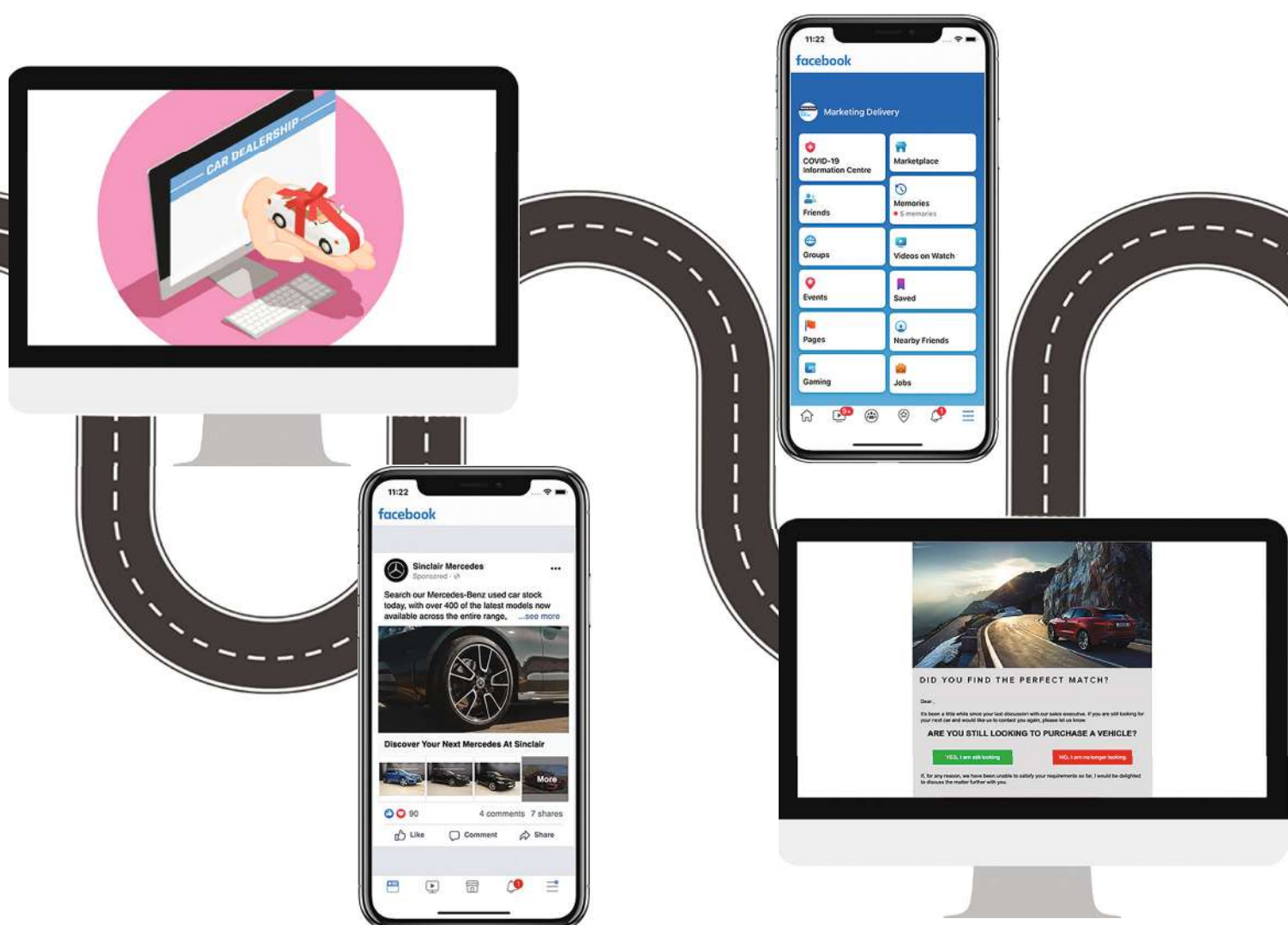
Marketing Delivery
DATA DRIVEN MARKETING

Marketing Delivery

DATA DRIVEN MARKETING

Your Virtual Showroom Is More Important Than Ever

- Car Alerts • SocialStock
- Facebook Marketplace • eCRM



Contact us now to find out how to keep in touch with your customers virtually using a combination of our digital marketing tools...

