

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 2: Activities and opinions of dealers, manufacturers/importers and leasing firms in response to the crisis

**Autovista
Group**....

Autovista Group
5th Floor, Wellington House
125 Strand
London WC2R 0AP
UK

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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 firms. In part two of our report, we explore the activities and opinions of key stakeholder groups: dealers, manufacturers/importers and leasing firms.

In [part one](#) of our report, we revealed that, 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.

Looking at the steps taken to tackle the crisis, however, how firms have responded varies by their type, size and location. As we'd expect, dealers have not necessarily responded in the same way as manufacturers. And franchised dealerships haven't always responded in the same way as their independent counterparts. Furthermore, if we explore the differences between countries, the impact of national lockdown schedules and government responses are clearly visible here.

[Part one](#) of our report showed that firms were less concerned with the immediate impact of lockdown and are already looking to an uncertain future. Despite this, if we explore how firms of different types responded to the survey, we see that – just a few weeks in – many had already taken significant steps to change how they work in order to survive the crisis. Whether those steps go far enough, only time will tell.

Methodology

The survey took place in April 2020. Customers from across Europe were invited to take part. We received 432 responses. The majority of respondents (83%) are located in the UK, Germany and Austria, with more than half (52%) working in dealerships. See [part one](#) of our report for further details.

Dealer respondent profile

- 41%** independent dealership
- 59%** franchised dealership
- 47%** single-brand franchise
- 53%** multi-brand franchise
- 60%** single-location dealerships
- 67%** role = owner / manager

n=198

Dealers' response

When our survey closed in early May, only 46% of dealers' showrooms were currently closed, in large part a reflection of the varying lockdown schedules across Europe. In the UK, 90% of dealers were closed entirely in May compared to only 9% in Germany. In Austria, the figure was 51%. Overall a further 10% of dealers were considering closure at the time. One-third had limited their service to key handovers.

This significant variance reflects the fact that most German respondents took part in the survey after moves to reopen dealerships in the country were [announced in mid-April](#), as there is no doubt that many more than 9% of dealerships in Germany closed for at least a short period due to the pandemic. A few German dealers did indeed mention in their comments that they had already reopened.

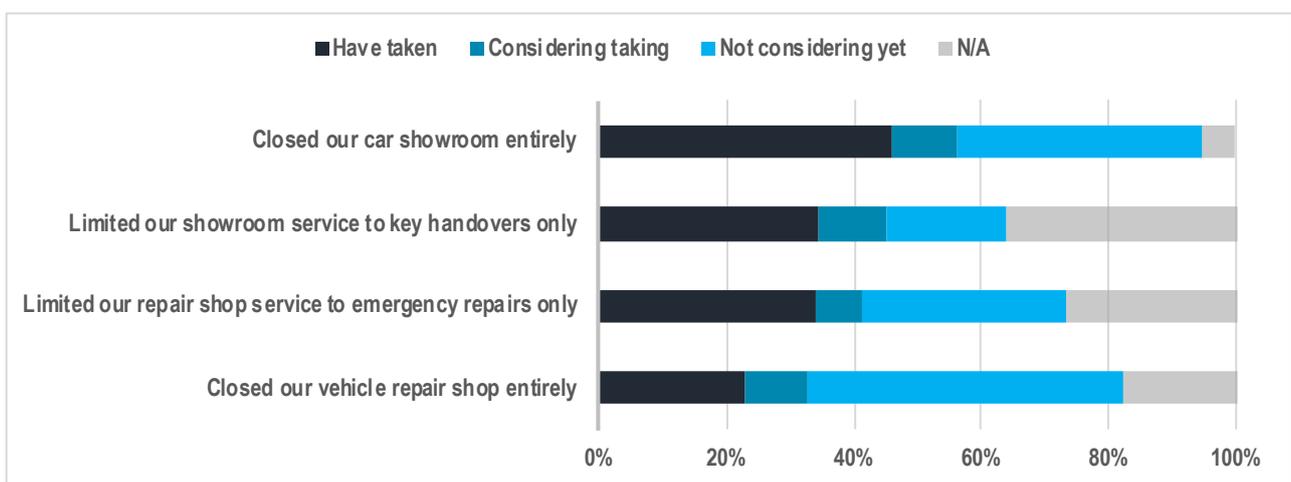
It could be argued, however, that Germany experienced a ['lighter' lockdown](#) than other European countries, which may have had an impact on overall closure rates.

