

**20<sup>TH</sup>**  
EDITION

Overview

# The Used Car Market Report **2010**



A REPORT BY BCA



## 20th edition of the report

We are delighted to publish the anniversary edition of the BCA Used Car Market Report – 20 years in succession.

The report continues to evolve and we have sought to reflect the views and suggestions from our ever growing group of readers.

Given the changing economic circumstances in the United Kingdom and across Europe, the used car market is evolving rapidly and becoming ever more important.

The Used Car Market Report 2010 aims to provide the same invaluable insight into the latest developments in the UK used car market that each of our previous editions has done – providing an objective and well informed review of the used car market.

- **The UK Market Review** is based on statistical information from national sources and provides an authoritative assessment of volume and value trends in the used car market.
- **The Consumer Experience** section of the report is based on a BMRB International survey of UK car owners. This contains a review of the major factors that influence used car buyers when deciding which car to buy, where to buy from, what motorists expect for their money when buying a used car.
- This year, the **Consumer Survey** also looked at how the recession had affected motorists' ability to replace their car, what type of car they might look to buy as the economy recovers – and how the rising price of fuel might influence the type of car they would consider buying next time they make a change.



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- **The European** section of the Used Car Market Report contains updated trend information on Europe's new and used car markets.
- Additional chapters include '**The Used LCV Market 2010**' dealing with the key issues that drive the light commercial vehicle market – while the 2009/10 **United Kingdom Scrappage Scheme** is also reviewed with its impact on new and used car markets.
- Another chapter looks at '**Recession, Recovery and the Used Car**', together with an outline of several strategic Issues affecting the country's automotive industries.

It might well be claimed that 'the time of the used car has come'. It is attracting more attention than ever before and becoming more widely recognised for the critical role it plays in the automotive industry.

Our editor, Professor Peter N C Cooke, the Professor of Automotive Management, the Centre for Automotive Management at The University of Buckingham is a well-known commentator on the automotive industry.

He and his team have sought to retain the best aspects of this long-established report, and have developed new analysis and commentary on the used car market, paying particular attention to the impact of recession and recovery.

**This Overview highlights some of the key issues discussed in the BCA Used Car Market Report 2010 – a full copy is available from the Centre for Automotive Management website – [www.buckingham.ac.uk/cam](http://www.buckingham.ac.uk/cam).**

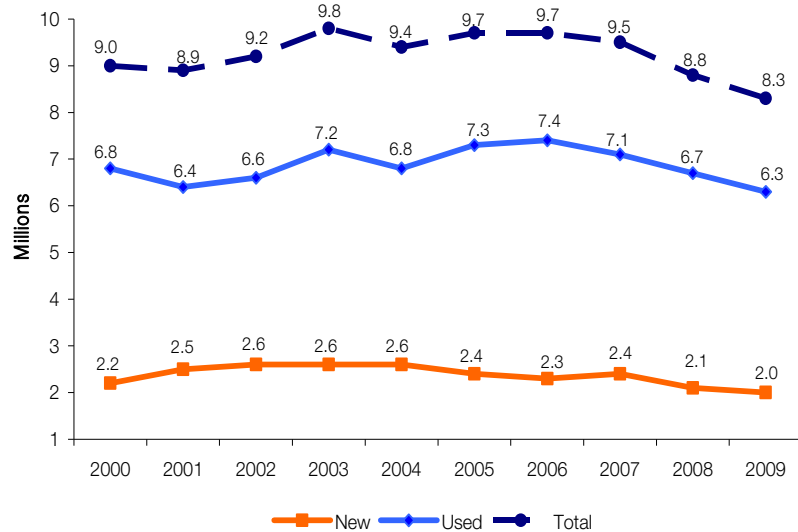
Jon Olsen  
CEO  
BCA Europe



### Recession hits car markets

The UK motor industry was hit by the deepest, longest recession for 70 years, driving new and used car volumes down to unforeseen levels in 2008 and 2009. Combined UK new and used car sales fell to 8.3 million in 2009 from 8.8 million the previous year – 1.5 million units fewer than 2003’s high of 9.8 million.