T: 01892 599 917 W: marketingdelivery.co.uk

E: get.in.touch@marketingdelivery.co.uk

VAUXHALL CORSA



The new Corsa feels agile and responsive

It's been 15 years since the Vauxhall Corsa last outsold its arch nemesis the Ford Fiesta. Buyers have flocked to the blue oval year-after-year, preferring the Fiesta's sharper look and more engaging drive.

Not wanting to rest on its laurels, Vauxhall is hoping to claw back some of those Fiesta buyers with the all-new fifth generation Corsa.

It's the first car developed under the PSA Group's ownership of Vauxhall, which means it is based on the same platform as the recently launched Peugeot 208.

The Corsa is about as far from its predecessor as it could get. It has much sharper looks and comes with a range of much more efficient engines from Peugeot – including an all-electric version.

It's not the first time a Vauxhall has shared DNA with its French stepbrother, of course. The Grandland X and Crossland X show what PSA and Vauxhall can produce when they work together.

This time, Vauxhall had no choice but to use the family platform.

The car's development was already well underway when PSA took over, so all the initial work was binned and the project was re-started.

As the Corsa is the brand's best-selling model – 54,239 sales, compared with the Mokka's 32,268 in 2019 – its success will be a big test of the partnership.

Vauxhall says the new Corsa is more than just a re-badging exercise and, while the Corsa and 208 are obviously related, there are several key differences.

Inside, the Corsa has avoided Peugeot's futuristic i-cockpit, instead providing a more conventional set-up that might appeal to more traditional buyers.

It is easy to get comfortable in the Corsa, with its steering wheel and instruments where you'd expect them to be, unlike Peugeot's layout.

The pedals sit a little far forward to suit taller drivers – a common problem in French superminis – but this can be some-

“

IT IS EASY TO GET COMFORTABLE IN THE CORSA, WITH ITS STEERING WHEEL AND INSTRUMENTS WHERE YOU'D EXPECT THEM TO BE, UNLIKE PEUGEOT'S LAYOUT

what resolved using the steering column's lengthy reach adjustment.

While Peugeot's infotainment system has been dropped straight in, offered with a seven- or 10-inch touchscreen, the Corsa features separate climate controls for easier use on the move.

This creates a weird – and totally unnecessary – conflict whereby the larger screen is flanked by two black bars displaying the cabin temperature, which is also shown on the climate control's own display.

The system isn't particularly slick either, with a dated feel to the user interface and slow response from the touchscreen.

Elsewhere in the cabin buyers can expect an array of hard, cheap-feeling, plastics and not much excitement. There is plenty of space up front – although the rear is a little tight – and the seats are comfortable.

The night-and-day difference is to be found once you reach the open road. Unlike the benign feel that has plagued pretty much every previous Corsa, the new version feels agile and responsive.



£15,550-
£33,310



1.2 PETROL; 1.5
DIESEL; ELECTRIC



0-60:
7.8-11.9 SECS
TOP SPEED:
93-121 MPH



SIX-SPEED
MANUAL; EIGHT-
SPEED AUTO



48.7-70.6



0-134G/KM

It is up to 10% lighter than its predecessor, shedding more than 100kg. This gives improved efficiency, along with better performance and handling.

It's no longer like a mini-MPV (Vauxhall's words), now the Corsa is a proper contender against class-leading models such as the Fiesta.

The Peugeot engines inject a new lease of life into the car. We're told the 1.2-litre 100PS unit is expected to be the most popular. It promises 52mpg and CO₂ emissions of 126g/km.

Performance is strong, for a small car, with 0-60mph dispatched in less than 10 seconds and power transmitted through a slick-shifting six-speed manual gearbox.

There is also an eight-speed auto available with this engine exclusively.

A single diesel engine serves up 102PS and promises up to 70mpg, making it an ideal sale to those that cover higher mileage. During our test we were impressed that the car achieved north of 65mpg.

Both engines are remarkably quiet



Q&A



ZOE PEACOCK,
CORSA AND
MOKKA
PRODUCT
MANAGER AT
VAUXHALL

What are the key selling points of the new Corsa compared with its predecessor?

