

# The European Used Car Market Report **2012**



A REPORT BY BCA



# Foreword

We are pleased to bring you the first BCA European Used Car Market Report

This new report aims to provide the used car industry with analysis and insight into the key issues that drive used car markets throughout Europe.

In mature markets, there are relatively few truly 'incremental' new cars sold. The majority of new cars are a replacement for existing cars – as the money tied up in the current car normally has to be released to help fund the purchase of a new car or newer used car.

Given the current uncertain economic climate and the pressure on new car sales, the used car sector is changing rapidly and becoming an ever more important element of the automotive industry in many countries.

The BCA European Used Car Market Report seeks to set the scene for the European used car market; to identify some of the principal pressures on the sector, provide an indication of the size and shape of the industry and set a benchmark for future reports.

Our editor, Professor Peter N C Cooke, the Professor of Automotive Management at The University of Buckingham, is a well-known commentator on automotive industries across Europe. He and his team have carried out wide-ranging research on some of the more important strategic matters in Europe's used car markets and the implications associated with recession and economic recovery.

BCA is pleased to provide this inaugural Used Car Market Report to all those with a close interest in the European used car industry.

Paul Bradbury  
Managing Director, Mainland Europe



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# Introduction

The BCA European Used Car Market Report seeks to present a high-level review of the European Used Car industry. It aims to establish a benchmark in terms of summarising the dynamics and complexities associated with the European used car market and act as a foundation for future reports.

The European used car market comprises two distinct segments – western EU15 markets on which there is a considerable amount of data available – and markets in the new EU member states where, although information on used cars is currently sparse, there are significant market opportunities.

## Report objectives

The objectives of the report might be summarised as follows;

- To provide a high-level analysis of used car markets within the European Union and comment objectively on their similarities and differences.
- To offer an overview of the used car industry across the EU as it emerges from recession.
- To present an analysis of mature EU used car markets and their characteristics.

## An industry of two halves

The new and used car industries are truly symbiotic. The used car sector is totally reliant on the new car market for supply of first-time used cars. Equally, the more mature new car industries cannot prosper without the used car sector's ability to release the funds tied up in car owners' existing car to help fund its replacement.

**The used car sector has sometimes been described as an 'unwanted industry'**

The used car sector has sometimes been described as an 'unwanted industry'. This is probably because few people fully appreciate just how critical it is to the well-being of car manufacturers and providing motorists with lower-cost personal transport. They are also perhaps unaware of the used car sector's huge infrastructure across Europe.

## A silo approach?

It is the writer's contention that a critical ingredient in the future development of the European automotive sector will be a much closer integration of new and used car markets. Indeed, it is already common practice for used cars to be moved across borders and sold in other markets where they achieve a better price.

In some countries, dealers have not always been interested in taking used cars in part exchange for new cars, or the price they have offered for trade-ins may have been poor. Alternatively, dealers have often decided to offload part-exchanges to used car traders rather than sell them themselves.

Perhaps this short-sightedness will be changed by the recent severe economic downturn? From dealers' perspective, if people are not buying new cars, then they may have switched to buying used cars.

## Two market groups

The used car market in Europe forms two groups – western European (EU15/EFTA) countries and the newer EU member states that, together, make up the EU27. The former are essentially mature car markets which have developed a competitive used car sector over many years – the most sophisticated of these are the United Kingdom, Germany, France and the Netherlands.

In these mature markets, probably as few as 5% of new cars sold are truly 'incremental' new car sales, the remainder are replacement units. As such, there needs to be an efficient used car market for car owners to sell or part exchange their current car.

In contrast, in most new member EU states the used car market is generally less well developed. Although there may be emerging used car industries in place, they still have some considerable way to go to achieve the same level of sophistication as used car markets in western European countries.

## New EU member states

The absence of a well-developed used car industry in the new member EU states is due, in part, to the lower number of cars owned per person in these countries.

Historically, there has been insufficient disposable income to create a mass market for new cars, combined with a culture of passing existing cars on to friends or family members, rather than allowing a third party to profit from selling them. This can only be a short-term situation, however, as friends and family will ultimately seek to own newer cars of their own.

In developing EU countries, there is often no reliable used car pricing structure. This makes it very difficult to establish reasonably reliable used car price benchmarks for buyers and sellers, and accepted quality norms for used cars at different stages in their life cycle.

Essentially, newer EU countries are playing 'catch-up'. Indeed, some went through a period of importing used cars, particularly from Germany, France and Belgium, to plug the pricing gap between new and used cars in line with what car buyers could afford. This era can now be said to be more or less over, with many Central European Markets starting to develop their own used car market.

**Insufficient  
disposable income  
to create a mass  
market for new cars**

## Used car market importance to other automotive sectors

The following points highlight what might be considered the key issues and relationships between the used car market and other sectors of the automotive industry.

- The used vehicle sector is critical to car manufacturers as it allows used cars to be recycled to new owners, creating demand for replacement new cars. It also provides a car 'popularity index'; its pricing structure pinpointing which models appeal most to used car buyers.
- For franchised dealers and non-franchised used car retailers a used car market provides a route to sell an assorted product to motorists who cannot afford or choose not to buy a new car.
- The used car market is also critical to fleet operators and leasing companies, as it allows them to dispose of their used vehicles cost effectively and efficiently.
- Perhaps the most important ingredients are the ability to sell with low transaction costs and be able to forecast used car prices accurately and confidently at different ages and kilometres driven.
- The majority of car buyers may never buy a new car, so the ready availability of desirable used cars at affordable prices is crucial.
- The used car market's chief strength is it offers cars at every price level and condition – and a range of routes to market.

## Principal findings

The principal findings of the report are as follows;

### Wide range of alternative routes to the used car market

- While there is a wide range of alternative routes to the used car market, not all are in place in all European markets. Perhaps the key is to have alternative routes for vehicles of different ages – so transaction costs can be kept low.
- In some European markets, the used car industry is three times larger than the new car sector. To achieve these levels, the used markets are generally mature and buyers and sellers trust the system. In the new EU countries, used car markets are smaller and less well developed.
- The ratio of used:new cars varies significantly within western EU15 countries. Generally, those countries with efficient mechanisms for 'recycling' used cars have the highest used:new car ratios.
- By and large, newer EU countries have yet to fully develop their used car market and infrastructure. Suffice to say, they are likely to offer the biggest opportunities for growth in used car activities over the next few years.

# Alternative Routes to Market

This chapter seeks to set out some of the broad principles of alternative routes to the used car market. Individual markets will be influenced by the level of maturity, by attitudes to used vehicles, by local tax and finance issues and a various other local concerns.

The used car market in any country is more complex than the new car market. The new car sector normally takes homogenous vehicles from manufacturers and distributes them through well-established franchised dealer networks to private and business new car buyers.

The used car industry, on the other hand, has to obtain its vehicles from a wide range of sources, perhaps refurbish them, and then resell a diverse range of products through various routes to an almost totally private buyer market.

**Resell to an almost totally private market**

## No two used cars are the same

The equation is complicated further by the used car market being heavily reliant on the level of supply of new cars. There is no way a car can be conjured up to start its life as a 'used or nearly-new car'. Used cars also vary considerably – no two used cars are exactly the same in terms of age, condition or kilometres driven.

Although the volumes involved at a national level may well be in the millions, the used car market operates very much at an individual unit level. While bulk deals may be part and parcel of the industry, most used vehicles are acquired individually and sold individually. Used car retailers have no such comfort as 'factory gate delivery' – their stock in trade is often widely spread and needs to be gathered and consolidated before remarketing is possible.

## Four critical issues

This chapter of the report looks at four critical background issues, each of which may influence the used car market and the way it works in any country.

- **Used car supply chain;** a new car normally passes through a number of owners between its first sale and eventual scrapping – and, at each stage, there is a choice of different routes to the next owner.
- **Channels to the used car market;** the more mature markets generally develop a wider choice of channels to market for used cars.
- **Transaction costs associated with used car disposal;** cost-effective disposal of used cars is crucial if the maximum profit or minimum loss is to be realised each time a vehicle is bought and sold.
- **Used vehicle finance;** at each stage of a car's life the next buyer may need some form of finance to help fund its purchase.

## The used car supply pyramid

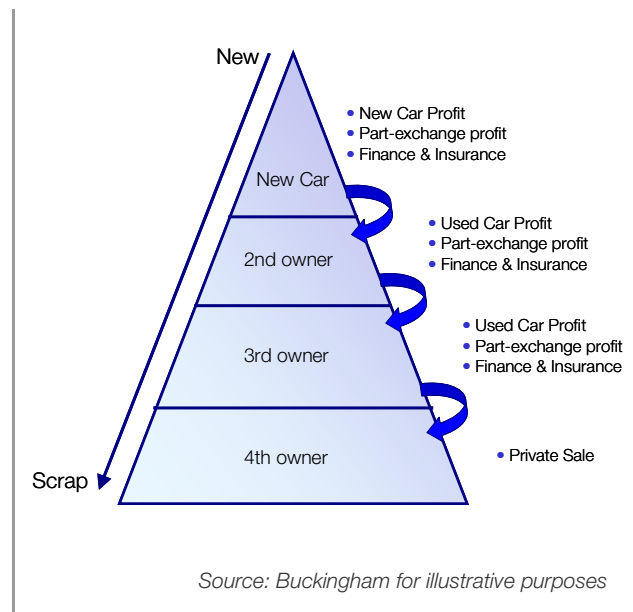
In the excitement of buying a new vehicle, it is often overlooked it will need to be sold as a used car at some point in time. Its relative value as a used car may be influenced, amongst other things, by the choice of colour and specification when new. Later, the once-new car will probably be sold to a second, third or fourth owner – each with their own requirements and possibly different ways of buying the vehicle. Figure 2[1] illustrates the concept.

In most markets, business users will buy a new car and, thereafter, it will pass through the hands of several private owners, each with a keen eye on the specification and quality of the vehicle.

To private motorists buying a new car, its residual value may be of relatively little importance – but for a professional fleet or leasing company selling hundreds or even thousands of used vehicles each year, a marginal difference in residual values achieved can make the difference between profit and loss on the sale.

**A marginal difference in residual values can make the difference between profit and loss on the sale**

**Figure 2[1]; Used car supply pyramid**



However, it is good practice for any new car buyer to bear in mind that at some point in the future their new car will become a used car and used car buyers will have their own expectations. Thus, a business car operator or a leasing company should continually review used car prices to determine which models and specifications are likely to sell well when disposed of – and which might not.

