

# **Automotive industry survey: Covid-19 response**

*Analysis of responses to a Europe-wide survey of automotive industry firms on the impact of the coronavirus pandemic*

*Part 1: Concerns raised, support needed & predictions for lasting change*

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## Introduction

*Despite many businesses being closed due to the lockdown restrictions, more than 400 Autovista Group customers from across Europe took part in a survey about the impact of the coronavirus pandemic on their firm. In part one of our report, we explore the concerns they have for the future, what they expect from their governments to aid recovery, and the prospect of lasting change.*

Only a few weeks into lockdown, the majority of the 432 respondents to Autovista Group's survey on the impact of the coronavirus pandemic on their business already feel despondent about their mid-term future. When asked how positive they feel about the prospects for the automotive industry over the next six months, respondents scored on average just 2.2 out of five. Almost two thirds of respondents scored one or two on the scale.

**“People are hardly interested in buying a car; they use their available financial means to cover other needs. Due to the fewer kilometres driven, there is less need for maintenance work and repairs, and less body damage.”**

Manager, major dealership, Austria

When asked to explain their scores, respondents expressed far more concern about the impact of mid- and long-term recession than short-term restrictions. The public's uncertainty about their economic prospects and levels of unemployment were far more cited often as threats to the

automotive industry than lockdowns, social distancing or restrictions on movement. That said, when it comes to workshops and insurers – who of course both rely on business generated by cars being on the road – reduction in car use was frequently mentioned as a concern, with fewer journeys meaning fewer repairs and claims.

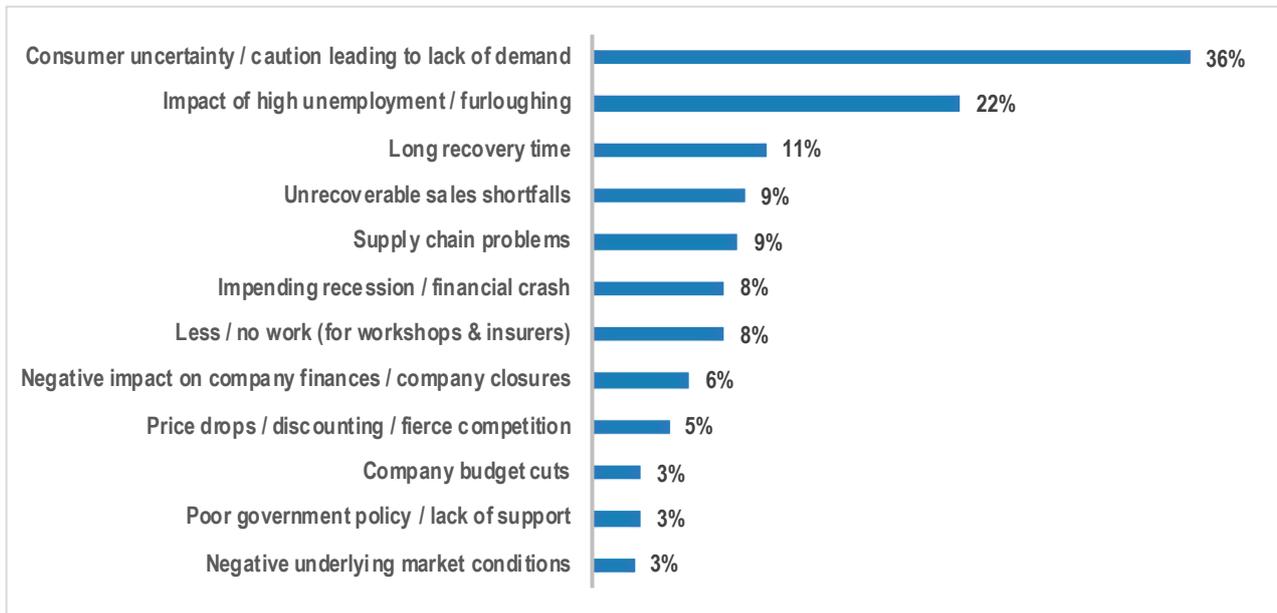
### Methodology

The survey was conducted in April 2020, a month that, in Europe, saw the automotive industry contend with national lockdowns in the majority of countries.