It's a really exciting time for the new Corsa – everything from the inside out is new and for the first time it features an all-electric powertrain. It has a completely refreshed, modern exterior executing Vauxhall's new bold and pure design language. Now offered as a five-door model only, new Corsa offers the practicality of a five-door with the sporty and dynamic design of a three-door.

The interior has also been switched up to offer a premium level of comfort, as well as the latest infotainment and safety tech. New Corsa features a high level of standard specification previously only seen on higher trims, including a seven-inch colour touchscreen with Apple CarPlay and Android Auto, cruise control and LED headlights. Innovative safety assistance is offered as standard which makes every journey even safer, with highlights such as lane-departure warning and forward collision alert with automatic city braking. Under the bonnet customers can expect significant cost savings from the new fuel-efficient petrol and diesel engines. It's also one of the few cars in the B segment which complements its traditional powertrains with an all-electric variant, with a competitive electric range of up to 209 miles.

Which engine/trim configuration do you expect will be the most popular?

We expect the most popular trim/engine combination to be the SRi with the 1.2 Turbo 100PS engine. SRi is our sportier variant which features sports pedals, a sports switch, sports fascias on the front bumper as well as a two-tone roof and interior with red accents. Elite Nav has, however, taken a larger proportion of sales than initially expected due to the amount of standard specification (including heated seats and steering wheel, satellite navigation, a panoramic rear-view camera, parking sensors and auto lights and wipers) for a competitive price, particularly on PCP.

For Corsa-e, our most popular trim is the Elite Nav which offers even more spec as standard.

With a simplified range and fewer options, what are the add-on sale opportunities for dealers?

Despite fewer options, there is more opportunity for retailers to upsell and move the customers up through the trim levels with the revised trim level strategy. It also makes it simpler for retailers (and customers) to identify which trim suits the customer best based on their needs. We have a trim for entry level, sporty, luxury and top of the range. We have a range of accessories available on new Corsa which is also additional sales opportunity for the retailers as well as various aftersales packages including Vauxhall Care.

How have you prepared dealers for the introduction of your first fully-electric model?

Our retailers nationwide were invited to an launch event back in November, prior to the vehicle arriving, to hear about the product features as well as the sales strategy and packages available. They then received further training by way of an electric vehicle (EV) roadshow. Our EV ambassadors visited retailers with a Corsa-e to run further face-to-face training with sales executives and hosted preview events with select customers at the retailers. Retailers have also been equipped with an EV area in their showrooms which features a digital podium, which answers common questions around EVs including charging, cost savings as well as de-bunking myths around electric vehicles. Our sales packages compliment the training retailers have undergone by offering customers peace of mind as standard when purchasing a Corsa-e including; eight year roadside assistance, Vauxhall Care which covers maintenance costs such as your first MOT and three years' servicing, a free home wallbox including installation, and a six month subscription to the Polar Plus charging network.

How will the lead time of a Corsa-e compare with a petrol or diesel model and what percentage of Corsa sales will be electric?

The lead times for all powertrains are very similar. Our electric powertrain is looking to be roughly 10% of total Corsa sales in 2020 and we hope to see this increase in 2021 and beyond.



The new Corsa has much sharper looks than its predecessor

and offer similar levels of performance. An entry-level 75PS petrol motor completes the combustion engine line-up, while the all-electric Corsa e – complete with a 205-mile range – is also offered.

Prices are cheaper than the equivalent Ford Fiesta by a significant margin. The trim line-up starts with SE, priced from £15,550 on-the-road. Equipment includes LED headlights, seven-inch touchscreen, autonomous emergency braking, lane-keeping assist, alloy wheels, Bluetooth and digital radio.

SRI models (£18,700) include a Sport switch, which adds weight to the overly light steering and improves the engine note with a sound generator. It also gains rear parking sensors and a host of sportier styling tweaks.

Both models can be enhanced with two option packs. Nav (£740) brings sat-nav and Premium (£780) introduces heated front seats and steering wheel, and automatic headlight control.

The Corsa Elite (£18,990) is fitted with the larger 10-inch touchscreen plus sat-nav, blind spot monitor, rear view camera and electric folding door mirrors.

At the top of the range, the Ultimate (£25,990) brings leather upholstery, matrix LED headlights, keyless entry and adaptive cruise control.