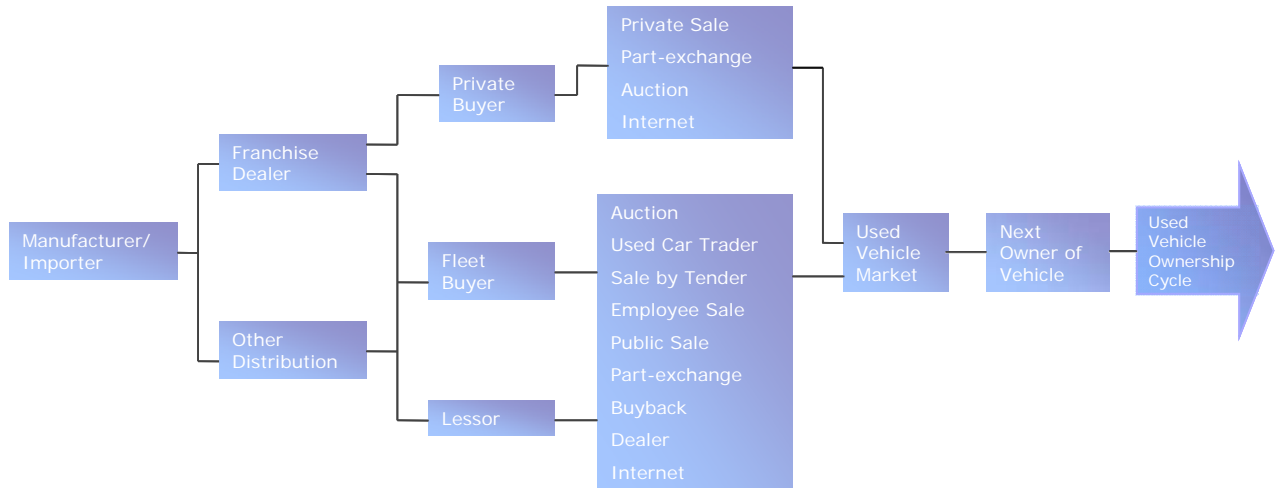
While there is nothing to stop private new car buyers choosing an unusual specification to suit their personal taste, they might have to accept a lower price when the vehicle is eventually sold. What might be someone's old car will become a veritable 'new car' to its next owner, even if it has been driven 80,000 kilometres or more.

## Used vehicle supply chain

New cars enter the supply chain either through a franchised dealer or, in some large fleet cases, directly from the manufacturer. As new cars, they will be bought by private buyers, fleet buyers – whether commercial organisations, public sector operators or leasing companies.

From these routes the vehicles will eventually move into a variety of used car channels. The exact channels to the used car market will, of course, depend on the local market – Figure 2[2] illustrates the principle.

**Figure 2[2]; Used car supply chain**



*For illustrative purposes only – not all routes will apply to all markets*

While not all these routes from first-time buyer to the used car market exist in every country a number will, as may the practice of shipping certain selected used cars across borders. Jointly, these diverse routes form what is often referred to as ‘the used car supply chain’.

**The challenge is to move used vehicles as quickly and efficiently as possible**

The challenge is to move used cars from the current owner to the next owner as quickly and efficiently as possible. Unlike new cars, each additional day taken to sell a used car risks having to accept a lower price, as used vehicles generally continue to depreciate while waiting for sale.

It is probably realistic to claim that each route to the used car market has its own specific applications within an individual European market. It could be claimed, that a sign of a mature used car market is its ability to move a used car quickly and cost-effectively from the current owner to the next buyer.

The more mature markets in north western Europe – the United Kingdom, Germany, Netherlands and Sweden have had mature used car markets for many years, so their used car supply chains are well developed and efficient. In some other countries, this evolution is still in progress and may be driven by different used vehicle retailing systems.

**Transaction costs in the used vehicle supply chain**

Of course, the used car supply chain is only part of the equation; as there is a wide range of costs that need to be managed if key stakeholders in the process are to achieve a satisfactory net sale price.

In the new car industry, manufacturers and dealers work within a tightly-disciplined production and sales framework – where vehicles are built and shipped to franchised dealers who sell them to the first owner. In contrast, used car retailers in a mature market rely on motorists changing their cars for a new one or a newer used model. This same exercise may be repeated several times as the used car is transferred from its second to its third owner and so on.

**Transactions costs can absorb a substantial amount of the selling price**

Unless they are controlled tightly, transaction costs involved in buying and selling used cars can quickly absorb a substantial amount of the selling price. Figure 2[3] sets out a range of potential transaction costs – the challenge for each stage of the supply chain is to help minimise these expenses.

**Figure 2[3] Used car transaction costs**

• Used car pricing	• Security
• Invoicing	• Marketing
• Payment terms	• Inventory costs
• Vehicle quality	• Refurbishment costs
• Documentation	• Vehicle movement
• Administration	• Storage space/cost
• Fraud risks	• Damage in transit
• Inspection	• Interest charges
• Transaction taxes	• Insurance
• Management time	• Bad debt collections
• Conditions of sale	• Commission
• Ongoing depreciation	• Licence recovery

*For illustrative purposes only – not comprehensive*

While not all these costs apply to every transaction, or in every country, it is important sellers are fully aware of the threats to the initial sales price achieved, and try to minimise additional costs.

### Used vehicle finance

Used cars are normally bought by private buyers or, in some markets, small businesses. A key part of the used car route to market is the ready availability of finance for would-be buyers.

**Weaker new car sales have brought a new awareness to manufacturers' finance houses**

Historically, motor manufacturers have tended to focus their finance offers on stimulating the sale of new cars. However, weaker new car sales in many European countries in 2008 and 2009 have brought a new awareness to car manufacturers' finance houses and they are now focusing more on the used car sector.

### **Some initial conclusions**

The chapter has sought to highlight some of the principles of the used car supply chain rather than examine individual markets in detail. What is clear is the new car industry in mature markets cannot survive without an effective used car sector. A healthy used car market is critical for the very existence of a strong new car market.

Used vehicle operations are essentially similar in whatever country they operate; the objective is to move the used car as quickly and cost effectively as possible from the current to the next owner. Used cars are, generally, widely scattered in the market place, are essentially all different, and are gathered and sold through used car retailers to private buyers.

Local institutional arrangements as well as the degree of maturity of the used car market, and the acceptability of the used car, all play their part in developing the used car supply chain.

# Role of the European Used Car Industry

Although the new car sector is generally regarded as the more glamorous part of the car industry, far more people buy a used car than a new one. As a sweeping generalisation, one might claim that new and used car sales are driven by much the same things – style, technology, colour, specification, desirability and so on.

The principal objectives of this chapter might be summarised as;

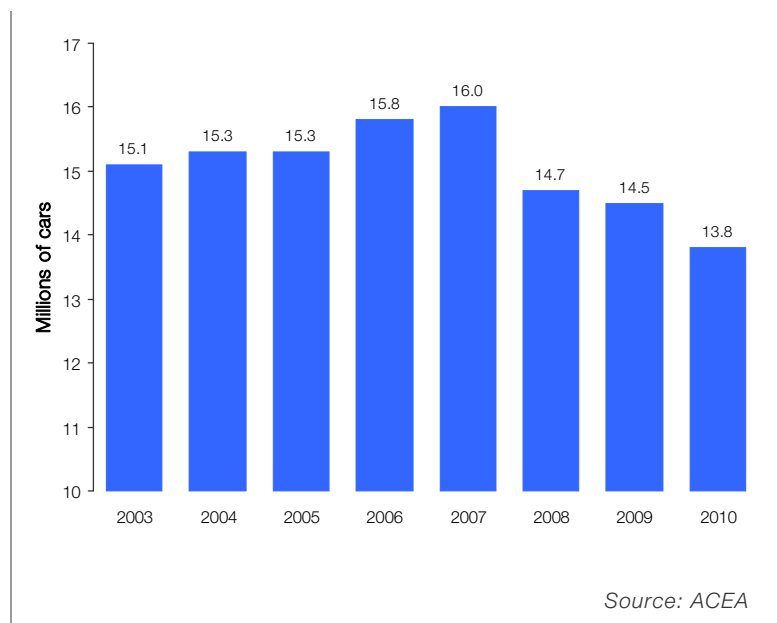
- A brief overview of new car sales, as they dictate the volume of first-time used cars entering the market place.
- Presenting the wide-ranging contrasts between new and used car markets across Europe.
- Outlining the relative importance of new and used car sales within EU member states.
- Reviewing the impact of the economic downturn and scrappage schemes on the European used car industry.

## New car market

Europe's new car registrations peaked at 16 million in 2007, falling 1.3 million units to 14.7 million the following year as recession hit the new car market. While wide-spread scrappage incentive schemes held EU new car sales at 14.5 million in 2009, they fell by 713,000 units to 13.8 million in 2010, as scrappage programmes were phased out.

**Scrappage incentive schemes held EU new cars sales at 14.5 million in 2009**

**Figure 3[1]; EU27/EFTA new car volumes; 2003 - 2010**



The number of cars ultimately entering the used car market for the first time will follow a similar trend, albeit the feed-through will run on a different timescale, and will vary considerably by country.

Of the major European markets, Spain (3.1%) and the UK (1.8%) saw their new car volumes rise in 2010, while Italy (-9.2%), France (-2.2%) and Germany (-23.4%) recorded lower sales than the previous year (see Attachment I). Countries with stronger new car markets in 2010 included Portugal (+38.8%), Denmark (+34.8%) and the Netherlands (+24.9%) and Ireland (+54.7%) thanks to its 2010 full-year scrappage programme. (EU15/EFTA) new car volumes, which account for 94% of the EU27 total, fell 5% to 12.98 million in 2010, while sales in the Eastern states dropped 3.2% to 803,707 units.

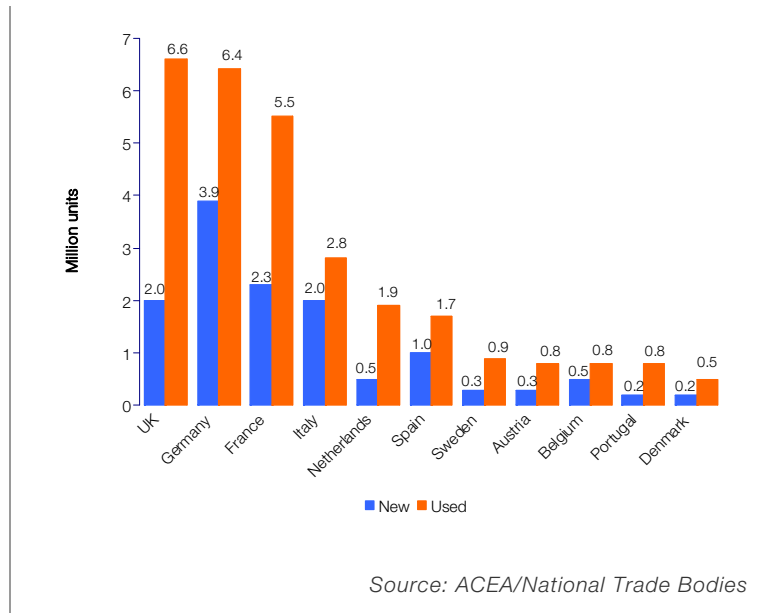
Figure 3[2] shows new and used car volumes for the principal western EU markets; with the UK (6.6 million) edging Germany (6.4 million units) into second place.