Customers from across Europe were invited to take part. Despite many firms being closed, we received 432 responses.

The majority of respondents (83%) are located in the UK, Germany and Austria (see Figure 2, page 6) with more than half (52%) working in dealerships (see Figure 3).

**Figure 1: Themes in concerns expressed in explanation to respondents' positivity rating**



Note: After respondents were asked to rate how positive they felt about their industry's prospects for the next six months, they were asked why they felt that way. Comments were made by 237 respondents. These were grouped by theme. The percentage of respondents that expressed a concern on a particular theme is shown above. Source: Autovista Group

Several respondents mentioned that they expected a recovery to take far longer than six months. A significant proportion expressed that the sales shortfalls, incurred in the meantime, would be far from recoverable (see Figure 1).

'Clearly, the survey results are affected by the economic outlook, which has become gloomier still over the last few months. Economies will contract, although the degree of contraction is still unknown. Forecasts range from -8% to -12% for GDP in the Eurozone for 2020,' claimed Dr Christof Engelskirchen, chief economist at Autovista Group. 'And we should expect a u-shaped recovery, potentially even a w-shaped one if the not unlikely second wave of infections hits us later this year'.

Even measures to protect workers' income were described as cause for concern rather than hope by many respondents. Several

respondents from Austria mentioned the hundreds of thousands of employees already unemployed or in '[short-time work](#)' (under the country's furlough scheme, employees who have been temporarily laid-off receive 80% of their salary) as reason for pessimism about the prospects for the industry.

**"Very difficult and negative economic forecast. High unemployment figures: > 9%. Loss of income in most target groups. Insecurity of the population."**

Fleet director, major OEM, Austria

Likewise, the similar '[Kurzarbeit](#)' scheme was mentioned by many German respondents as an indicator that consumers will remain cautious about spending their money on cars for some time to come.

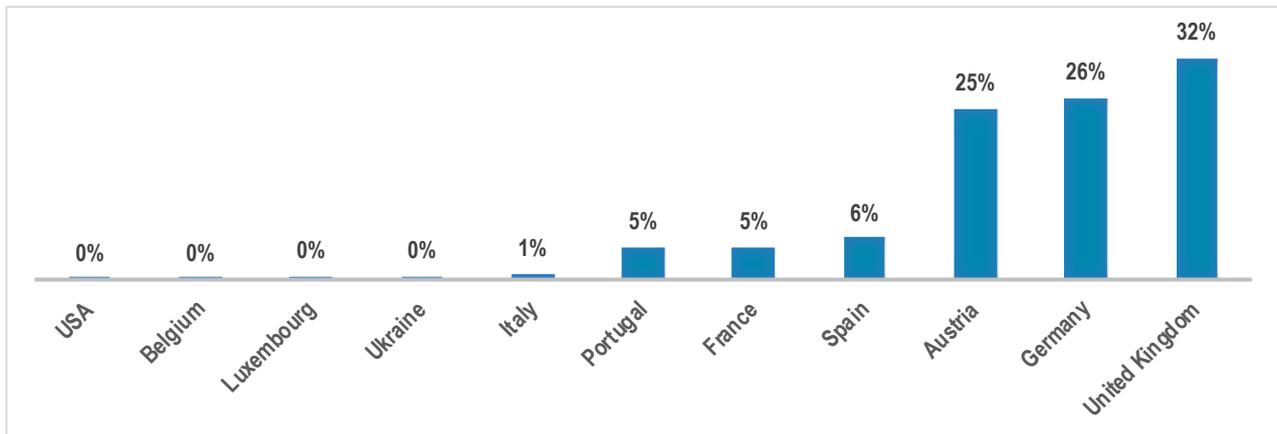
Rather than feeling hopeful that such schemes mean otherwise unemployed workers retain some income, respondents suspect that, for the next six months at least, the significant outlay of a car will be too much for consumers to swallow.