The Corsa-e is available in SE Nav or Elite trims, priced from £30,995.

While it lacks the excitement of the 208, the driveability of the Fiesta and the premium feel of a VW Polo, the Corsa is not significantly behind any of its rivals in any of those regards – making it a great all-rounder.

MATT DE PREZ



THE CORSA IS NOT SIGNIFICANTLY BEHIND ANY OF ITS RIVALS – MAKING IT A GREAT ALL-ROUNDER



The climate control function is separate to the touchscreen for convenience

KEY RIVALS



Ford Fiesta



DRIVEABILITY



NO ELECTRIC VERSION



Renault Clio



LOOKS



CHEAP FEELING BASE MODELS



Volkswagen Polo



BUILD QUALITY



EXPENSIVE WITH OPTIONS

REVIEW RATINGS

AUTO EXPRESS



WHAT CAR?



PARKERS



VOLVO XC60 T8 R-DESIGN PRO

REPORT
PROGRESS



THREE-WAY AUDIO CHOICE IS AN IMPRESSIVE ADDITION

Unsurprisingly, the XC60 hasn't been anywhere in the recent weeks of the COVID-19 lockdown. But, looking on the bright side, it's a great-looking monument to have on the drive.

Over the years there've been some styling monstrosities parked out front to my neighbours' dismay – the Hyundai Terracan and Nissan Cube, are examples – but our Volvo easily holds its ground against the Jaguar S-Type on the adjacent drive and the Tesla Model 3 parked at next-door-but-one.

Like the Tesla owner, I typically charge at home but a bizarre connection issue with my PodPoint home charger recently came to light. Thankfully, it was easily and quickly fixed after an online chat with its customer service team. The unit wasn't detecting when I inserted the charging cable, but a remote reset by PodPoint was all it took to remedy the situation. Not that I can go anywhere, of course.

My pre-lockdown commute used to be done in pure electric mode so I'm used to the background noise in the XC60's cabin being low. But, even now, the

car provides a rare, peaceful escape from being locked down in a noisy household when I need to listen back to an interview or catch up with a podcast.

Its optional Bowers and Wilkins premium audio system, which adds £2,500 to the car's list price, is a combination of 15 surround-sound speakers, including a subwoofer integrated into the car as opposed to being inside a box, all coupled to a 1,100 watt output amp. With the car's windows down there's enough power to drown out a wandering Leslie Garrett or rowdy karaoke-mad neighbours if necessary.

The 'sound experience' icon on the XC60's touchscreen allows owners to easily access three custom-designed audio modes, each of which offers a different presentation to the listener. Studio mode gives quite an intimate, precise sound, while Individual Stage creates more of an impression of an open-air gig with a softer sound. Finally, Concert Hall mode claims to recreate the acoustic qualities of Sweden's famous Gothenburg Concert Hall near to Volvo's headquarters.

In practice, many buyers will find the mode they prefer for the majority of their musical tastes and leave it at that, but it is fun and impressive to demonstrate the different qualities to passengers.

In any case, it's an impressive audio set-up and dealer sales staff should give prospective buyers the chance to hear the system against the standard kit in another demonstrator where possible. **TIM ROSE**



£65,870
INC OPTIONS



2.0-LITRE PETROL-ELECTRIC
PLUG-IN HYBRID, 406PS



0-62MPH 5.2SECS
TOP SPEED 140MPH



104.6 (WLTP)



60G/KM (WLTP)



CURRENT
MILEAGE

0 2 1 5 6

START
MILEAGE

0 0 5 6 4



SHARP, MODERN STYLING THAT STANDS
OUT AGAINST GERMAN RIVALS



WITH 406PS IT BEGS
TO BE DRIVEN

≡ GUESS THE CAR COMPETITION

THIS MONTH'S WINNER



Ian Bone, group
parts director
at Kingdon
Wessex,
correctly
identified the
Volvo C70 in our
previous 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 with 'Guess the car' in the subject line and include your job title and company in your entry. The closing date is June 5.



LOOKING AFTER EMPLOYEES' HEALTH AND WELLBEING

Coronavirus pandemic has put the focus on policies to look after staff

The health and wellbeing of the sector's employees has been thrust into the spotlight as HR teams have had to quickly implement a host of new policies in the wake of the coronavirus including furloughing teams and home working.