The most obvious conclusion from this chart is that new and used car markets are dominated by the

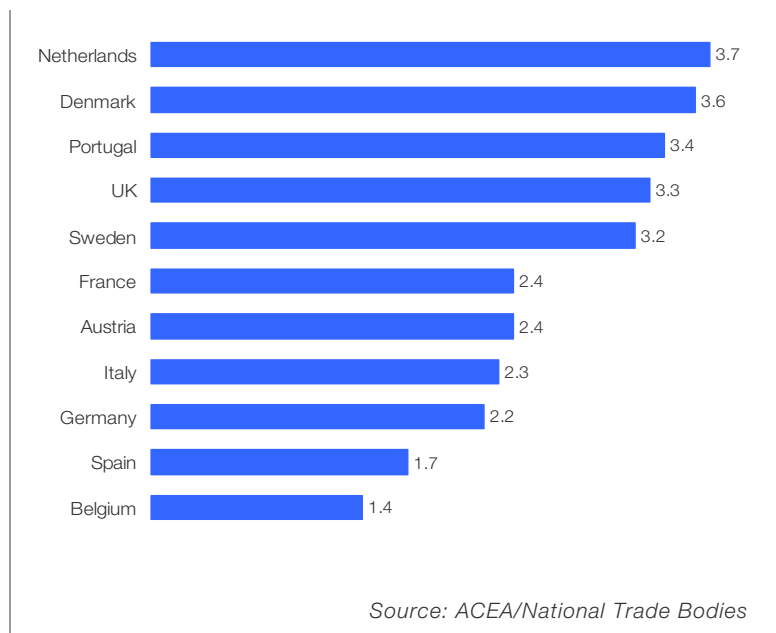
‘big four’ – the UK, Germany, France and Italy, with the Netherlands and Spain also showing a strong used car sector. Equally important, in every mature market, used car volumes exceed the sale of new cars by a considerable margin.

Figure 3[3] shows five markets sell more than three used cars for every new one. The Netherlands tops the list at 3.7:1, followed by Denmark (3.6:1) and Portugal at 3.4:1. The United Kingdom, with a used:new car ratio of 3.3:1, is the only major volume used car market within this ‘higher ratio group’.

**Figure 3[2]; Principal European markets new and used car sales – 2010**



**Figure 3[3]; Used:new volume ratios, 2010**

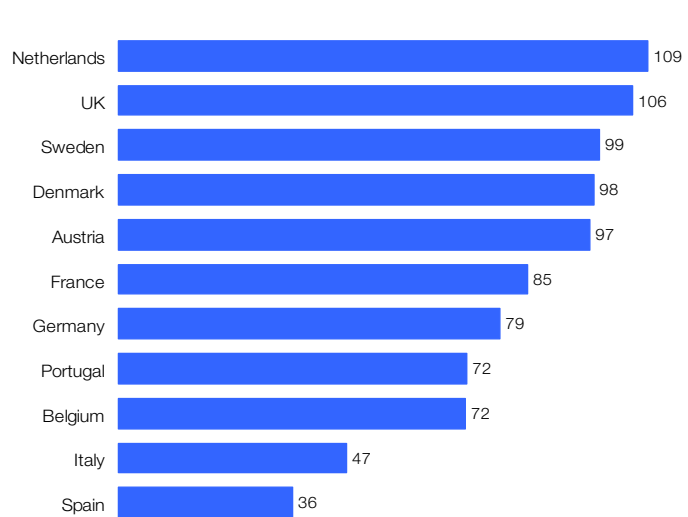


The UK has not been able to export high numbers of right-hand drive cars to its immediate neighbours and so has developed a sophisticated internal infrastructure to manage the volume. In other markets, such as the Netherlands, Denmark and Portugal there have been issues of non-recoverable tax costs that have driven the development of efficient used car markets.

### Used cars per 1,000 population

One further comparison is the relationship between used car sales and a country's population. Figure 3[4] shows the leading players, in terms of used car sales per 1,000 people, are Netherlands (109), the UK (106) and Sweden at 99.

Figure 3[4]; Used car sales per 1,000 population 2010



Source: National Trade Bodies

At the lower end of the churn, in

Italy and Spain, there is a culture of cars being passed down through members of the family without a formal sales transaction being recorded. Over time, some cars might have just one owner until they are scrapped, yet have several users during their life.

Perhaps there is a message for any organisation seeking to enter the pan-European used car industry? What exactly constitutes a strong used car market? Is it the relationship between new and used car prices, the tax relationship or is it the market ethos regarding the acquisition and ownership of a used car?

There are two issues to be explored further – scrappage and the impact of recession.

### Scrappage schemes

#### Scrappage schemes were designed to kick start sales of new cars

Scrappage schemes, introduced in many EU countries in 2009/2010, were designed to kick start sales of new cars in badly-depressed new car markets. Each country devised its own programme, which cumulatively had a significant impact on the used car sector by taking many older used cars out of the market.

The biggest scheme, Germany's, was extended to accept 900,000 older units and replace them with a new car or a car up to a year old, while the UK scheme supported 400,000 new car deals.

According to IHS Automotive, a major global consultancy, a significant number of new car sales were pulled forward from 2010 into 2009; indeed, IHS Automotive estimated that the various scrappage schemes across Europe boosted 2009's new car volumes by nearly 2.2 million units; of which some 700,000 were pulled forward from the following two to three years. Estimates in the trade press and at EU automotive conferences suggest that as many as 1.5 million car buyers, who would never have considered buying a new car, did so as a direct result of very attractive scrappage incentives – many of them at the used car market's expense.

It is also reasonable to expect that 2010 western European new car volumes suffered from the end of scrappage schemes, reflected in a fall of some 713,000 units, year on year last year (see Attachment 1).

### Impact of recession; a case study

Availability of statistics, and used vehicle oriented surveys, can make it difficult to obtain quality, current data on a wide range of markets. The experience of the UK during the recession provides an indication of how other new and used markets may have responded to severe economic pressures across Europe

While it is perhaps rather early to claim this as the definitive, universal model, it clearly shows how recession affected the relationship in volume and value terms between new and used car markets.

Figure 3[5]; UK market volumes and values; new and used cars 2000- 2010

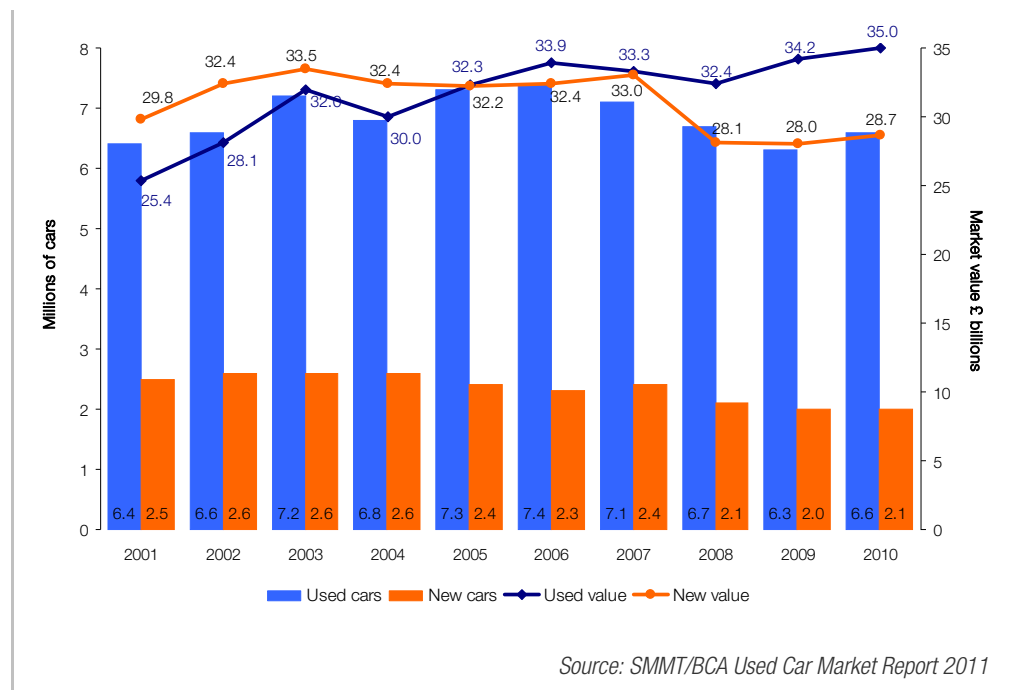


Figure 3[5] shows used car sales have remained relatively strong in the United Kingdom in volume and value terms. The real change is in the relative values of the new and used car markets between 2001 and 2010. In 2001 the new car market value was some £4 billion greater than the used car market figure.

However, by 2010, the situation had reversed itself when the used car market value was £6.3 billion higher than new car market value. An indication of a more sophisticated used car market in 2010 than 2001 and perhaps a vote of confidence in the improving quality of used cars?

### Used car auction prices

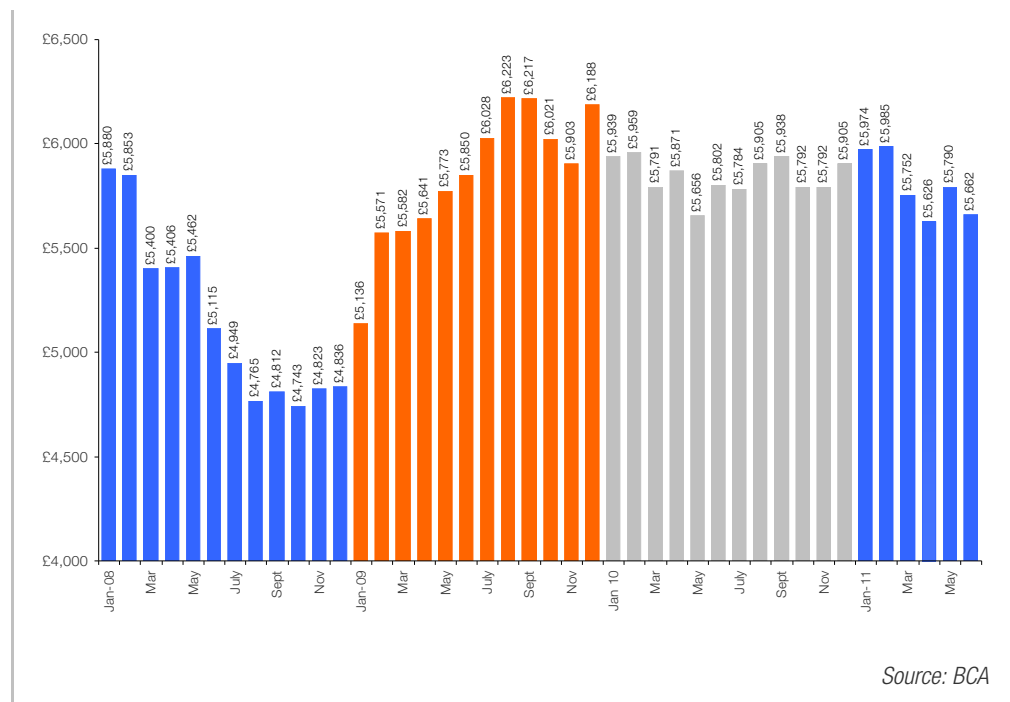
Such a drop caused consternation for used car dealers

Figure 3[6] shows monthly used car auction prices for the 2008-2011 period, showing prices fell by £1,000 per unit in the second half of 2008. Such a drop over such a short period caused consternation for used car dealers and leasing companies.