Some have argued that consumers may feel more inclined to buy a car in order to avoid public transport, boosting demand. There will also be reduced supply of both used and new cars as we come out of the pandemic, helping

to hold up prices. But neither factor seems front of mind for respondents. Instead, they are more likely to feel that cars will be considered non-essential and too expensive for some time to come.

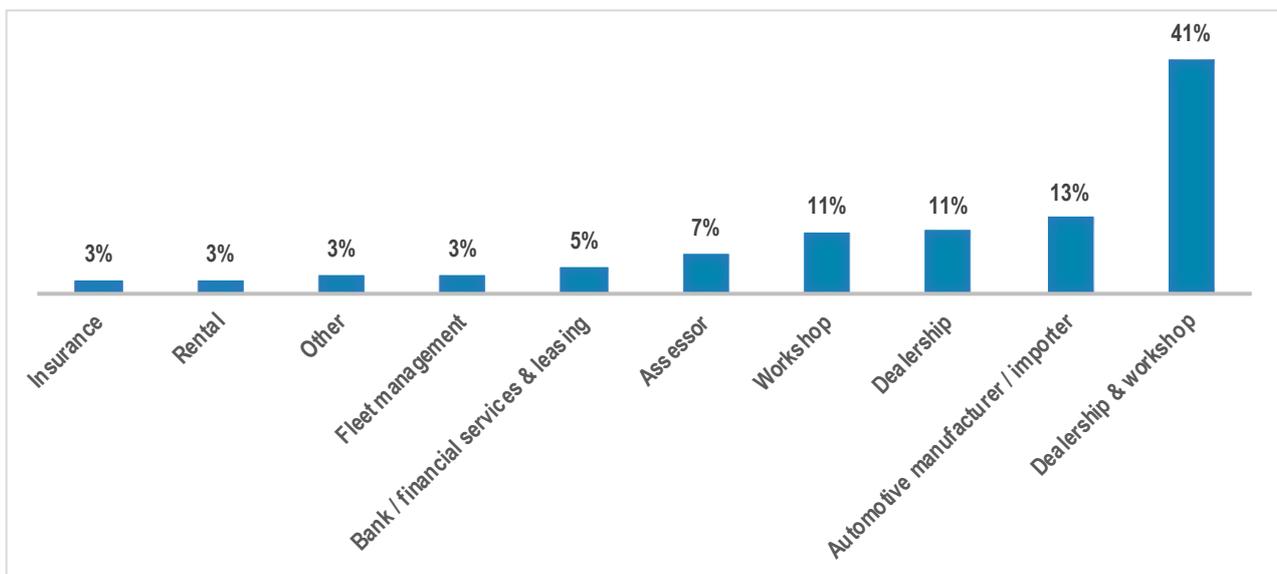
Supply chain problems were, however, mentioned by several respondents, although generally as a threat to business as usual. 'It will still take weeks or months before production [...] can run harmoniously,' said one manager of a large Austrian importer.

**Figure 2: Survey respondents by country**



n=432 Source: Autovista Group

**Figure 3: Survey respondents by company type**



n=432 Source: Autovista Group

Several respondents suggested that fierce price competition would characterise the market as lockdowns lift, stimulating a ‘messy price war’ according to one workshop owner.

**“I expect a discount battle at the end of the year that will affect the balance sheet of the auto industry, as well as a reduced purchasing volume for used cars.”**

Senior purchasing manager, major rental firm, Germany

Only 17% of respondents expressed positivity in their views on the industry’s prospects.