JCT600, which operates at more than 50 locations across Yorkshire, Lincolnshire, Derbyshire, Nottinghamshire and the North East, paid its furloughed staff 100% of their wages for March and April.

HR director Katie Saunders said: "It was the right thing to do. It has taken a weight off our 2,300 colleagues' minds and has generated a huge amount of positive feedback."

Prior to COVID-19, Saunders identified the biggest issue facing employees in the workplace as mental health. The group has a team of mental health first aiders trained via automotive charity Ben, e-learning resources and the group has implemented a proactive absence and wellbeing process to support colleagues constructively when they return to work.

Saunders added: "Since lockdown the issues around mental and physical health have become magnified and we are learning new ways of communicating with colleagues to help them remotely.

"We have had a huge amount of positive feedback from colleagues who feel that we are truly supporting them and that has

been extremely reassuring and great to receive."

In January, the group appointed Nicola Tordoff-Sohne, who is also a health and nutrition practitioner, as head of wellbeing. Responsible for a full programme of wellbeing seminars and workshops, following the outbreak, she has filmed webinars for employees on the importance of nutrition and supporting the immune system.

More generally, JCT600 uses its employee engagement survey to help inform policies and understand issues, with the last survey's response rate in December an impressive 86%. Although, JCT600 made the *Sunday Times* Top 100 survey list twice, the group no longer takes part, preferring to tailor questions to suit its business.

Through Ben4Business, Ben works with employers and their HR teams to understand the health and wellbeing challenges that their people face.

Figures from Ben show mental health is the biggest issue for automotive industry people with more than half (52%) who contacted the charity last year asking for support with issues like stress, anxiety and depression. Last year, in excess of 700 people received a mental health assessment through Ben, with around 90% going on to have counselling or other talking therapies. And more than 180 people received life coaching: a six-week telephone-based programme to build confidence, self-esteem and develop positive coping strategies.

Ben health and wellbeing director Rachel Clift said: "We know that, by supporting a person's overall wellbeing, we can better support their physical and mental health."

Ben also provides support for individuals

who are at risk of suicide or self-harm with its Critical Response Service responding to traumatic incidents in the workplace to help employers support their employees.

She added: "We provide support which, to date, has seen us predominantly supporting employers and employees after a colleague has taken their own life. This is a stark reality for us and the industry (men are three times as likely to take their own lives as women*)."

In response to COVID-19, Ben is fast-tracking access to information, advice and guidance for individuals with financial concerns related to the current situation. The eligibility threshold for its welfare grants has been reduced and these are currently being allocated for those in dire financial hardship. Ben is also about to launch a programme developed specifically to support individuals with COVID-19 related fears and anxieties.

Meanwhile, employees could struggle to readjust to the workplace once the lockdown is lifted, Paul Canning, director at GMD People, which provides management and leadership programmes to the sector, said: "You could almost have the perfect storm, an internal build-up of vehicles, servicing and MOTs, potential demand from customers for purchasing a vehicle, and a work team that hasn't 'played' for three months. It's a big shock, you've gone from being home-based and low activity work-wise to suddenly stepping into high activity.

"Communication in the first three or four weeks will set the scene and that has got to be led by supervisors and managers on the basis of what the individual is feeling not what they are doing." **DEBBIE KIRLEW**

* Mental Health Foundation

“WE HAVE HAD A HUGE AMOUNT OF POSITIVE FEEDBACK FROM COLLEAGUES WHO FEEL THAT WE ARE TRULY SUPPORTING THEM”
KATIE SAUNDERS, JCT600



RESOURCES

BEN, THE MOTOR INDUSTRY CHARITY

Always there to help automotive sector workers, current and retired, plus their families, Ben has helplines and support workers able to listen and share advice.
<https://ben.org.uk/>

MIND'S INFORMATION HUB

The national organisation for mental health has prepared useful material for anyone suddenly working at home.
<https://www.mind.org.uk/information-support/coronavirus/>

CIPD WELLBEING AT WORK FACTSHEET

The website of the CIPD has numerous useful resources, including this material for employers and managers.
<https://www.cipd.co.uk/knowledge/culture/well-being/factsheet>

TALENT ON THE MOVE



**DUNCAN TAIT,
GROUP CEO OF
INCSCAPE**

Inchcape has appointed former Fujitsu director Duncan Tait as its new group chief executive.