In the case of used car retailers, the steep fall in used car auction prices meant the value of their stocks could drop significantly if they had continued to hold these units. Hence the immediate reaction was to stop buying used vehicles. Once retailers' stocks were lower at the end of 2008, the laws of supply and demand kicked in and prices rose quickly due lower numbers of used cars entering the market.

In the case of leasing companies, the onset of the credit crunch during the first half of 2008, and the drop in used car prices below their forecast residuals, caused them to extend contracts and replacement cycles until prices showed signs of recovery early in 2009.

Figure 3[6]; Average UK used car prices at auction; 2008 - 2011



The past 18 months demonstrate stable market conditions

Despite continuing economic pressures, the average value of used cars at auction has barely moved over the past 18 months. In the first half of 2011, the figure was £5,802, a fall of just £47 on the same period in 2010, while year-on-year values were just £32 lower at the end of June 2011. In value terms, the past 18 months demonstrate stable market conditions, with no sign of the peaks and troughs experienced in 2008 and 2009.

While the United Kingdom is just one example, it provides an interesting pattern that leasing companies, in particular, need to consider regarding any dramatic shift in residual values caused by the economic downturn and its aftermath.

### **Some initial conclusions**

This chapter has illustrated the relative magnitude of the new and used car markets in the EU15 countries. In every major market in Europe used car market volumes are considerably higher than new car sales, by a factor of more than three in some instances.

The economic and employment implications of the used car industry require little comment beyond stating that, from an employment and post-manufacturing viewpoint, the used car industry may well be of greater significance than the sale of new cars.

It also highlights some of the similarities and differences between the different mature markets. Such differences are driven by a range of different issues – tax, maturity, ownership characteristics among others. The chapter has also sought to illustrate, using the UK as a case study, how markets can move out of equilibrium and the potential financial and volume implications.

# Mature EU Used Car Markets

The previous chapter sought to explore the nature of the relationship between new and used cars in Europe. This chapter looks at some of the key issues regarding new and used car market volumes for western EU15 markets and the impact of the economic downturn.

The aim of this chapter is;

- To compare the relative importance of new and used car sales across western European countries.
- To examine the relationship between new and used car sales on a market by market basis in the major EU markets.

## New and used car volumes

The overall used car volume for the European Union is considerably larger than the new car total; the major six markets shown in Figure 4[1] alone account for 25 million used car sales annually.

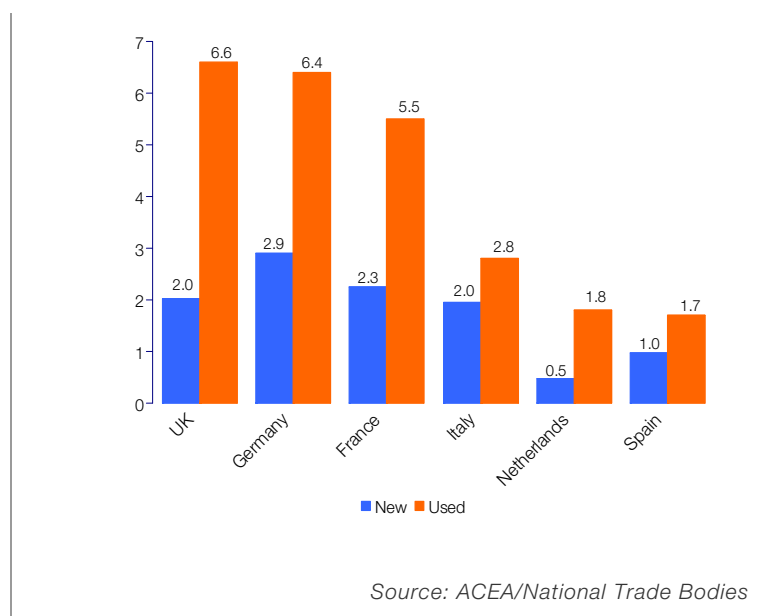
Figure 4[1] shows how used car volumes outstripped new car sales by a

considerable margin in all the more mature EU15 markets in 2010.

UK used car sales rose to 6.6 million in 2010, securing its long-held position as Europe's biggest used car market, while Germany's used car market staged a recovery in 2010, rising 400,000 to 6.4 million units.

French and Spanish used car volumes also rose last year, the former by 300,000 to 5.5 million units and the latter by a similar amount to 1.7 million. Italian used car volumes, on the other hand, remained relatively flat at 2.8 million, while the Netherlands' slipped 40,000 to 1.8 million units.

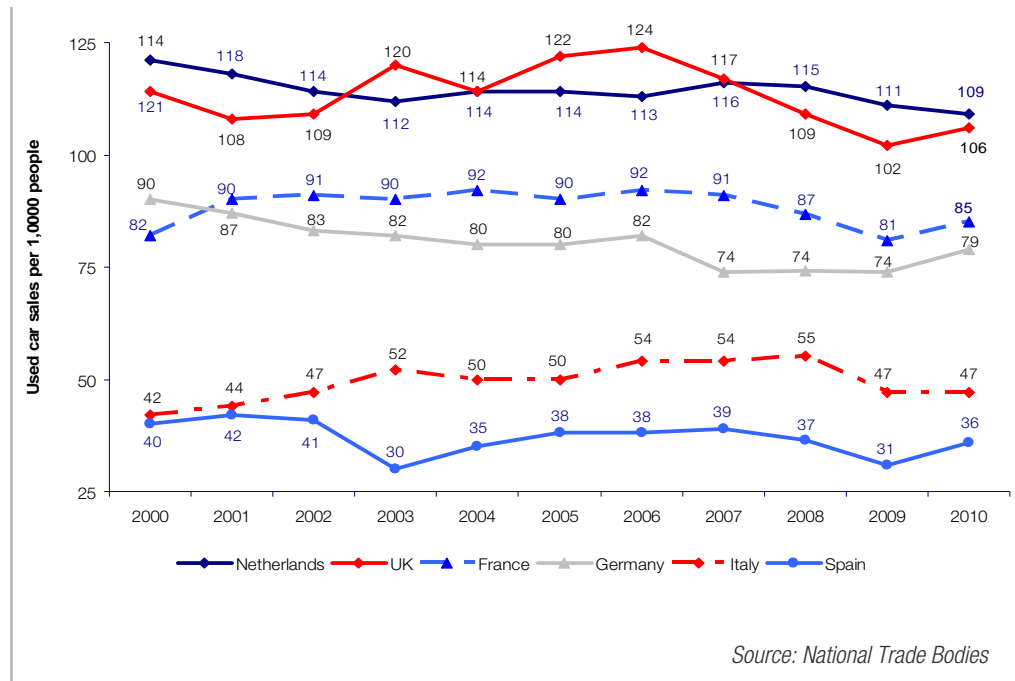
Figure 4[1]; New and used car volumes; EU mature markets 2010



### Germany's used car market staged a recovery in 2010

Figure 4[2] shows the trend in used car sales per 1,000 of the population for major EU used car markets over the past decade. The ratios have remained relatively static overall, highlighting that used cars sales have been much more stable than new car volumes over the period.

Figure 4[2]; Used car sales per 1,000 population; mature EU markets; 2000 – 2010



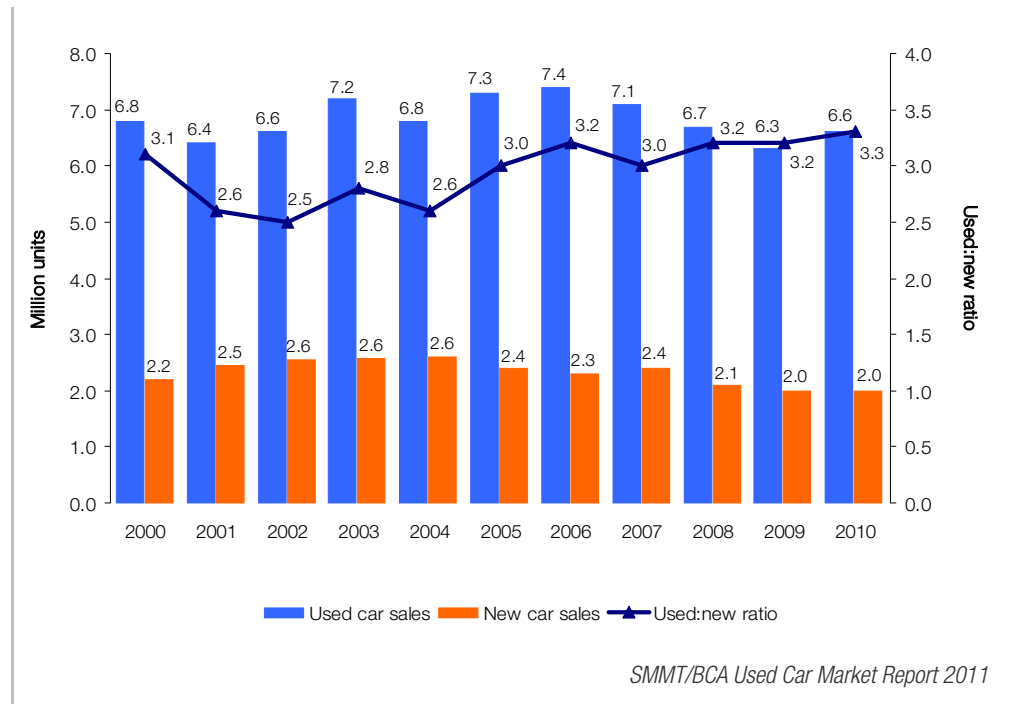
- France's used car sales per 1,000 people rose from 82 to a peak of 92 in 2004 and again in 2006, dropping back to 85 per 1,000 population in 2010.
- Germany showed a steady drop in used car sales per 1,000 of the population, from 90 in 2000, to 74 in 2007 to 2009 – recovering to 79 in 2010 as Germany's used car volumes rose 420,000 units to 6.43 million last year.
- Italy, one of the 'laggards', in terms of used car sales per 1,000, moved from 42 in 2000 to a healthier 55 by 2008, dropping back to 47 in 2009 and 2010 – less than half of the UK's and Netherlands' performance for this key indicator.
- Spain's used car sales per 1,000 people has fluctuated over the past 10 years, reaching lows of 30 and 31 in 2003 and 2009 respectively – recovering to 36 in 2010 as used car volumes rose by 250,000 units. Nevertheless, Spain remains firmly at the foot of the EU15 used car sales per 1,000 table.
- The United Kingdom's used car sales per 1,000 of the population fell from a high of 124 in 2006 to 102 in 2009 – recovering to 106 in 2010, narrowing the gap with the Netherlands which took over top spot for this indicator in 2007.

**Italy is less than half of the UK's and the Netherlands' performance**

## United Kingdom

The United Kingdom remains the largest used car market in Europe and, arguably, the most sophisticated.