In the UK, dealers were only able to re-open on 1 June, well after the survey results were run. Outside of these countries (UK, Germany, Austria), the closure rate was around 90%.

Independent dealers were more likely to have gone for full closure than franchised dealers (55% vs. 39%), and single-brand franchises were more likely to have shut up shop than multi-brand franchises, suggesting a quicker response to the crisis from smaller firms.

Only 23% of dealers had closed their repair shops entirely at the time of the survey, but 34% had limited their service to emergency repairs (see Figure 1).

Figure 1: Operational changes made by dealers in response to the coronavirus pandemic



n=198 Source: Autovista Group

UK: uncertainty abounds

The majority of dealers were optimistic about being closed for only a short period (albeit one that would still be long enough to lead to an unrecoverable sales shortfall, as we learned in [part one](#) of our report). 78% predicted that they would remain closed for under two months; 30% for under one month, with franchised dealers being slightly more hopeful of a shorter lockdown than independents.

Again, we see significant variance by region, with only 50% of UK dealers expecting to remain closed for two months or less compared to 100% of respondents from Germany and 97% of respondents from Austria, where many were already emerging from lockdown (see Figure 2).

While UK dealers don't necessarily expect a significantly longer period of closure, 30% of them claimed it was 'impossible to say' for how long they would need to remain out of operation, suggesting the UK government's guidance for the automotive industry on how to emerge from lockdown has been less clear than that given by other European governments.

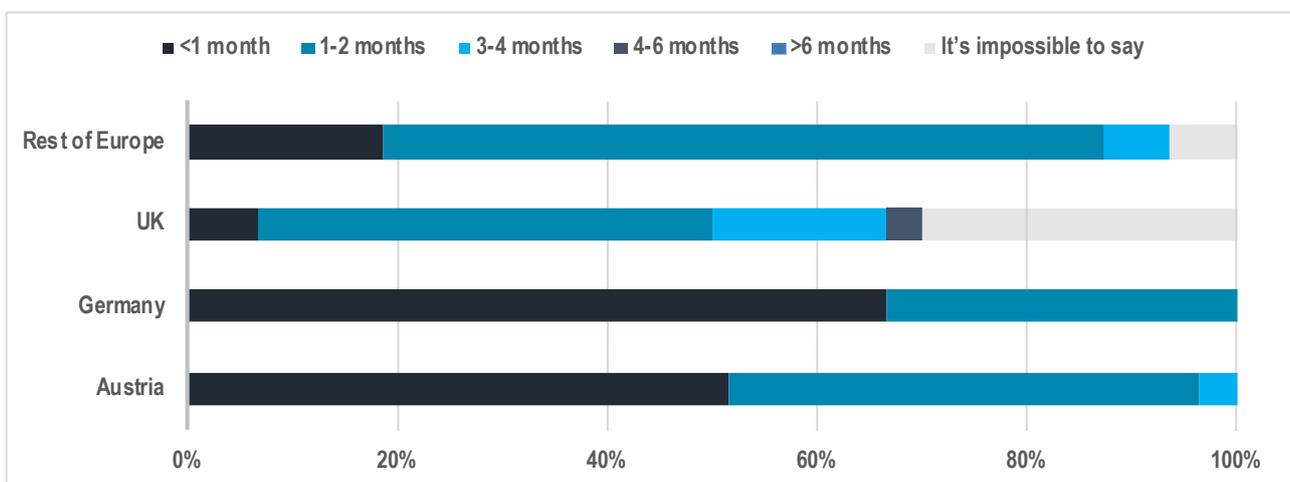
Shift to online (for now)

In [part one](#) of our report, we saw that the industry so far does not see consumer behaviour changing as a result of the pandemic to the extent that people will prefer to buy their next car online rather than from a showroom. While only 27% of respondents agreed that was likely, this has not stopped dealers seeing online retail as an important part of the mix in tackling the pandemic while in its midst. Over half of dealers (57%) have already increased their efforts to sell vehicles through online portals, and a further 14% are considering doing so.

Franchised dealers are slightly more likely to be taking a lead here, with 57% (compared to 50% of independent dealers) already having increased their efforts to sell online.