Tait will assume his role on July 1, following a period of handover from predecessor Stefan Bomhard.

The AM100 dealer group began the search for a new chief executive when Bomhard resigned his post to take up a position as the chief executive of cigarette producer, Imperial Brands.

Bomhard officially leaves the business on June 30.

Tait said: "I am very pleased to be joining Inchcape and leading the business at such a dynamic time for the automotive sector."

"I look forward to working with a very talented management team as we navigate the complexities of COVID-19, on the next phase of the company's growth plan, at the same time maximising the opportunities that will come from new and developing trends in the industry."

Inchcape's replacement was most recently on the board of directors at

\$10 billion (£8.2bn) turnover Tokyo-listed tech company Fujitsu, with responsibility for EMEA & Americas.

He also serves as a non-executive director on the boards of Agilisys and Business in the Community and previously held executive and senior management positions at Unisys, Hewlett Packard and Compaq in a technology services-focused career of more than 30 years.

Since leaving Fujitsu, Tait has also joined ScaleUp Group, advising and supporting the growth potential of entrepreneurial businesses, according to Inchcape's statement, which was issued via the London Stock Exchange.

Commenting on Tait's appointment to Inchcape, group chairman, Nigel Stein, said: "We are

delighted to welcome Duncan to Inchcape. He is an exceptional chief executive and I am confident Duncan's style and approach will be a good fit with Inchcape's culture and values. His substantial technology-focused background will help the acceleration of our Ignite strategy."

"Duncan has worked with numerous industries and governments around the world and also brings with him experience of the automotive industry having been Fujitsu's executive sponsor for Ford Motor Company."

"He was accountable for programmes with VW, Daimler and BMW, including work on autonomous vehicle and mobility projects. His almost 10-year experience of Japanese business and culture will also be valuable to our business."



**DIETMAR EXLER,
NON-EXECUTIVE
DIRECTOR AT
PENDRAGON**

Former Mercedes-Benz USA president and chief executive Dietmar Exler has joined Pendragon as a non-executive director.

Exler has had an extensive executive career, including experience in the automotive sector, banking and sports management.

He serves as chief operating officer of AMB Sports & Entertainment and until last year headed the NAFTA region at Mercedes-Benz.

Previously he headed Mercedes' financial services operation in the USA and Germany.



**COLIN McLELLAN,
CFO AT PETER
VARDY**

Peter Vardy has appointed former Skyscanner chief financial officer Colin McLellan as CFO of its dealer group, including the digital finance broker CarMoney and online retail platform provider SilverBullet.

McLellan was seven years with Skyscanner – one of Europe's largest B2C internet businesses – which included a period as the interim chief executive of Skyscanner Japan.

He has held roles at KPMG, where he qualified as a chartered accountant, and Scottish Power.



**MARTIN FORBES,
PRESIDENT OF COX
AUTOMOTIVE
INTERNATIONAL**

Cox Automotive has promoted its UK chief executive Martin Forbes to president of Cox Automotive International.

He joined the business in 2015, as managing director of its UK marketing, media and dealer software arm and also launch a new data and insight division.

Forbes will retain responsibility for the UK, while adding financial and operational leadership for a multitude of key markets including Europe, Canada, Australia, New Zealand, and Brazil.



**CIAN O'BRIEN,
DIRECTOR OF VW
COMMERCIAL
VEHICLES**

Volkswagen Commercial Vehicles will welcome Cian O'Brien as its new director in July, following Carl zu Dohna's appointment as chief commercial officer at VWFS.

O'Brien, formerly Audi UK head of sales, interim Audi UK brand director and director of Seat Ireland, will leave his role as Audi of America executive vice president and COO.

At the same time, the brand's head of marketing Sarah Cox has been appointed as head of marketing for VW's car operations.



**TOBY MARSHALL,
AFTERSALES
DIRECTOR AT
MITSUBISHI MOTORS**

Mitsubishi Motors in the UK has named Toby Marshall as its new aftersales director following 11 years as its sales and marketing director.