Figure 4[3]; New car and used car volumes, used:new ratios; UK 2000 - 2010



Perhaps the most interesting issue is the steeper fall in new car sales over the past few years than used car volumes, reflected in a stronger ratio of used:new cars since 2007.

It is the view of the writers that the United Kingdom has an annual 'natural new car market' in the region of 2.25 million new cars when the economy is running 'normally'. This suggests the new car market was 'force fed' for several years in the early 2000s, using strong marketing and finance incentives to boost new car volumes.

In 2009 and 2010 the UK also had a scrappage scheme which 'artificially' replaced 400,000 cars over 10 years old with new units – some of which might otherwise have been used car sales? However, stronger used car volumes in 2010 saw the UK's used car sales per 1,000 people rise, once more, to 106.

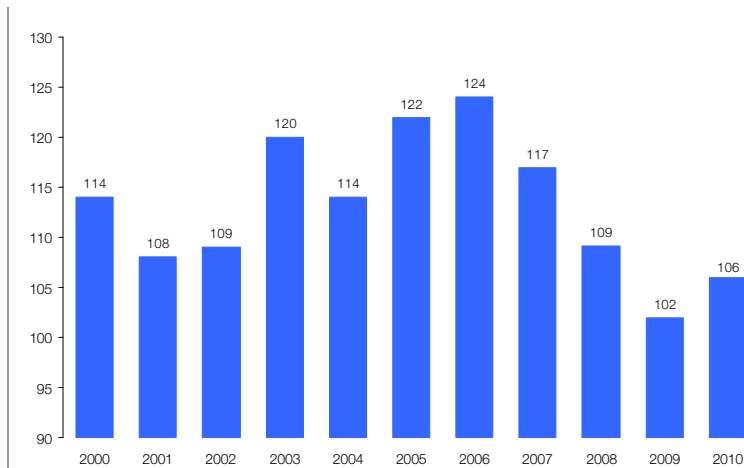
**Will hamper used car supply for several years to come**

Bearing in mind used car availability is ultimately controlled by the number of new cars sold, the lower new car volumes over the past three years, and their slow recovery, will hamper UK used car supply for several years to come.

Figure 4[4], shows a significant drop in the UK's sales per 1,000 of the population from a high of 124 in 2006 to 102 in 2009, reflecting the economic downturn's impact on used car sales.

The UK's used cars sales per 1,000 people recovered to 106 in 2010 as its used car volumes increased by some 300,000 units year on year.

Figure 4[4]; Used car sales per 1,000 population; UK 2000 – 2010

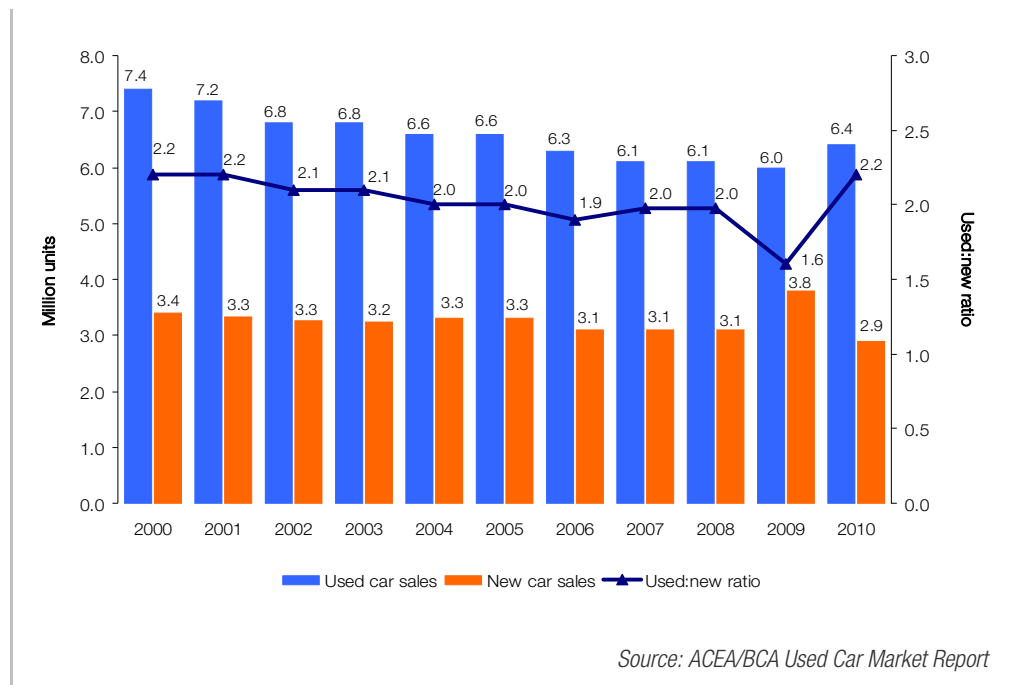


Source: National Trade Bodies

### Germany

Figure 4[5] shows a steady fall in Germany's new and used car market volumes until 2008, when the scrappage scheme was introduced and added some 700,000 units to the new car market the following year.

Figure 4[5]; New car and used car volumes, used:new ratios; Germany 2000 – 2010



Source: ACEA/BCA Used Car Market Report

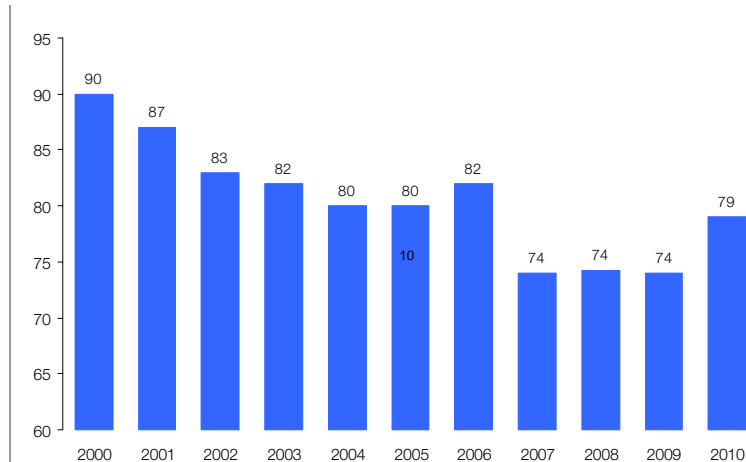
While Germany's used:new car ratio reached 2.2 in 2000/2001, it subsequently settled around 2.0:1 between 2004 and 2008 – before plummeting to 1.6:1 in 2009 – as the scrappage scheme pushed new car volumes up to 3.8 million units.

German used:new car ratio back up to 2.2:1

While German new car sales dropped nearly 900,000 units to 2.9 million in 2010, its used car volumes rose from 6.01 million to 6.43 million – driving its used:new car ratio back up to 2.2:1 once more.

Figure 4[6] shows the steady fall in used car sales per 1,000 people in Germany to a low of 74 between 2007 and 2009, recovering to 79 in 2010 in line with higher used car volumes.

Figure 4[6]; Used car sales per 1,000 population; Germany 2000 – 2010

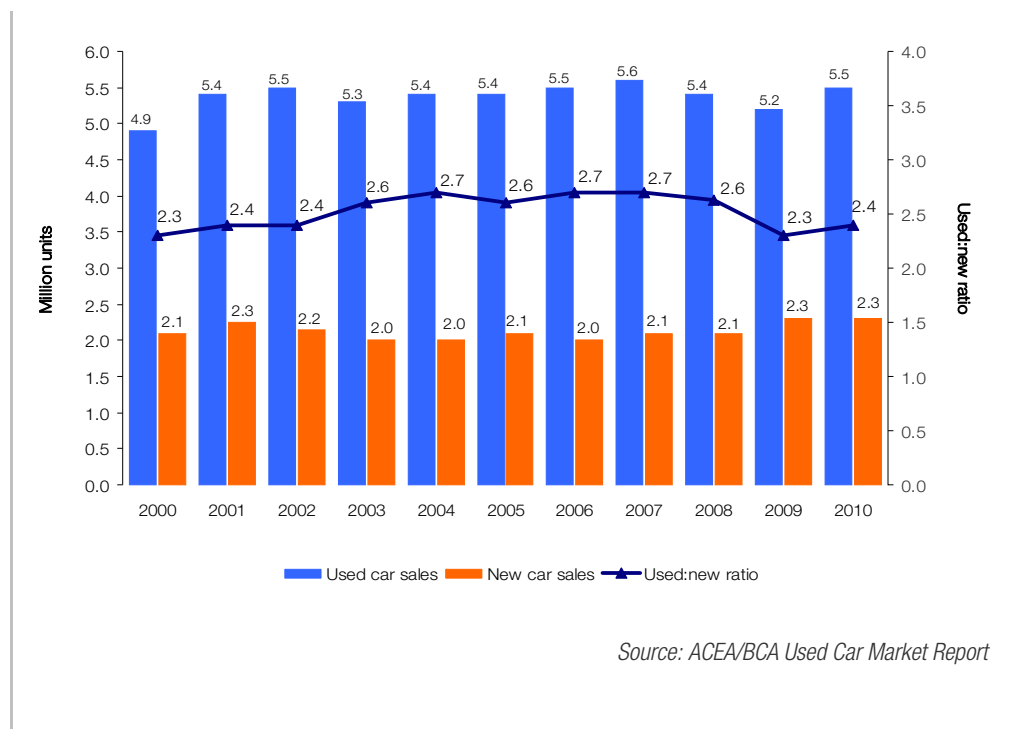


Source: National Trade Bodies

### France

The French new car market held up well in the face of recession at 2.3 million units for 2009 and 2010 – Figure 4[7]. Used car volumes, which had remained relatively stable for several years, slipped in 2009, before rising to 5.47 million units in 2010. This pushed the French used:new car ratio up from 2.3:1 in 2009 to 2.4:1 in 2010.

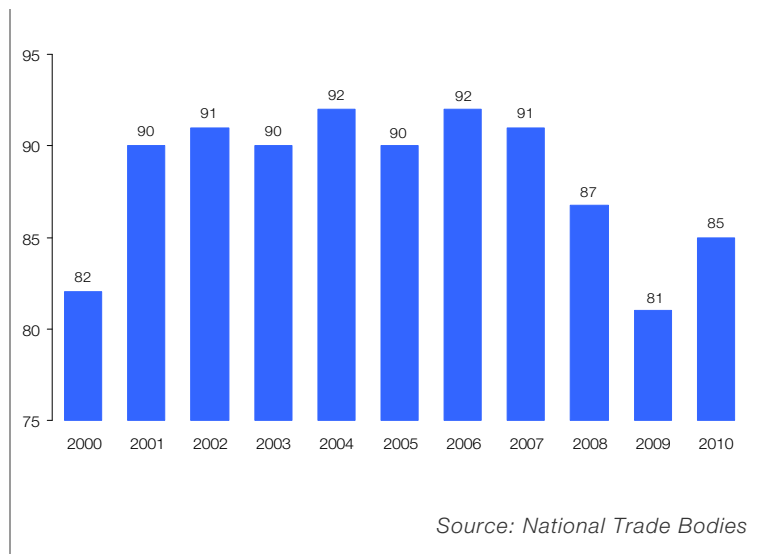
Figure 4[7]; New car and used car volumes, used:new ratios; France 2000 – 2010



Source: ACEA/BCA Used Car Market Report

Figure 4[8], shows a rise in French used car sales per 1,000 population between 2000 and 2001, plateauing around 90 until 2007, when falling used car volumes saw the indicator drop to 81 the following year. Higher used car volumes saw French used car sales per 1,000 people recover to 86 in 2010.