It appears the comparative uncertainty faced by dealers in the UK is having an impact here, too. While in Germany and Austria, two-thirds of dealers have been proactive in selling vehicles online, this figure drops to less than a third in the UK.

Figure 2: Dealers' expectation of how long their operations will remain closed, by region



n=82 Source: Autovista Group



Cost control

Three-quarters of dealers are already controlling costs or considering doing so by decreasing advertising, and almost two-thirds have or will stop adding cars to their stock (see Figure 3).

Perhaps unsurprisingly, independent dealers have been more likely to control costs in this way, with 52% of them stopping adding cars to their stock compared to just 32% of franchised dealers. Conversely, 60% of franchised dealers have already decreased their advertising compared to 48% of independents.

UK dealers have been keener to act here, with 68% of them having decreased their advertising compared to 53% in Germany and 56% in Austria. A high 74% of UK dealers have stopped adding cars to their stock. The figure

is as low as 25% in Germany and 38% in Austria.

“[We are] delivering cars sold but are unsure as to the legality of even contactless handover. Not comfortable enough if questioned as to why we are out delivering and require some clarification on the matter. However, without it, business is suffering hugely.”

Partner, independent dealership, UK

Controlling costs is an important survival strategy, but while UK dealers are only able to focus on short-term survival rather than preparing for a long, slow recovery – and maybe even permanent changes to consumer behaviour – they may end up less well-equipped for the future than their counterparts in Europe.

‘Given that many dealerships across Europe could only open for maintenance and repair purposes and so could only fulfil online orders and deliveries of cars, I was surprised to see that, at the time of the survey, just 46% of dealers in our survey said their showrooms were closed entirely and only 54% were limiting showroom service to key handovers,’ said Autovista Group senior data journalist Neil King. ‘This does explain why only 57% increased efforts to sell through online portals, although I would have expected dealers to seize the opportunity to increase their online presence both for the short-term lockdown period and as they seek to reopen, especially as only 41% stopped adding used cars to stock.

‘One UK respondent commented that they are “delivering cars sold but unsure as to legality of even contactless handover” and later added that they “want legal clarification on delivering a sold car through an online sale. We know our forecourt must remain closed, but it seems almost anything else can be purchased online and delivered to a house door. We have a customer waiting on a car that is paid for”. This lack of clarity from authorities certainly seems to have influenced dealer operations and, in turn, their responses to this survey.’

Proactivity hindered by confusion

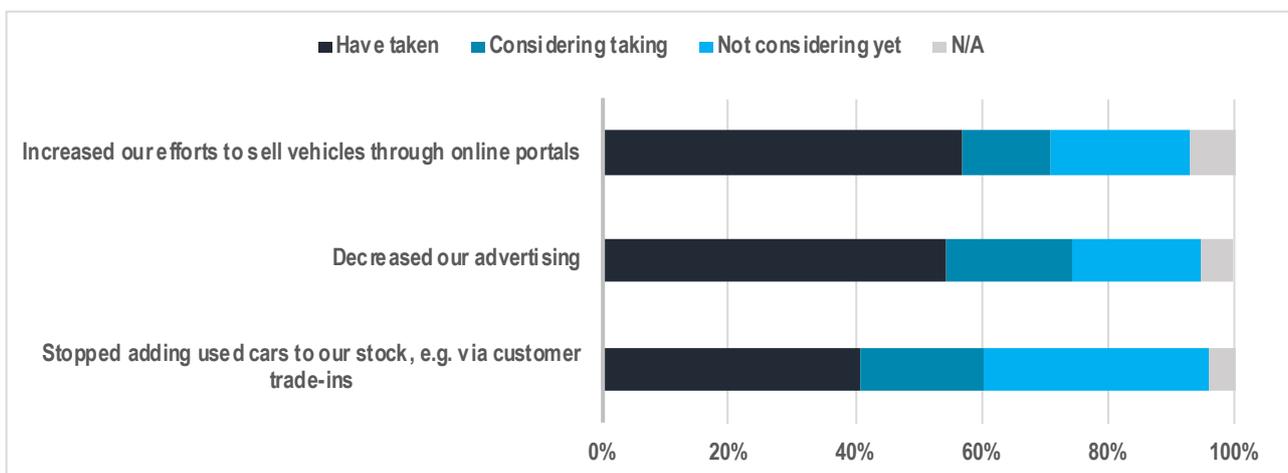
We asked dealers to tell us about any additional actions they have taken in response to the pandemic. Here too, we saw a clear split between the countries with clarity on how and when they might be emerging from lockdown and those just beginning to address its impact.

