



Lockdown and beyond: navigating the new normal

Summary of outtakes from JATO customer webinar, May 2020.

Lockdown and beyond: navigating the new normal

Over the past few months, Europe has witnessed unprecedented shifts and disruption in the market as a result of COVID-19.

We have all seen reports of vehicle sales plunging as Europe descended into lockdown earlier this year, with customers staying at home and National Sales Companies closing their offices. But how has the industry been responding to these sudden and exceptional circumstances and how can it prepare for the 'new normal' as restrictions begin to ease?

Our recent webinar aimed to unpack these issues, using JATO's unique data and insight, to help you navigate this changing and uncertain environment.

A turbulent Q1 – but the lights are still on

On the surface, everything ground to a halt in the month of April. To an extent this was true – data from our JATO Dealer Panel shows registrations dropping to almost zero compared to January 2020, both in the UK and France.

However, our data also shows another more nuanced side to this story, with 'business as usual' continuing in the background, even during lockdown. JATO's research workload statistics - the daily coding of all price changes issued by all industry players, instance by instance – shows that the number of instances did not drop significantly from mid-March, as we might expect.

In the UK, the number of price changes released by the industry remained fairly consistent between January and April, with April in fact seeing a slight increase on March. In France, market activity in price changes fell in line with a drop of registration numbers in the month of March, however in April the pricing activity started picking up, despite dealerships remaining closed and registrations falling to nearly zero.

Despite the industry seemingly shutting down, the data highlights the fact that National Sales Companies remained busy in the background, preparing to face the market once lockdowns were eased across Europe.

Buying time and re-focussing incentives

As we moved into Q2, the uncertainty caused by COVID-19 led to a clear trend of players in the industry seeking to buy time and keep operations running.

This includes an unprecedented number of incentives being rolled from Q1 into Q2, as manufacturers sought to play it safe, whilst supporting dealers through the uncertainty. In fact, our research into retail incentives across 14 countries shows that 81% of incentives were extended with no change in April 2020, compared to 70% at the start of the quarter April 2019. April 2020 was the highest quarter-start month ever for incentives coded with “no change” to the previous campaign, with just 7% of incentives classed as new – that’s half the number we saw in 2019.

However, even with these incentives rolling over, we saw a shift in emphasis when it comes to incentive types. The data shows that the industry has been busy making adjustments in the background, with a two-pronged approach – a shift away from trade-in incentives and a shift towards stock incentives, as dealers look to manage a wealth of ageing stock.

April 2020 data from the five largest European markets (EU5) shows the value of stock incentives, facilitating run-down of new vehicle stock inventory, is noticeably higher than in the Aprils of 2018 and 2019. This general realignment towards increased usage of stock incentives has been expected and widely discussed by various industry commentators. “What is worth noting, however, is that data for the segment of smallest vehicles (the “mini” segment) actually shows a marginal decrease in the overall value of the Stock Incentives,

showing that although the general trend is towards stock incentives increases, it is in fact more nuanced.

At the same time, April 2020 data indicates a move away from trade-in incentives, with the average discount level across EU5 lower than for both 2018 and 2019. This trend may well have been gaining less attention, but is actually not unexpected. Trade-in incentives encourage dealers to build a stock of used vehicles and this activity is getting now less support as we emerge from the Covid-19 lockdown world.

Preparing for the new normal

These realignments show that preparation for the “new normal” is already underway. And we expect more re-balancing like this to happen on a tactical level during the coming weeks and months, as the industry tries to manage key issues around ageing stock.

But it’s not just the issue of stock to consider. When it comes to production, manufacturers will need to balance potential production backlogs with uncertain levels of customer demand and the potential delay of new vehicle launches. This may require both tactical and strategic responses.

All this will need to be done with adherence to CO₂ fleet targets. Optimising 2020 CO₂ targets required careful planning before the pandemic, and now it just got much more difficult. Our data shows that electric vehicles sales started strong in 2020 but we also know that we cannot predict the level of demand in the new normal.

Each of the three challenges in isolation – stock levels, production disruption and CO₂ fleet targets - may require a different blend of strategic and tactical action. Having the entire market rebalancing at the same time, but from the different starting points, is going to create a period of turbulent tactical realignment.

As we move into the next phase of dealing with the pandemic, the industry must keep a close eye on developments and make both strategic and tactical changes to navigate the new normal. At JATO, our unique data insights will help you do that – keeping you informed so you can confidently navigate the new market environment.

For more information, please contact your local customer support account manager or email enquiries@jato.com.

About us

JATO was founded in 1984 and provides the world's most timely, accurate and up-to-date information on vehicle specifications and pricing, sales and registrations, news and incentives.

The company has representation in over 50 countries, providing unique local market expertise. The JATO client base includes all of the world's volume vehicle manufacturers, giving them the ability to react to short-term market movements, plan for long-term developments and ultimately to meet consumers' needs.

JATO's intelligence has also been adapted for consumer use in motoring web portals where customers can see the advantages and disadvantages of a specified model against any other. Major leasing companies use JATO's intelligence to drive the vehicle quotation process.

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