Market volume new vs. used; 2000 – 2009



Source: SMMT/BMRB

Following a brief recovery in 2007, UK new car registrations fell to 2.13 million in 2008, and by a further 6.4%, and 136,000 units, to 1.99 million in 2009.

The UK’s share of the Western European new car market fell to 14.6% in 2009 from 15.7% the previous year, a long way short of 18.1% reached in 2003. The UK

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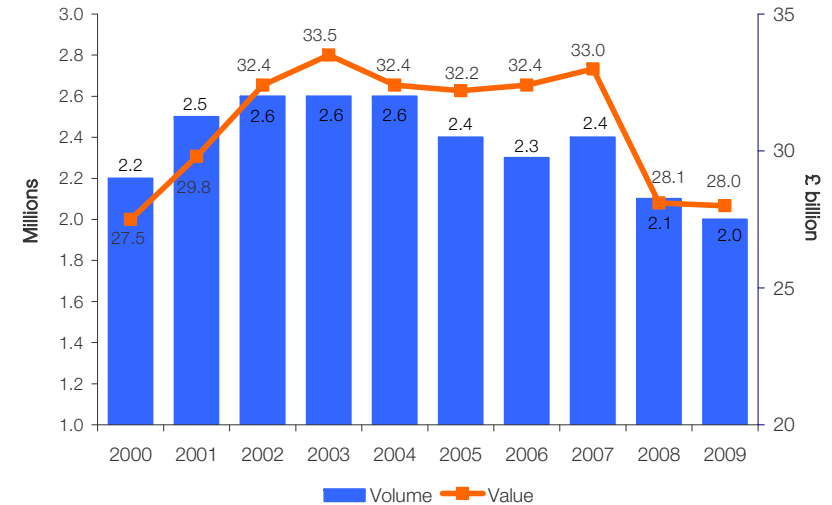
has fallen from second to fourth place in the European new car table since 2007, selling some 160,000 fewer new cars than third-placed Italy’s 2.16 million. In 2009

UK used car volumes fell to 6.3 million units in 2009, as the severe economic downturn hit the used car market. It was the lowest volume recorded during the past decade and over a million units lower than the 2006 figure of 7.4 million

### The new car market

New car sales, which had been above the 2.5 million mark between 2002 and 2004, dropped by 11.3% to 2.13 million in 2008 – and by a further 6.4% to 1.99 million units last year. Without the scrappage scheme’s 285,000 new car deals, 2009’s new car volumes would have dropped by 19.8% to 1.71 million.

New car market volume and value



Source: SMMT/Buckingham/BMRB

To put that into context, it is comparable to the lowest annual volumes recorded in the history of this report, when figures of 1.6 million units were recorded for 1991 and 1992.

The value of the UK new car market reached an all-time high of £33.5 billion in 2003 as new car volumes were over the 2.5 million mark for three years, settling around £1 billion lower until 2006. A sharp decline in new car volumes to 2.1 million units saw 2008's new car market value fall to a nine-year low of £28.1 billion.

However, the new car market value remained at £28 billion in 2009, as higher than inflation rises in new car prices offset the effect of lower new car volumes, a shift towards smaller cars and scrappage scheme and other marketing discounts.

### The used car market

A sharp decline in sales of 0-2 year-old cars, and lower sales in the 6-8 year age group, saw UK used car volumes fall by 350,000 to 6.3 million units in 2009 from 6.65 million the previous year.

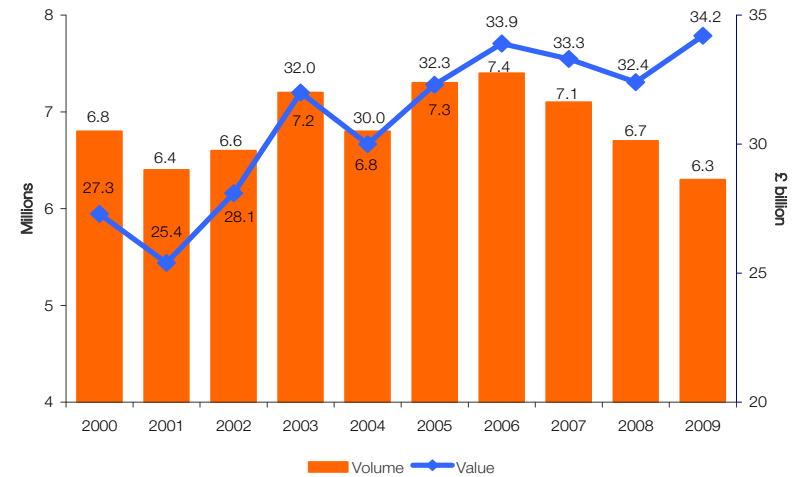
However, a strong and sustained recovery in used car selling prices helped overcome the downturn in volumes, pushing 2009's used car market value up by £1.8 billion to a new high of £34.2 billion.