“[We are offering] trade-in bonuses to give customers an incentive to buy, [and] sale & lease-back deals for customers who have been a cash buyer in the past two years.”

CEO, independent dealership, Germany

While Germany’s dealers spoke of special marketing campaigns to drive sales and steps to protect staff and employees while operating their showrooms, UK-based dealers indicated their hands were tied over uncertainty around the legality of certain activity and when they might be able to start operating again.

Figure 3: Actions taken by dealers in response to the coronavirus pandemic



n=190 Source: Autovista Group

Little change to consumer behaviour

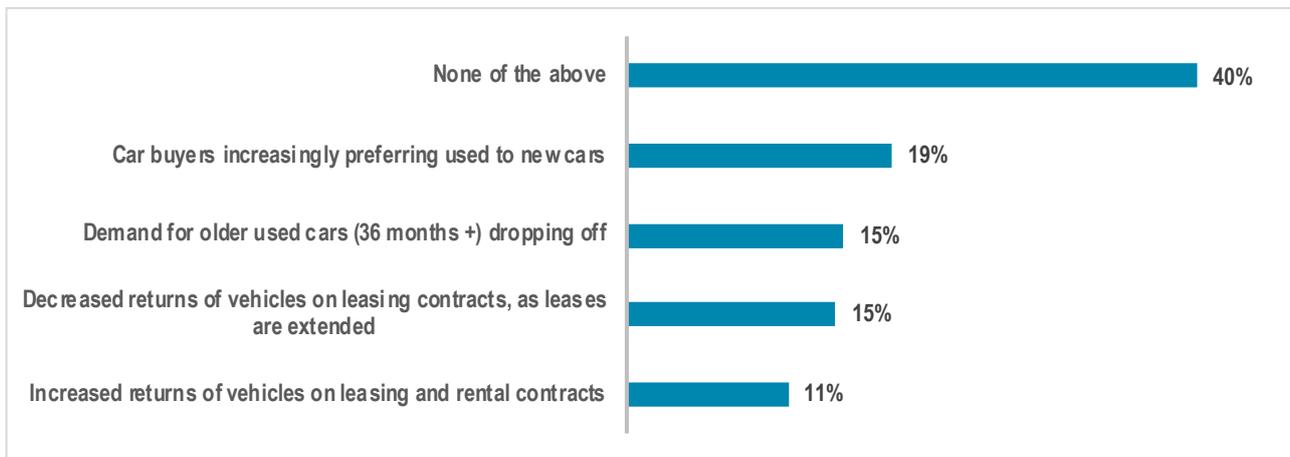
The activities being taken in response to the pandemic are not, so far, being instigated by changing consumer behaviour. At the time of the survey, very few dealers reported changes in their interactions with customers. Only 19% of respondents had found that consumers were increasingly preferring used over new cars; only 15% said they were seeing demand for older used cars (36 months +) dropping off. Only 15% said they were seeing decreased returns of vehicles on leasing contracts. Just 11% have seen increased returns of leased vehicles (see Figure 4).

The fact that few dealers are yet to see changes in consumer behaviour is perhaps in part due to the fact that many of them were

closed for business at the time of the survey. Indeed, 70% of UK dealers had yet to observe any of the suggested changes compared to 36% in Germany and 26% in Austria. Overall, a significant minority (40%) had not observed any of the suggested changes.

Over 20% of respondents mentioned other changes they had observed in consumer behaviour. The vast majority of these comments reveal that the biggest change in consumer behaviour is a complete absence of demand. 'The trade in new and used cars is dead! We hardly receive any requests and cannot generate new orders!' proclaimed one independent dealer from Austria. Many others echoed his tone.

Figure 4: Changes in consumer behaviour observed by dealers since the start of the pandemic



n=176 Source: Autovista Group

Manufacturers & importers' response

Automotive manufacturers and importers appear to have responded more quickly than dealers to the coronavirus pandemic, possibly because business as usual was even less of an option for them than it was for dealerships.