Figure 4[8]; Used car sales per 1,000 population; France 2000 – 2010



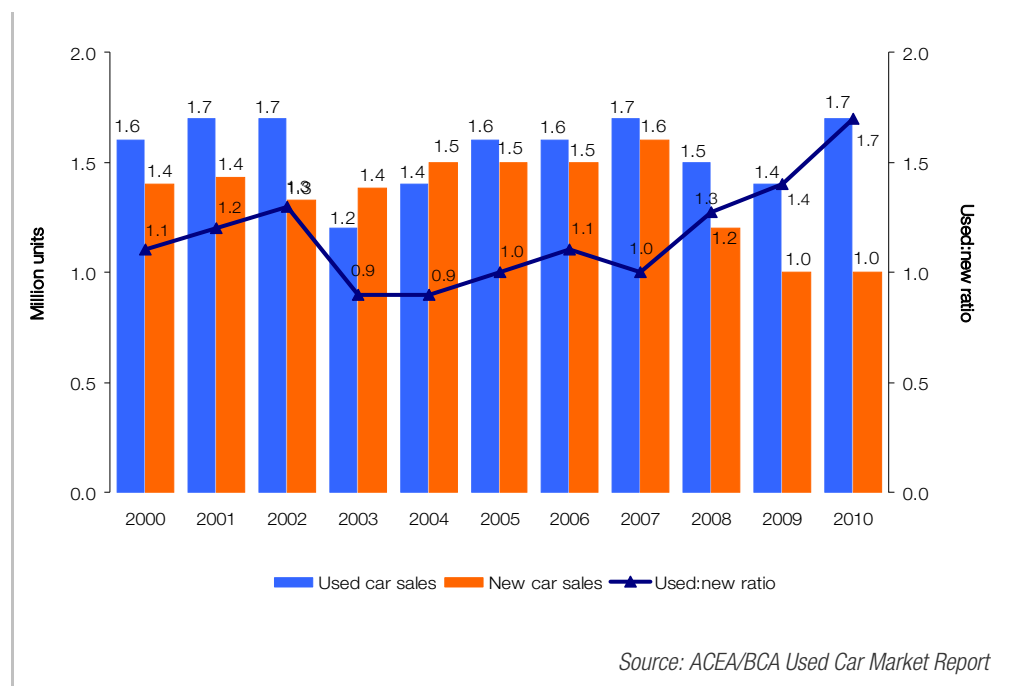
### Spain

The relatively small difference in Spanish new and used car volumes for much of the past 10 years, Figure 4[9], suggests a market where cars are retained by their first owners for some considerable time. There is a culture in Spain of owners of new cars retaining them within the family, even when a replacement car is acquired. The older unit is passed on to other members of the family or friends.

### Gap between new and used cars widened in 2010

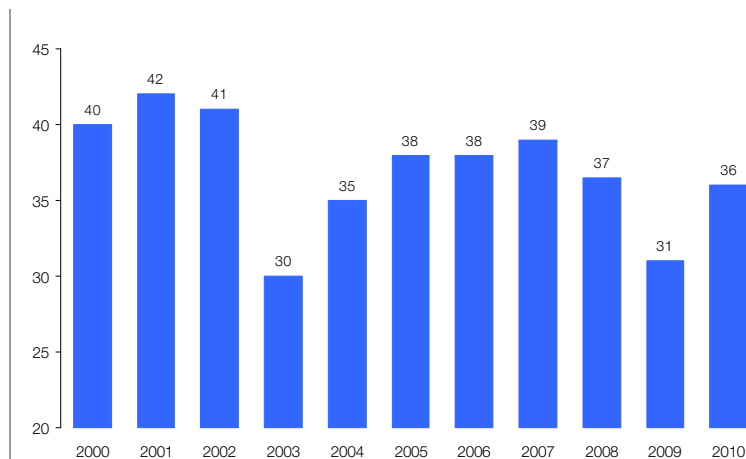
The gap between new and used car volumes widened significantly in 2010, however, as Spanish new car volumes remained below one million for the second year running, and used car sales climbed to 1.7 million units.

Figure 4[9]; New car and used car volumes, used:new ratios; Spain 2000 – 2010



Spain's used:new car ratio reached a record high of 1.7:1 in 2010 as used car volumes rose by 250,000 units year on year, while new car sales remained below the one million mark at 982,000 units.

Figure 4[10]; Used car sales per 1,000 population; Spain 2000 – 2010



Source: National Trade Bodies

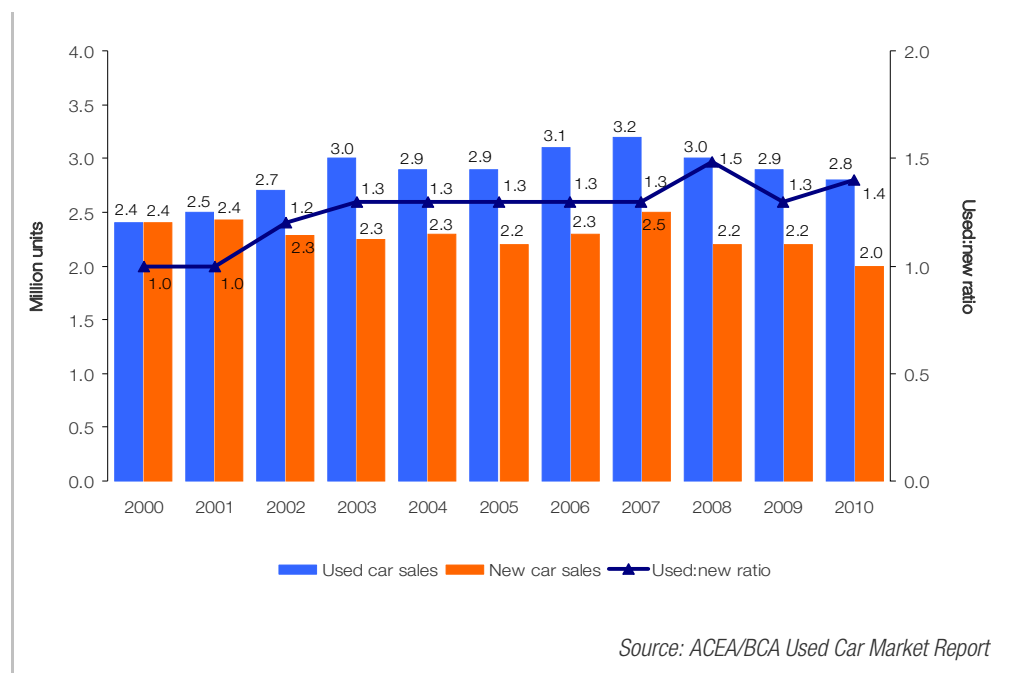
Figure 4{10} shows Spanish used car sales per

1,000 population dropped from 42 per 1,000 in 2001 to 30 in 2003. Following a more stable period leading up to 2007– and a blip in 2009 – Spain's used car sales per 1,000 people recovered to 36 in 2010.

The Spanish used car market is regarded by other countries, particularly those in Eastern Europe, as a valuable source of used cars. This is due partly to lower used car prices achieved in Spain and partly to the high number of smaller cars in the Spanish parc. The large holiday car rental business also contributes to the used car export business, although many of these units are retained longer than rental cars in Northern Europe.

## Italy

Figure 4[11]; New car and used car volumes, used:new ratios; Italy 2000 – 2010



Source: ACEA/BCA Used Car Market Report

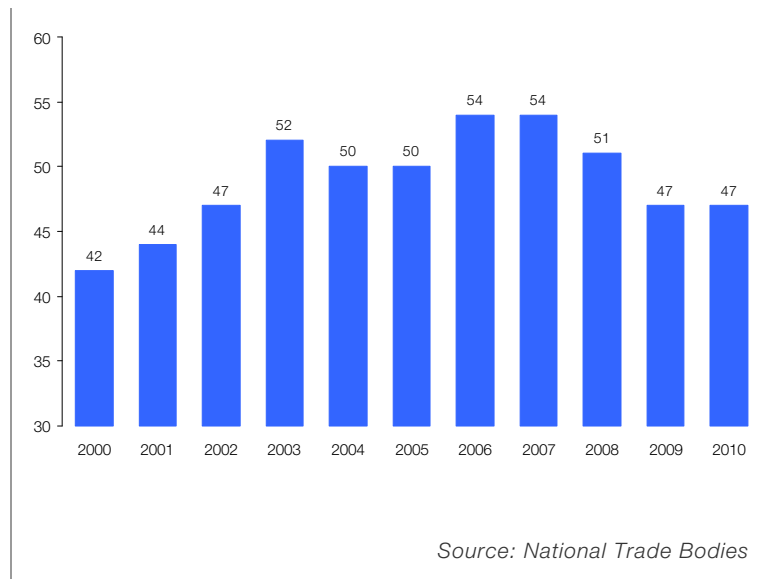
**Italy has the lowest used:new car ratio of EU15 major markets**

Italian used car volumes have proved fairly resilient over the past three years, falling from a high of 3.2 million in 2007, to 2.8 million units in 2010. However, Italy has the lowest used:new car ratio of EU15 major markets (1.4:1), well short of the Netherland’s 3.7:1 and the UK’s figure of 3.2:1 for 2010.

Figure 4[12] show a rise in used car sales per 1,000 of the population from 42 in 2000, to 54 in 2006/2007 – falling back to 47 in 2009/2010 as used car volumes slipped to 2.8 million units.