‘I’m not surprised we’re seeing these levels of negativity,’ said Neil King, Autovista Group’s senior data journalist. ‘Beyond a short-term spike because of weeks of inactivity and pent-up demand, I agree with the sentiment that losses will not be recoverable. This will increase pressure on the industry later in the year to discount prices and push for scrappage schemes. The economic fallout means demand will not return to pre-crisis levels for years otherwise (and even then, may not). Beyond higher unemployment, reduced disposable income / purchasing power, consumer confidence will also be further eroded by negative ‘news flow,’ which itself is an indicator for forecasts, aside from the core economic KPIs. Media doom and gloom can become a self-fulfilling prophecy.’

## Opportunity for some

Of course, any crisis brings opportunity to some. One UK-based respondent reported an uplift in orders to his vehicle rental firm: ‘We have seen orders coming in thick & fast [...] A lot of our customers are Amazon carriers. We have noticed a large demand for short wheelbase (SWB) vehicles as people staying

at home are doing a large volume of online shopping.’

Other positive comments ranged from the generally hopeful (‘This too shall pass’) to the specific. Reasons to be cheerful included recognition that the automotive industry is key to ensuring the flow of goods, hope that the crisis would cause manufacturers to cease overproduction, and the predicted uptake of battery electric vehicles (BEVs).

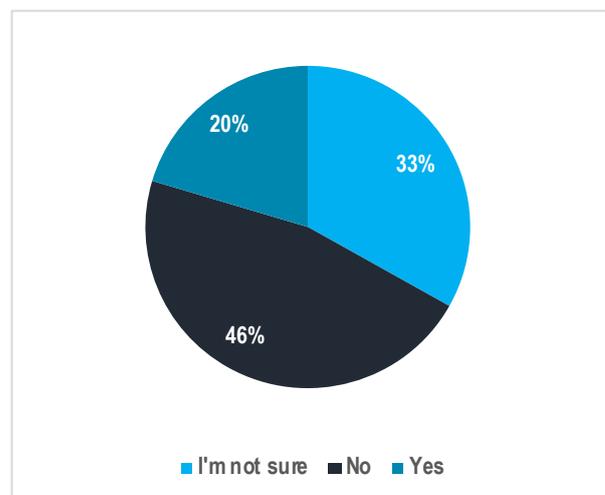
**“I feel we will get over this quickly and be back to where we were prior to the pandemic.”**

Manager, assessor, UK

## Governmental support (or lack of)

When asked whether they felt that government measures to support the automotive industry through the pandemic went far enough, we again saw that most respondents are far from happy (see Figure 4).

**Figure 4: Do government measures go far enough in supporting the auto industry?**



n=368 Source: Autovista Group

Only 20% of respondents expressed that the measures in their country did go far enough. One third said they were not sure and 46% of respondents claimed that ‘no’, the measures did not go far enough.

In Austria, respondents were particularly critical of their government’s response. Only 9% of respondents agreed that measures had gone far enough. 63% said ‘no’, they did not.

For Germany, support for the government was slightly higher, with 18% saying ‘yes’ in response to this question. Still, 44% disagreed.

The UK respondents were more supportive than average of their government’s measures, with 36% agreeing that the measures did go far enough and 27% saying ‘no’.

When it comes to how respondents from different company types responded, automotive manufacturers and importers are less likely than dealerships and workshops to express that government measures go far

enough: 69% of the former group answered ‘no’ to this question, compared to 52% of the latter.