By the time we received the survey results in early May, the vast majority had already made a number of changes to the way they operate (see Figure 5).

Almost all manufacturers and importers (96%) had already asked office staff to work from home; almost two-thirds at reduced hours, with this option still being considered by a few. Over two-thirds had closed production lines, (the remaining third saying this option was not applicable to them). Two-thirds of respondents expect their operations to remain closed for 1-2 months, and 17% for less than a month.

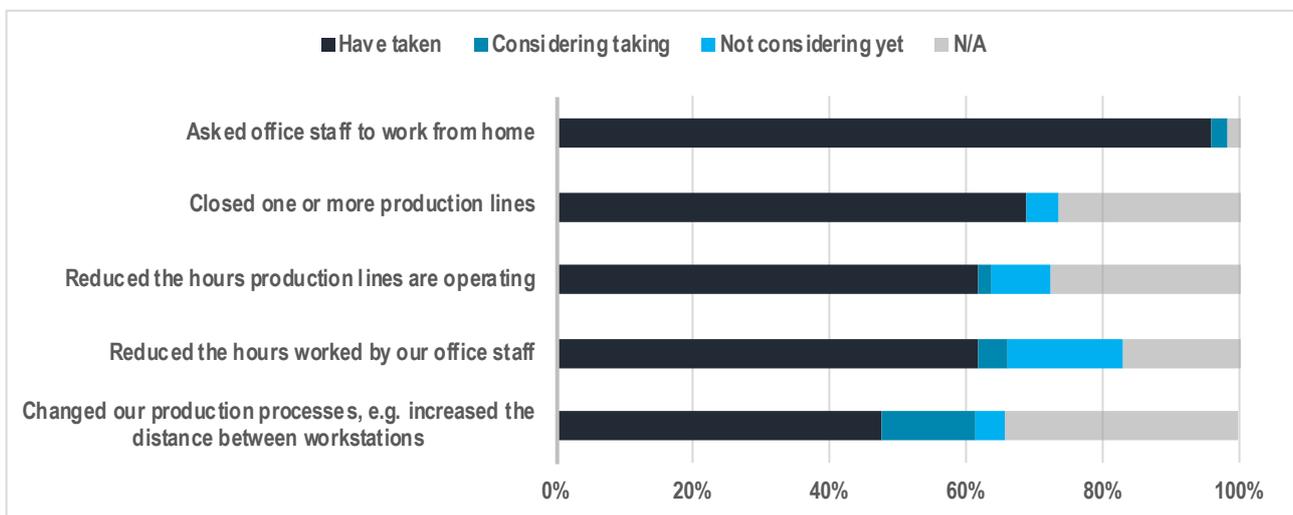
“Where possible, we will continue with new model launches and facelifts planned from July onwards. Production on these has been delayed but only by a matter of weeks.”

Sales manager, OEM, UK

Leading the move to ecommerce

In contrast with dealers, a significant majority of manufacturers and importers have increased their efforts to sell vehicles via e-commerce, with 71% saying they have already done this and a further 17% saying they are considering the option. The figures were 57% and 14% for dealers (see Figure 7).

Figure 5: Operational changes made by manufacturers & importers in response to the pandemic



n=50 Source: Autovista Group



Delays to model launches or moves to do them virtually are not an option for most OEMs yet, but between half to two-thirds of them are at least considering these tactics for the future. Simplifying production processes through a reduction in derivatives is on the radar for a few.

When asked what additional actions they were taking in response to the pandemic, manufacturers and importers' responses ranged from measures to support their dealer network to reviewing product lines, but no trends were clear.