Dealers' used car sales dropped just 2.3% to 3.53 million last year, whereas private-to-private sales fell 17.7% to 2.2 million units – the latter possibly affected by the scrappage scheme as traditional used car buyers turned to the new car sector.

- Sales of 0-2 year-old cars fell by 22% to 762,000 units, reflecting the marked fall in new car volumes in 2008 and 2009 – driving this sector's share of the used car market down to 14.7%.

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Used car market volume and value



Source: BMRB

- Sales of cars in the 3-5 year age group were stable in 2009 at 1.88 million, their used car market share rising from 28.3% to 29.9% year on year.
- Sales of cars 6-8 year old cars dropped 6.5% and 102,000 units to 1.48 million last year, their market share remaining steady at 23.5%.
- Sales of 9 years-plus cars continued their long-term decline in 2009, by a further 1.6% to a 20-year low of 2.17 million units, for a used market share of 34.5%.
- The ratio of used car sales to new car sales remained at 3.2:1 for the second year in a row in 2009.

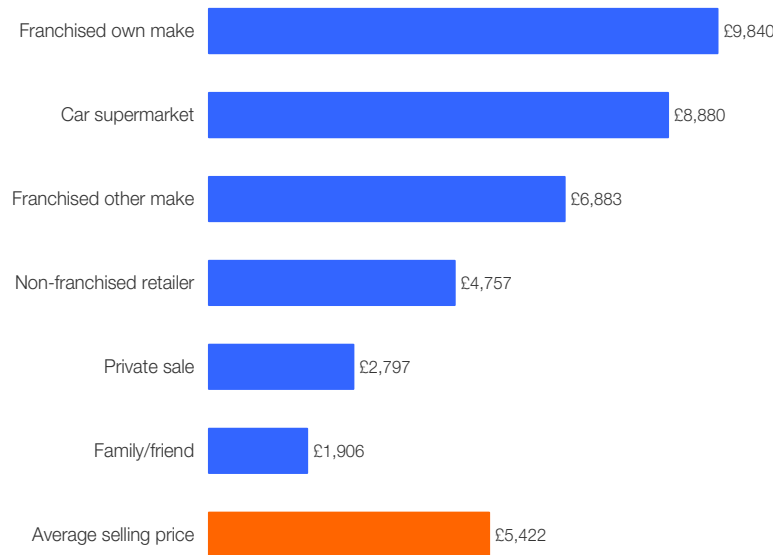
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## Used car selling prices

Average used car selling prices also recovered strongly in 2009, rising from £4,868 in 2008 to £5,422. While dealers' average used car selling prices rose by £593 to £7,143, the private sector's used car prices were relatively flat at £2,512.

Franchised dealers, selling their own make of car, averaged £9,840 per used car deal – around £1,000 higher than car supermarkets' average selling price of £8,880 for sales of relatively 'new' used cars. Franchised dealers, selling other make cars, achieved an average sales value of £6,883.