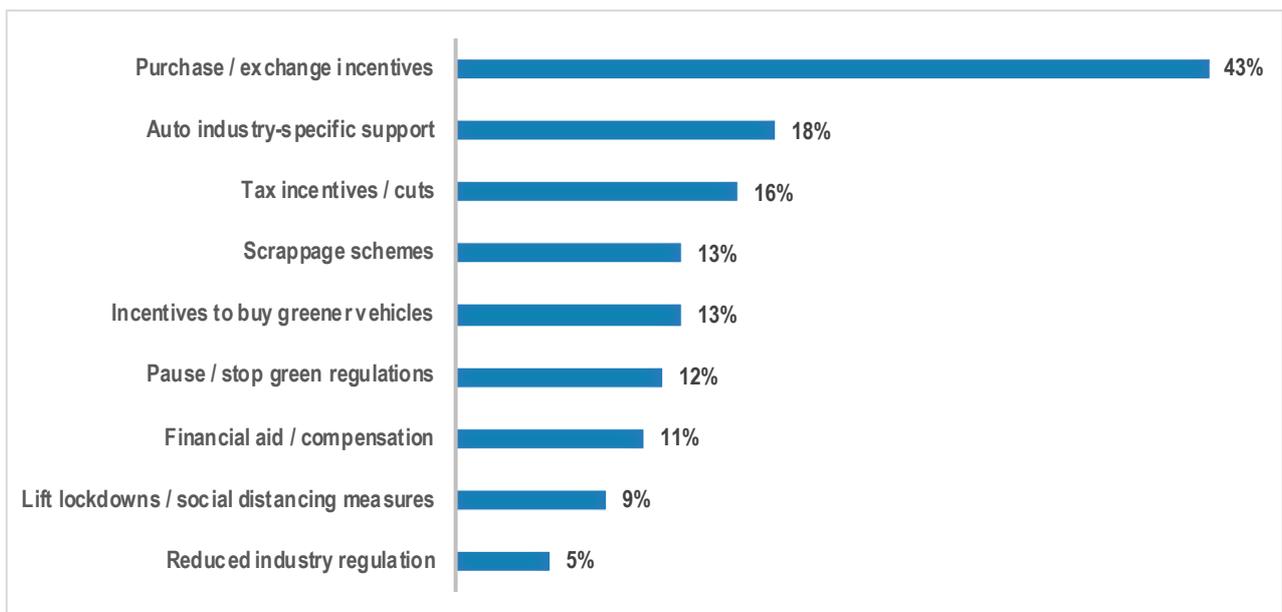
We then asked respondents that answered ‘no’ which measures they would like to see from their government (see Figure 5).

**“Environmental bonuses (instead of scrappage bonuses) for private customers and at least temporary tax relief for corporate customers.”**

Head of sales, major OEM, Austria

Almost half of respondents requested some type of purchase / exchange incentive scheme, such as bonuses for new car purchases / exchanges. Scrappage schemes and incentives to buy greener vehicles, were mentioned in particular and several respondents requested tax cuts or incentives (especially for corporate customers), such as a VAT reduction on cars.

**Figure 5: Top themes in suggestions for government support**



n=94 Source: Autovista Group



Although governments have rolled out schemes to support businesses in general, many respondents called for more support specific to the automotive industry; that which recognises the specific challenges it is facing. Respondents from several countries mentioned the need for schemes that support SMEs in particular.

**“Given the contribution of the car industry to the GDP of Spain, some government plan should be considered necessary to support the sector but at the moment, there is none seen.”**

Manager, major OEM, Spain

When it comes to the government support offered, car dealerships have been put ‘in same category as a launderette or sweet shop,’ said the director of one UK-based independent dealership, despite the fact that costs and sales shortfall will be of a far greater

magnitude than those for many other small businesses.

Several respondents suggested now was the time to pause or stop regulations designed to reduce CO<sub>2</sub> or benefit the environment in other ways, and a handful suggested rolling back or changing other regulations, such as increases to Austria’s Standard Fuel Consumption Tax (NoVA). ‘No government auto-bashing!’ requested the manager of one of Austria’s leading bodyshops when asked what governmental support he’d like to see.

On the other hand, more respondents said that now was the time to ramp up incentives for the purchase of greener vehicles, seeing the crisis as an opportunity to change consumer behaviour while benefitting the car industry.

More than 10% of respondents called for financial aid, such as compensation for lost revenue or bridging loans. Others simply want to see the end of lockdown: in some cases, before restrictions have been lifted for other industries.