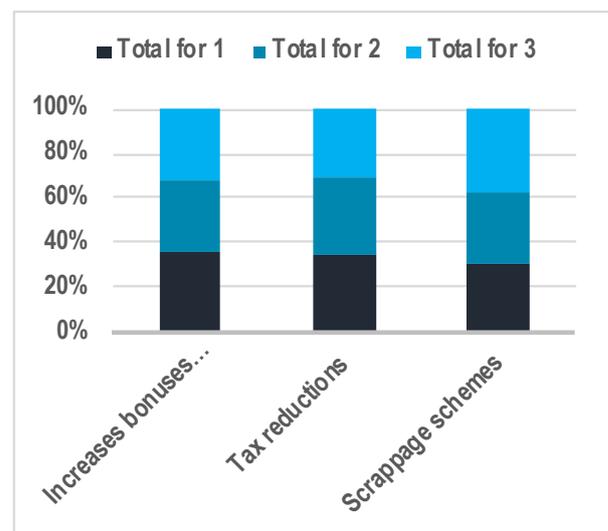
Road to recovery

In [part one](#) of our report we saw that companies of all types across all countries felt their governments could do more to help the automotive industry recover from the pandemic.

Manufacturers and importers expressed no clear preference for whether bonuses for environmentally friendly cars, scrappage schemes or tax reductions would be their preferred helping hand, however. When asked

to rank three possible support scheme types, respondents showed no preference for one over the other, suggesting that all and any help is appreciated right now (see Figure 6).

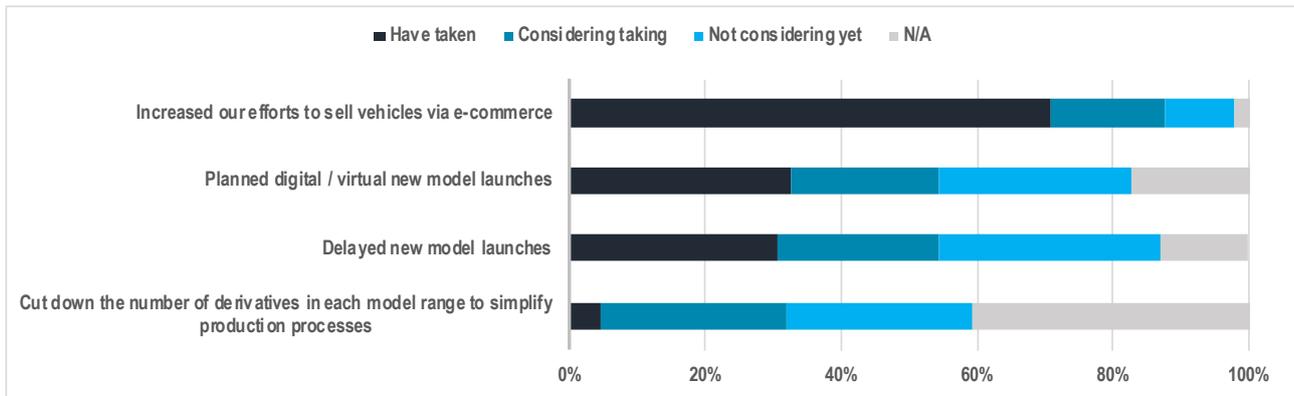
Figure 6: Industry support schemes, ranked by preference



n=50 Source: Autovista Group

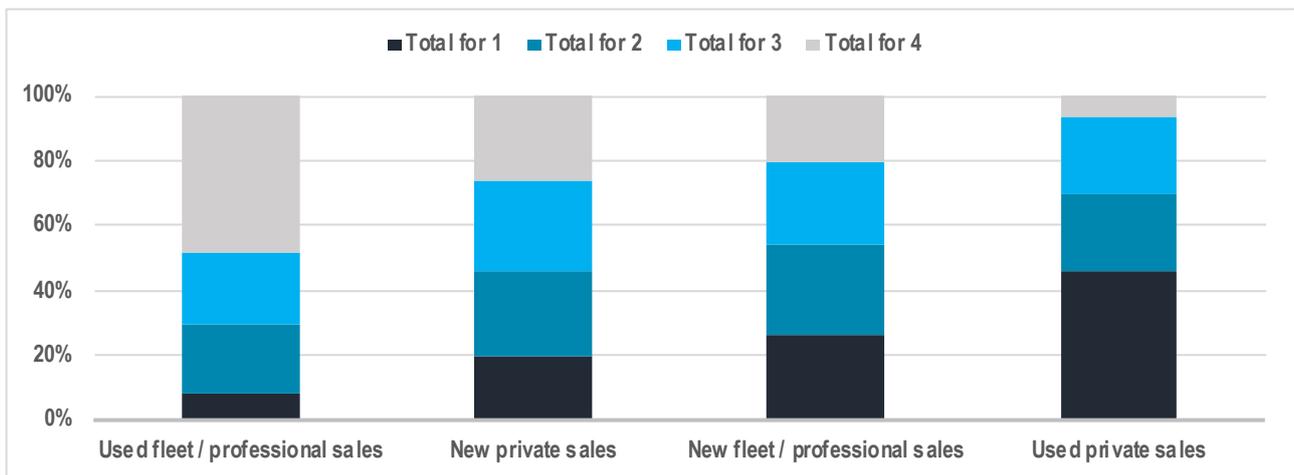
Manufacturers and importers were clear on which area of the market they expect to recover first, however, with the used private sales sector topping the list (see Figure 8).