Average used car selling prices; 2009

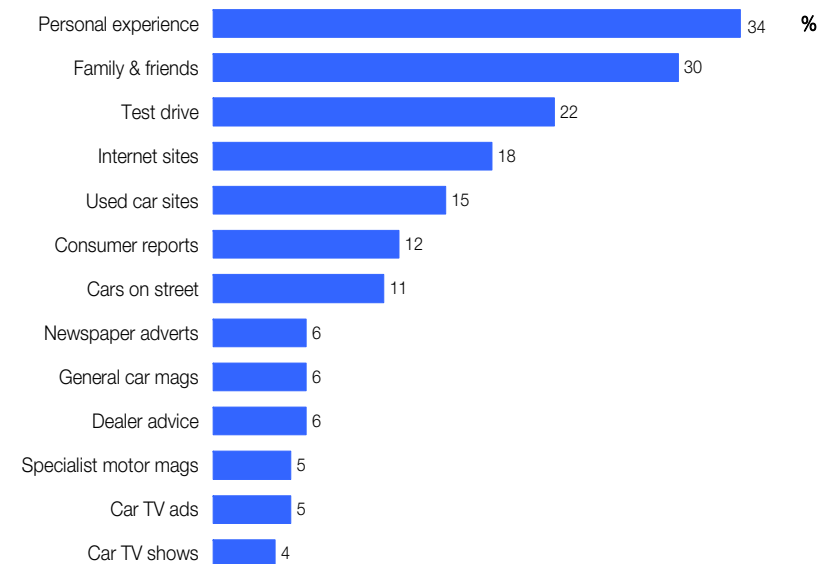


Source: BMRB

## Consumer perspective

Thirty-two percent of respondents to this year's survey had bought a used car in the past two years compared to 35% last year and 37% two years earlier – while 68% of car buyers had opted for a used car rather than a new one.

### Influences on type of used car considered

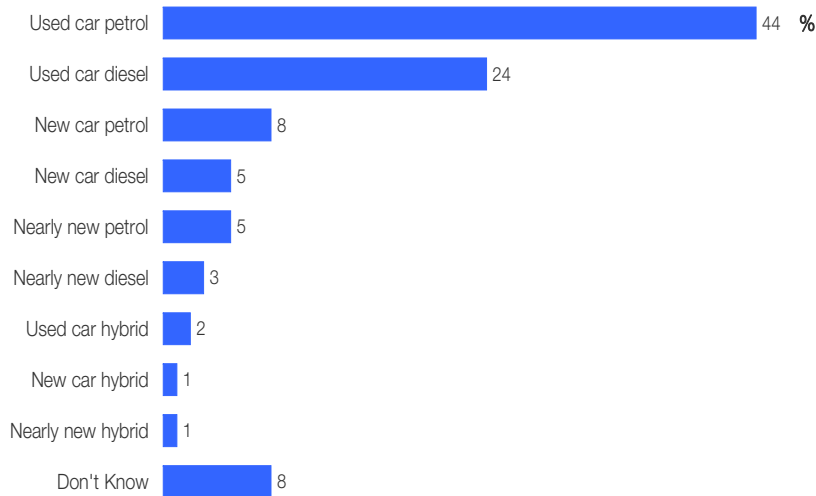


Source: BMRB

- While 'personal experience of a particular make/model' (34%), 'views of family and friends' (30%) and a 'test drive' (22%) still have the biggest effect on car buyers when considering what type of used car they might buy – a fifth of motorists said that 'car Internet sites' now influence what type of car they look for.

- The 'right price' and the 'right make and model' remain the crunch factors for two out of five car owners when making their final decision on which used car to buy, while 'a car with low mileage' is a key issue for a third of motorists.
- Used car buyers are clear what they are looking for when choosing a used car retailer – 'the 'right car at the best possible price', 'a good deal', 'to trade in their existing car', 'to deal locally' and to do business with a 'reliable and trustworthy' organisation.
- Ninety-five per cent of used car buyers were satisfied with their used car in this year's survey – 72% said they were 'very satisfied' and a further 23% were 'quite satisfied' with their purchase.