# Lasting change

Just weeks into the coronavirus pandemic, commentators across industries are claiming that lasting change to consumer behaviour will result from the crisis. While it's of course too early to say how the future will pan out, it's important to understand the extent to which that change is expected and to explore what that might mean for our industry.

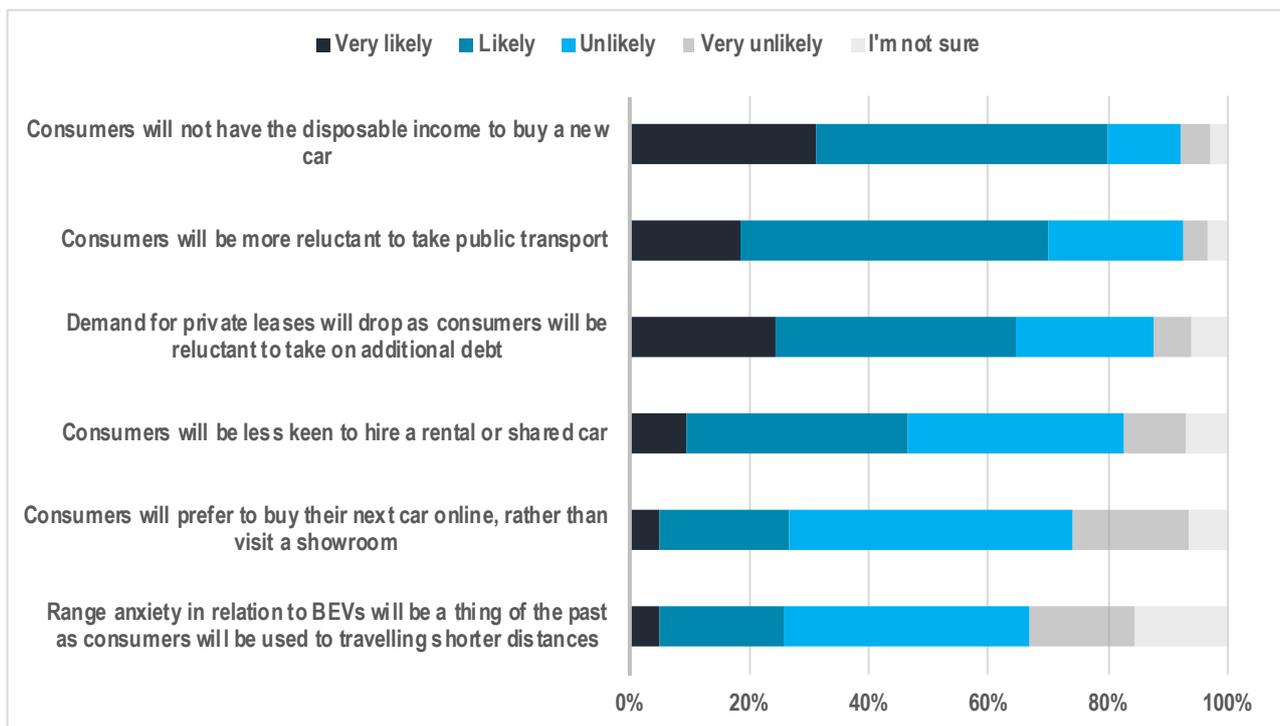
We asked respondents how likely they consider a number of possible changes to endure, after the threat of the pandemic has passed (see Figure 6).

## Reluctance to spend

As seen in earlier questions, respondents are concerned that consumers will not have the disposable income to buy a new car for a significant time to come: 31% said this was 'very likely' and 49% 'likely'.

Similarly, a total of 65% of respondents consider it likely that demand for private leases will drop as consumers will be reluctant to take on additional debt, although OEMs are less likely than average to consider this a lasting outcome of the pandemic.