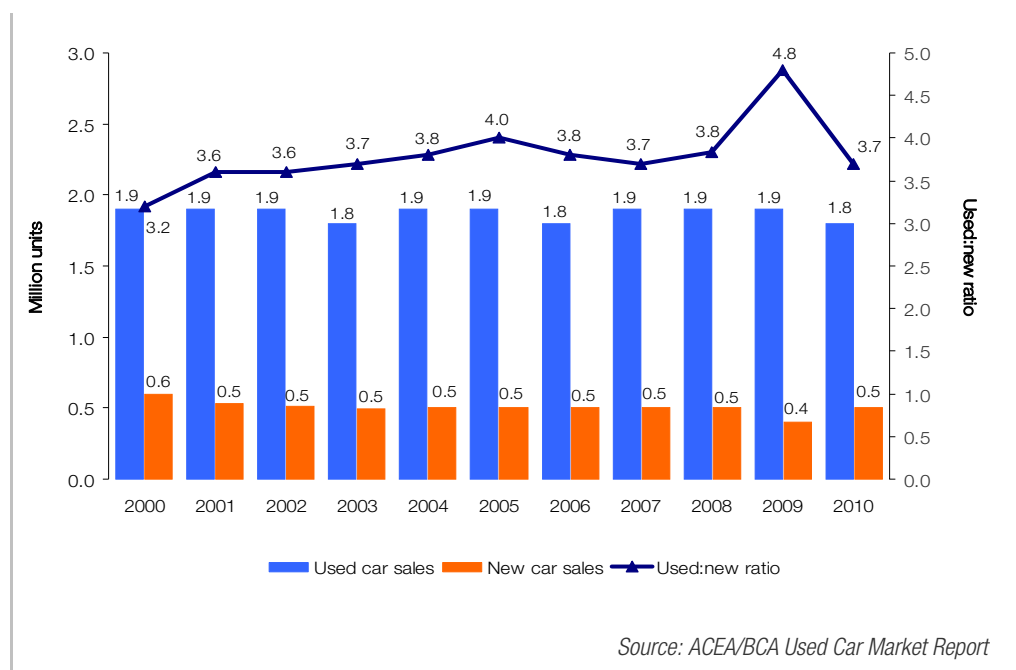
With the second lowest used car sales per 1,000 ratio (47) in the EU15, Italy compares unfavourably with the Netherlands and the UK both of which have topped the 100 mark for the past 10 years. Perhaps this points the way to a significant growth opportunity for Italian used car volumes in the future?

**Figure 4[12]; Used car sales per 1,000 population; Italy 2000 – 2010**



**Netherlands**

**Figure 4[13]; New car and used car volumes, used:new ratios; Netherlands 2000 – 2010**



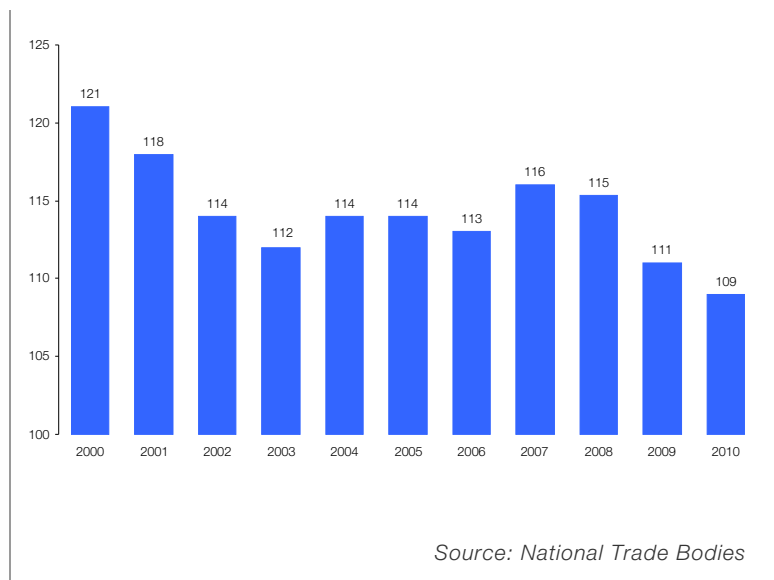
The Netherlands' used car volumes have remained relatively steady over the past decade, settling at 1.8 million units in 2010. Its used:new car ratios have consistently topped the European table –rising to 4.8:1 as Dutch new car volumes plummeted during recession in 2009, settling at 3.7:1 in 2010 as new car sales recovered.

### The Netherlands might be called a 'robust used car market'

The Netherlands might be called a 'robust used car market', in that taxes on new cars are high and regarded as excessive by many Dutch drivers. Equally important, the Netherlands is a market dominated, at least in urban areas, by bicycles, so it is realistic to expect private households to limit the number of cars they own.

The relatively high price of new cars in the Netherlands, and the strong leasing industry contribute to the demand and supply of used cars. This makes it one of the most mature and aggressive used car markets in Europe, heading the EU used car sales per 1,000 population league for the past four years.

**Figure 4[14]; Used car sales per 1,000 population; Netherlands 2000 – 2010**



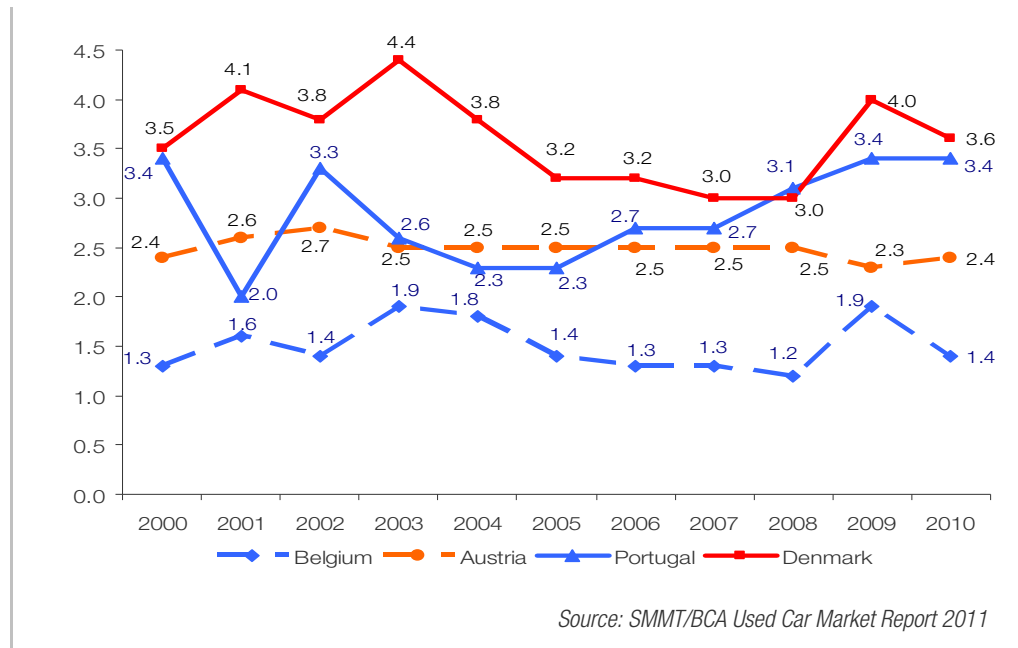
Netherlands is regarded as a price sensitive market and is supported by a strong public transport system. The country has also moved through a period of recession like the rest of Europe and, because of its entrepot status, its recession was sharp.

### Other EU15 markets

The ratios of used:new cars in the smaller EU15 markets shows that, although they vary considerably, used car volumes outstrip new car sales by a significant amount in all markets – Figure 4[15] overleaf.

Denmark's (3.5:1) and Portugal's (3.4:1) used:new car ratios almost converged in 2010. While Austria's ratio has remained remarkably steady across over the past 10 years, Belgium's low used:new figure might be explained by high standards of living and perhaps the significant number of EU and diplomatic personnel working in the country buying new cars.

Figure 4[15] Used new ratios smaller EU15 markets; 2000 – 2010



### Some initial conclusions

This chapter has shown a wide range of different responses to the used car market in the western European countries. The message is a clear one ‘different markets have different drivers for new and used car sales’ although, throughout the EU, used car volumes have always been considerably higher than new car sales.

Essentially, the used car industry is driven partly by the relative price between new and used cars – sometimes determined by tax, by supply and demand and, in other cases, by the relationship of fleet to private cars in the market.

**There is still ample opportunity for growth in many used car markets**

There is still ample opportunity for further growth in many used car markets as individuals and households seek personal mobility. Indeed, the ratio of used:new cars in the United Kingdom and some other markets exceeds 3:1, an indication of what might be achieved in other countries over a period of time.

# New EU Member States' Used Car Markets

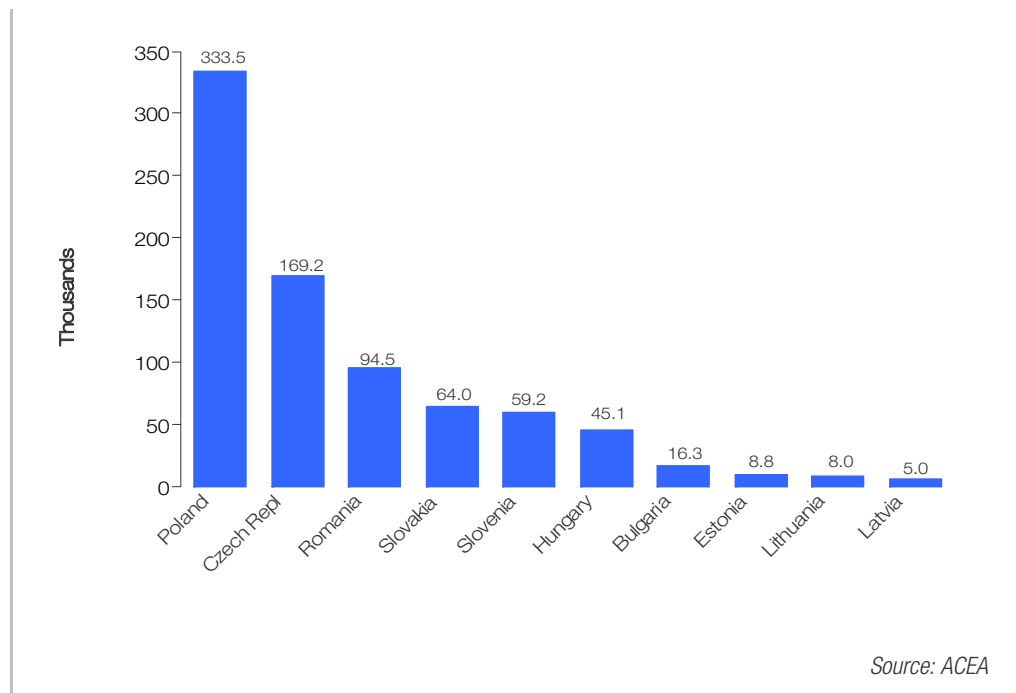
Low vehicles in use per 1,000 population ratios

With the exception of Poland, Hungary and Romania, the new EU member states are relatively small. Average incomes in these countries are modest, which is reflected in their low 'vehicles in use per 1,000 population' ratios shown in figure 5[2] overleaf – offering excellent opportunities for new and used car market development in the longer term.

## New car markets

Figure 5[1] shows new car sales in the new member EU countries for 2010. There are three principal markets – Poland, Czech Republic and Romania with the remaining countries representing smaller new car volumes.