**Next car bought will be**



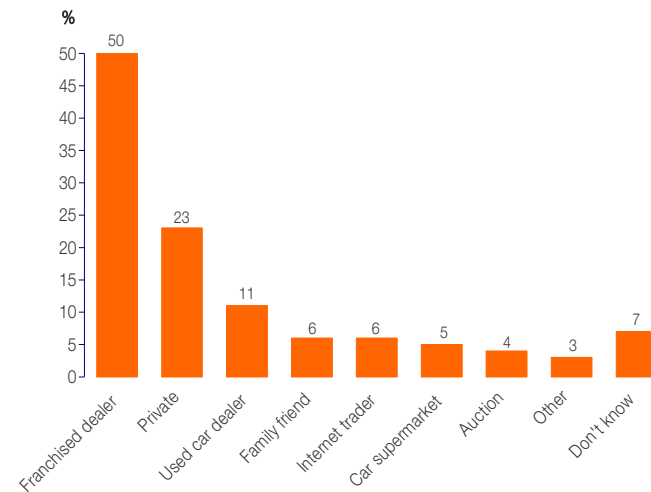
Source: BMRB

## Used Car Market Report 2010

Two out five motorists intend to buy a used car next time they change, although the number of prospective buyers planning to buy a nearly-new car has fallen to 8%; compared with 9% last year and 13% three years earlier.

While a similar number of men and women plan to buy a used car next time, a third of men intend to buy a used diesel compared with just a quarter of women.

**Where to buy next car?**



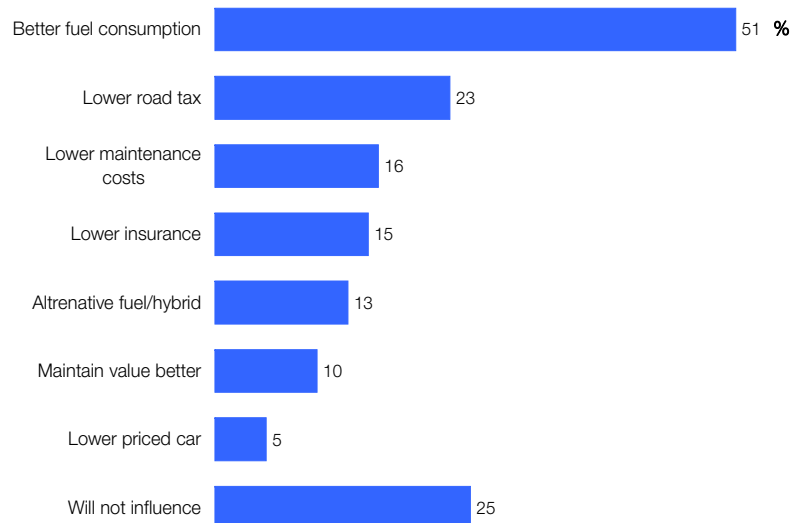
Source: BMRB

- Following a two year fall to 47%, the number of car owners planning to buy their next car from a franchised dealer rose three points to 50% in 2010 – at the expense of non-franchised retailers who saw their potential share of the market drop from 14% to 11% year on year.

### Escalating fuel prices

While consumers had a temporary respite for a short while last year, fuel prices brushed 120 pence per litre again earlier this year. Prices remain at the mercy of crude oil price volatility, not to mention a fuel duty rise of one pence per litre in October 2010 and a further 0.8 pence per litre in January 2011. With VAT rising to 20% in January 2011, it won't be long before petrol and diesel prices top 120 pence per litre once more.

#### Steps to offset rising cost of fuel



Source: BMRB

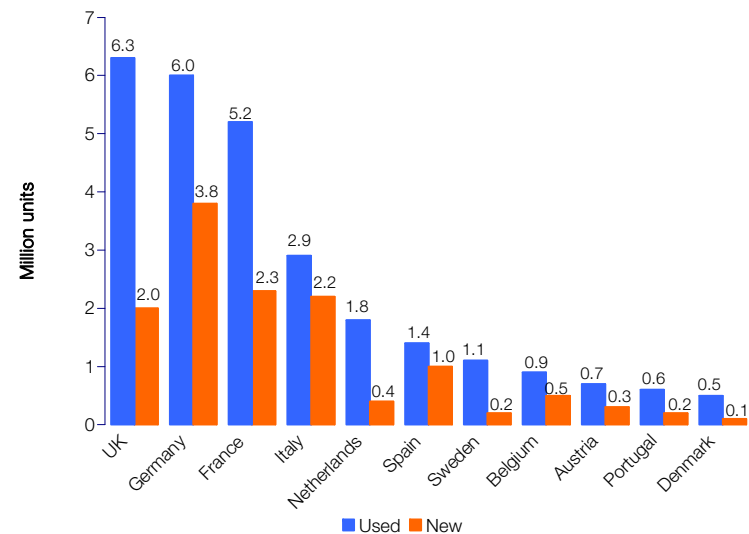
A half of car owners intend looking for 'a car with better fuel consumption' next time they change their vehicle, while a quarter would also prefer a 'car with lower road tax'.