**Figure 6: Predicted likelihood of lasting change resulting from the pandemic**



n=351 Source: Autovista Group



### Public transport out of favour

On a more positive note for the industry, 70% of respondents expressed that it is 'very likely' (18%) or 'likely' (52%) that consumers will be more reluctant to take public transport for a lasting period, which could of course stimulate car-buying activity. OEMs especially consider this a probable outcome, with 83% expressing that this is likely.

A compromise for consumers unwilling to commit to a pricey purchase or lease, but keen to avoid public transport, could be car rental or sharing. Fewer than half of respondents (46%) think it's likely that consumers will be less keen to hire a rental or shared car, suggesting that, despite it initially being hard-hit by lockdown restrictions, this sector may be more resilient to the lasting effects of the pandemic.

### Business as usual

At present, respondents don't tend to expect lasting change to consumers' online

purchasing behaviour, with only 27% of respondents considering it likely that consumers will prefer to buy their next car online rather than visit a showroom. This figure dropped to 15% for Austria and 14% for Germany.

In contrast, 35% of UK-based respondents consider this a likely outcome, suggesting that UK-based dealers are improving their digital readiness (or at least thinking about doing so) in response to the coronavirus crisis. This could be in part due to the fact that the UK remains in lockdown while restrictions have begun to be lifted in Austria and Germany. UK dealers may simply be more resigned to business as usual not being an option for some time.

Fewer respondents still consider it likely that range anxiety in relation to BEVs will be a thing of the past, despite the fact that most people are now travelling much shorter distances than they were. Only 5% of respondents feel this to be 'very likely' and 21% consider it 'likely'.

## Conclusion

Optimism around the short- and medium-term effects of the coronavirus pandemic on the automotive industry is in short supply. Firms are less concerned with the immediate impact of lockdown and are already looking to an uncertain future.

Many are unsatisfied with their government's response to the crisis with regards to their industry and call for a range of support measures, from scrappage schemes to reduced regulation.

The changes previously disrupting the automotive industry remain front of mind. Yet, while some are calling for the roll-back of schemes designed to improve the environmental impact of our industry, many see the crisis as an opportunity to help the industry while encouraging consumers to purchase greener vehicles.

There is an expectation of lasting change caused by the pandemic, but so far this is expected to be more in the form of a slow recovery than more fundamental shifts to consumer behaviours.

That said, respondents expect consumers' unwillingness to spend to continue for some time. In both the shorter term, while uncertainty about the future is high, and in the medium term as the expected economic downturn kicks in, consumers have plenty of reason not to buy cars. Dr Christof Engelskirchen added that 'the expectation of

schemes designed to boost sales causes consumers to delay purchases until such schemes are in place. People may wait to see what deals are offered rather than make a purchase now'.

On the other hand, the public's unwillingness to take public transport may stimulate car sales to a degree.

Few however expect the range anxiety associated with BEVs to reduce as the public gets used to driving less.

There is little expectation that car buying will shift online, from those selling cars at least (the response may be different had we surveyed consumers).

'There will continue to be a need to touch and feel the car, during a test drive or in a showroom,' predicted Engelskirchen, 'however, the crisis has shown how exposed the automotive industry by a lack of e-commerce capabilities. A greater focus on building an online sales process is required. In the future, an omni-channel approach to car selling will be key, where customers and sellers can transition freely between offline and online worlds depending on preference and market conditions.'

## Shared concerns

When it comes to the big challenges facing the automotive industry, there are many concerns and desires for help shared by companies of different types. In **part two**, we learn more about the responses and concerns of dealers, OEMs and leasing firms specifically.

What's more, we recognise that, although our industry will continue to be challenged for some time ahead, companies of all types across Europe have responded rapidly to the Covid-19 pandemic.

## Take part in our research

You can take part in Autovista's coronavirus impact survey at any time via this link: <http://tiny.cc/yu7epz>.

The survey will remain open indefinitely as we continue to monitor our industry's response to the crisis.

We'll update you periodically with the results so you can benchmark your views against those of your peers and understand how companies like yours are responding to the crisis.

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