Marshall took up the role on April 1, adding another job role to an expansive rollcall of experience at the business since his recruitment into sales analysis in 1998, working since within marketing, product management, corporate sales, dealer area management and sales operations.

He replaces Richard Weller who retired following a 27-year career with Mitsubishi.



**PHIL BUCHAN,
IMDA BOARD
MEMBER**

The Independent Motor Dealers Association (IMDA) has welcomed Phil Buchan from Jim Reid Vehicle Sales to its board.

Buchan, who is sales manager at the independent used car retail group's Kintore dealership, has already been credited for bringing "new and fresh ideas" into the association.

IMDA was formed in 2017 with the aim of offering support, training and greater leverage with suppliers for smaller independent used car retailers. It has more than 400 members.

EIGHT QUESTIONS TO A...

VIRTUAL SHOWROOM MANAGER

Chad Pretorius, the virtual showroom/live showcase manager at Škoda UK, on the challenges of his role



What are the main responsibilities of your role?

I manage a team of product experts which supplies live 360-degree digital tours of the Škoda vehicle line-up through the Škoda.co.uk website. We showcase the latest cars in our purpose-built showroom studio via one-to-one broadcast technology – enabling customers to experience the vehicle range from the comfort of their own home. We also provide video training on the features of newly launched cars. This ranges from electric vehicle charging functionality to the latest active safety technology, which we deliver through a live broadcast or by pre-recorded content; all scripted, filmed and edited by my team. This allows us to reach thousands at one time including retailers, in-house teams and fleet customers.

What are your most significant challenges?

Škoda was first to launch a virtual online showroom in the UK and we need to remain at the forefront of the technology. We also need to learn from and adapt practices so we can engage our customers and ensure they receive a first-class experience. Our team has a wealth of specialist knowledge and I need to ensure they have the latest vehicle information and updates available, so we can pass them on to customers. Building trust is key.

How might these challenges be overcome?

By ensuring my product hosts have access to the latest tools and training and, importantly, hands-on experience of the Škoda range. They need to keep up with the latest technological innovations so they can recommend the right car for the customer's needs. I always make sure the conversations we have with customers are meaningful and provide an experience that makes them feel welcome to the brand and that the car that they are deciding to buy is right for them. Our customers, in particular, love the Simply Clever features unique to the brand when we showcase these.

What attracted you to this area of expertise?

The majority of my family has come from the automotive industry so my passion for four wheels has grown from an early age. This, combined with my skills in managing teams and departments in the digital

experience sector, compelled me to this role. I have been with the team since day one, and have learned so much and experienced many different sectors of the brand, which I have enjoyed. Piloting the first online showroom in the UK was a unique mix of setting the standard that others have now followed. We've grown quickly and now offer a similar set-up to other Volkswagen Group brands.

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

Being flexible and having the skill to adapt easily to any situation has been one of the most challenging but key tools that I use nearly every week. This has helped my team and I make the virtual showroom a success. From setting up additional brands in a few months, hopping on a plane to a car launch and scripting product training films with a few days' notice, to moving our whole operation to our homes and turning our driveways into showrooms without any downtime as a result of Covid-19, have been just some of the ways we have shown this.

MATT DE PREZ

QUICK-FIRE QUESTIONS

What drives you?

My team and a good challenge are great motivators.

What's your favourite app?

I can't quite believe I am admitting this, but since we have been in lockdown and had so many additional moments on our hands, a younger relative introduced me to TikTok and I am addicted.

How do you relax?

Travelling with my husband or watching the latest car review on YouTube is a great way to spend some downtime.



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THIS MONTH'S QUESTION TO THE AM TEAM:

What do you expect to see less of when we return to the 'new normal'?

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► **Business travellers at airports**

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► **Everything except my partner and kids, I reckon**

PRODUCTION

Head of publishing Luke Neal

► **Small businesses**

Production editor David Buckley

► **I expect the Government's 'go by car, avoid public transport' advice to result in us seeing less from clean air campaigners for a while**

Senior designer Chris Stringer

► **I expect to see less tolerance for people who don't follow simple rules**

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UK: annual £99 / two years £168 / three years £238

Overseas: annual £149 / two years £253 / three years £358

AM is published 12 times a year.

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