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### A European perspective

European new car registrations peaked at 16 million in 2007, falling to 14.71 million in 2008 their lowest since 1993. Following a marked drop in the first six months of 2009, European new car sales improved in the second half of the year, finishing just 1.5% less than 2008 at 14.48 million units.

#### New and used car volumes key EU countries; 2009



Source: ACEA/BMRB

The overall used car volume for the European Union is considerably higher than the new car total; the major five markets in the Used Car Market Report alone account for over 22 million used car sales annually. The UK remains the biggest EU used car market, three times the size of its new car sector.

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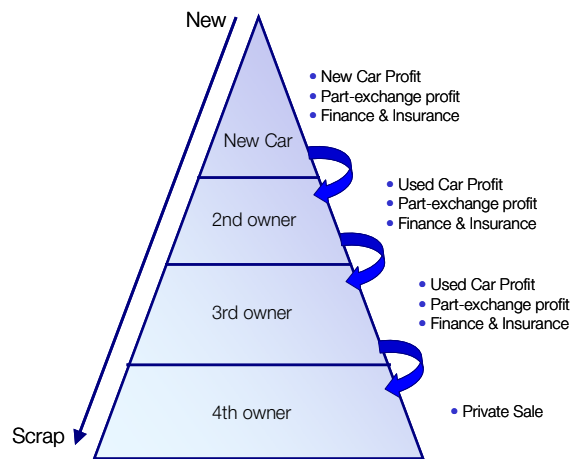
## Highly sophisticated market sector

The used car industry is regarded by many as merely 'selling and buying used vehicles'. Nothing could be further from the truth; it has become a highly sophisticated market sector in its own right. In a mature market like the United Kingdom, the vast majority of new car sales cannot take place until an existing car is disposed of to release the money necessary to part fund a new car – with the replaced unit simultaneously entering the 'used car supply chain'.

Due to the marked fall in new car volumes over the past few years and the anticipated slow recovery, the number of first-time used cars feeding through to the used car market is falling and will continue to do so – while the age of cars in the country's car parc is growing significantly older. This will have a significant impact on the supply of younger used cars for several years to come.

It is against such a background that vehicle manufacturers, dealers and used car retailers might need to review their business model.

The 'Car Supply Chain', opposite, indicates there are profit opportunities for used car operators at each change of ownership through to the point of scrapping; albeit these might be smaller each time as the vehicle gets older.



Source; Buckingham

## Partnership with leading automotive think-tank

BCA prepares and publishes a range of information for the used vehicle industry, ranging from bespoke reports and research through to regular price data and even this publication itself. The company has an industry-unique partnership with a leading automotive think-tank – the Centre for Automotive Management at The University of Buckingham – to research and publish a range of thought-provoking and enlightening reports on used vehicle matters.

The CAM Team undertakes a wide variety of research and reports. Recent publications in association with BCA include;

- **Used LCV Report 2010**
- **Recession, Scrapage and Sustainable Recovery**

Also look out for the **BCA European Used Car Market Report 2010**, which will be published in October.

If you feel these reports are of interest to you, please feel free to download them at [www.buckingham.ac.uk/cam](http://www.buckingham.ac.uk/cam). Many CAM reports are available free of charge. If you are quoting our material, we would, however, appreciate the appropriate accreditation. If you wish to use our report, in part or in whole, for commercial purposes, you should firstly obtain permission from Professor Peter N C Cooke at The Centre for Automotive Management – [peter.cooke@buckingham.ac.uk](mailto:peter.cooke@buckingham.ac.uk).

The full **BCA Used Car Market Report 2010** is also available from the Centre for Automotive Management website. It can be downloaded for a fee of £30.00 at [www.buckingham.ac.uk/cam](http://www.buckingham.ac.uk/cam). Alternatively, a hard copy version of the report is available for £40.00 from the same web address.