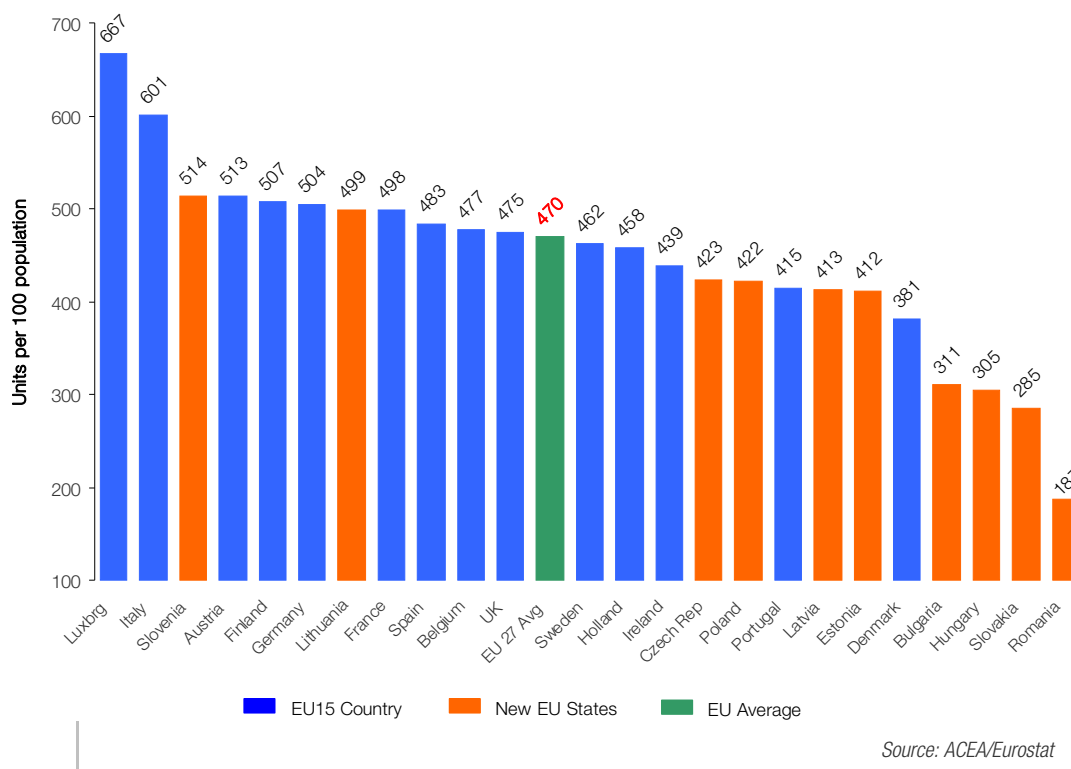
Figure 5[1]; New car sales new EU member states, 2010



New car registrations in the new EU member states were mixed in 2010. Of the larger CEE countries, the Czech Republic and Poland were the only ones with higher year-on-year volumes, rising 4.7% and 4.1% respectively, while Hungary (-25.1%), Romania (-18.5%) and Slovakia (-14.3%) suffered a marked drop in their new car sales last year. (see Attachment 1)

Figure 5[2], shows vehicles in use per 1,000 of the population. The real challenge highlighted by this benchmark chart is the difference between the EU15 markets, with an average of over 500 units per 1,000 of the population, compared with the average for new member EU states of a little over 305 cars per 1,000 people.

**Figure 5[2]; Vehicles in use per 1,000 population, 2008**



The majority of the new member EU states are at the lower end of the scale in terms of car parc per 1,000 of the population – clearly the basis for fertile car sales, over time, With the exception of Slovenia and Lithuania, the other new EU states are well below the EU27 average for the vehicles in use per 1,000 population.

This pattern is likely to change, however, as the CEE economies recover, incomes rise – and more and more people aspire to owning a new or used car. Even within these wide market differences, it is interesting to try to determine why some CEE markets have managed to weather the economic downturn in terms of new car sales better than others. A number of issues might have contributed;

- Inertia of investment growth in the economies and the need to provide business cars. Some of the states like the Czech Republic and Slovakia have had significant inward investment programmes which have continued despite recession.
- Growth in fleet business as companies seek to expand sales and service activities into eastern Europe; new businesses often requires additional staff, part of whom may be expatriate and expect a car.
- Relative lack of a sufficient quality, younger aged and lower mileage units in the car parc from which buyers can source a used car instead of buying new.

## A number of developments might be considered

### The right market environment

For the full used car market potential of new EU member states to be realised, a number of developments might be considered paramount. As well as these markets maturing to create the necessary ethos in terms of buyers and sellers, they also need the right market environment to support a healthy and trustworthy used car sector.

The following market environment issues, which are normally in place in EU15/EFTA countries, are generally weaker or lacking in CEE states' used car markets:

- Lack of reliable and trusted used car price guides reflecting the age, condition and mileage of used vehicles. In most EU15 markets there have been well established and respected used car price guides available for many years. However, such guides are either new and still establishing their reputation or non-existent in some CEE countries.
- Accepted level of wear and tear and service information regarding used cars offered for sale. Within the EU15, there are reasonable expectations for quality/mileage/service benchmarks as well as routine service and checks on older vehicles.
- Acceptance by would-be used car buyers that sellers are not trying to 'rip them off' by overcharging or selling poor quality vehicles.
- Lack of competitive outlets trading in used cars, including dealers accepting part-exchange units for resale. The ethos is to seek to sell new cars through franchised dealers, while used car specialists are still establishing a wider presence.
- Lack of finance for used car purchases.

The result is that, while sustainable, mature and orderly used car markets are developing in most CEE states, they have not yet reached the level of maturity associated with western European markets. An effective used car supply chain is critical in fully developing new car markets and, crucially, supporting the disposal of used cars from fleet and leasing sectors.

Some western leasing companies are providing cars for businesses moving into CEE markets. While this is starting to introduce a change in ethos, some leasing companies may be prepared to move cars across borders to where they can achieve better used car prices.

### Some initial conclusions

The CEE markets for used cars clearly offer a huge potential. However, they are perhaps still a decade or so behind their western EU15 counterparts. Although, one must assume that the used car market development might well be quite rapid if developments in parallel industry sectors are used as a benchmark.

# Implications and Conclusions

The foregoing chapters have sought to set the European Used Car Market in context. The report is as much a cry to arms to industry segments to pay serious attention to the positive development of this important and often under represented segment of the car industry.

When the European economy moves out of recession, the used car market will become increasingly important as a way of recycling once-new vehicles into the wider used car market. A healthy and transparent used car market is also a means to ensure the creation of an equitable pricing structure for marketing used cars.

A critical element in the used car market across the EU is the very mechanism by which cars are brought together, competitively priced, and put back into the retail market.

Arguably, a cost-effective way of achieving this recycling is through auctions and the ongoing growth of the professional European auction network will form a critical step in the healthy development of European used car markets.

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November 2011

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## European New Car Sales; by Country 2010

Country	January - December		% Change	Units
	2009	2010	10/09	Change 10/09
Austria	319,403	328,563	+2.9	9,160
Belgium	476,194	547,347	+14.9	71,153
Denmark	112,454	151,550	+34.8	39,096
Finland	90,575	111,968	+23.6	21,393
France	2,302,398	2,251,669	-2.2	-50,729
Germany	3,807,175	2,916,260	-23.4	-890,915
Greece	220,548	141,499	-35.8	-79,049
Ireland	57,118	88,373	+54.7	31,255
Italy	2,159,464	1,960,282	-9.2	-199,182
Luxembourg	47,265	49,726	+5.2	2,461
Netherlands	387,155	483,619	+24.9	96,464
Portugal	161,013	223,491	+38.8	62,478
Spain	952,772	982,015	+3.1	29,243
Sweden	213,408	289,684	+35.7	76,276
United Kingdom	1,994,999	2,030,846	+1.8	35,847
<b>EU (15)</b>	<b>13,301,941</b>	<b>12,556,892</b>	<b>-5.6</b>	<b>-745,049</b>
Iceland	2,020	3,106	+53.8	1,086
Norway	98,675	127,754	+29.5	29,079
Switzerland	266,018	294,239	+10.6	28,221
<b>EFTA (3)</b>	<b>366,713</b>	<b>425,099</b>	<b>+15.9</b>	<b>58,386</b>
<b>EU(15) + EFTA(3)</b>	<b>13,668,654</b>	<b>12,981,991</b>	<b>-5.0</b>	<b>-686,663</b>
Bulgaria	22,869	16,257	-28.9	-6,612
Czech Republic	161,659	169,236	+4.7	7,577
Estonia	8,234	8,848	+7.5	614
Hungary	60,189	45,081	-25.1	-15,108
Latvia	3,745	4,976	+32.9	1,231
Lithuania	7,003	7,970	+13.8	967
Poland	320,261	333,539	+4.1	13,278
Romania	116,016	94,541	-18.5	-21,475
Slovakia	74,717	64,033	-14.3	-10,684
Slovenia	55,712	59,226	+6.3	3,514
<b>New EU Members</b>	<b>830,405</b>	<b>803,707</b>	<b>-3.2</b>	<b>-26,698</b>
<b>Total EU27</b>	<b>14,132,346</b>	<b>13,360,599</b>	<b>-5.5</b>	<b>-771,747</b>
<b>Total EU27+EFTA</b>	<b>14,499,059</b>	<b>13,785,698</b>	<b>-4.9</b>	<b>-713,361</b>

Source: ACEA

# BCA – Europe’s Largest Vehicle Remarketing Company

For over 60 years, BCA has been at the forefront of the vehicle remarketing industry.

Today, the company operates nearly 50 centres in fourteen European countries, handling 1.4 million vehicles annually worth nearly €5 billion. Staffed by 2,500 skilled and highly trained remarketing specialists, BCA offers services to OEMs, leasing, banking, fleet and dealer customers representing every sector of the used vehicle industry.

BCA offers a wide choice of physical and online sales channels, inventory management, defleet and logistics support, specialist advice and consultancy and a raft of services for both buyers and sellers. The company delivers practical, efficient and innovative remarketing solutions for the motor industry across Europe, has the expertise and scale to deliver truly effective remarketing services and continues to invest in developing new solutions for the industry.

Customers can access a raft of services from fully outsourced and managed programmes to discreet one-off campaigns – or simply pick and mix from the most comprehensive selection of remarketing solutions available. Whatever the requirements, BCA can deliver a tailor-made service and will deliver the optimum price for vehicles in the shortest period, with guaranteed payment of proceeds.

## A unique combination

BCA delivers a unique combination of expertise, continuity, consultancy and financial security, with tried and tested remarketing know-how allied to market leading research and development in the field. As BCA have the biggest pool of buyers and the most effective sales and marketing support, true market value will be achieved with a transparent audit trail.

BCA is all about choice and customers can pick the best combination of services for their remarketing needs:

- Fully managed and outsourced service or specific remarketing opportunities
- Vehicle inventory management with integrated document handling
- Fully integrated logistics – inspection, appraisal, delivery, collection, preparation
- Entirely secure online customer reporting and account management.
- Valuation and consultancy
- Physical auction in purpose built auction centres with instantaneous webcast bidding for online buyers.

- Online auctions and tenders
- Fixed price online selling
- Telephone selling with full Call Centre support
- Closed sales for Franchised Dealer Networks
- Open Sales (national and cross-border, international sales)
- Upstream and driver sales.

### **Full range of remarketing services**

BCA offers a full range of remarketing services for customers including collection and delivery, inspection and appraisal, defleet and storage, document handling, cleaning and repair at the point of sale and comprehensive inventory management.

A comprehensive array of account services are available including inventory management, consultancy and valuation, full online account management and reporting, onsite selling and staff implants, bespoke report publishing and full IT support.

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