Figure 7: Actions taken by manufacturers & importers in response to the pandemic



n=49 Source: Autovista Group

Figure 8: Sales areas, ranked by expected order of recovery



n=50 Source: Autovista Group

Manufacturers and importers expect new car sales to recover in the fleet area before the private sector of the market, with used cars for fleet / professional sales at the bottom of the list.

‘Governments around Europe are now launching or considering additional incentive packages for battery-electric vehicles, which could help boost that market segment but will

do little to increase new-vehicle sales overall following the coronavirus pandemic,’ comments Daily Brief editor Phil Curry. ‘BEVs accounted for just 1.9% of sales across the EU last year, and while increased financial help for their purchase will see this rise, the increased cost of the technology coupled with an infrastructure still in its infancy will not give the bounce back the industry needs.’

Leasing firms' response

Like manufacturers and importers, leasing firms were quick to ask staff to work from home, with almost all doing so by the start of May.

Leasing firm respondent profile

76% independent leasing company
24% captive leasing company

Vehicles on lease

30% <25,000
10% 25,001-50,000
40% 500,001-100,000
5% 100,001-250,000
15% >250,000

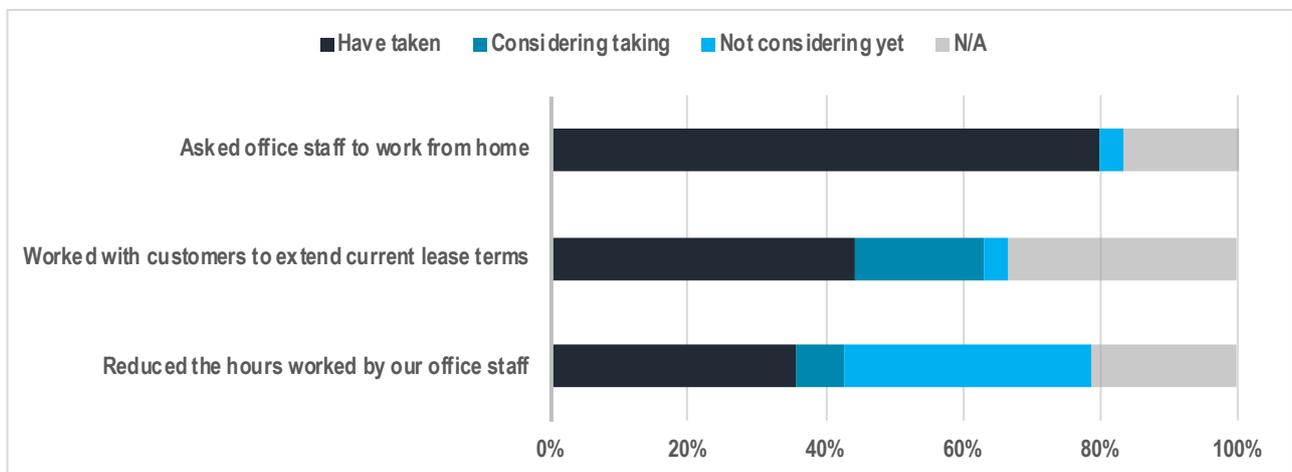
n=23

By the start of May, only 3% of firms were still considering whether to ask office staff to work from home; 80% had already done so and 17% said this was not an applicable option for them.

Only one-third of companies had so far found it necessary to ask staff to work reduced hours, and another third were not considering this at the time of the survey (see Figure 9).

When those companies that had closed their offices were asked for how long they anticipated they would remain closed, 46% of respondents said it would be 1-2 months and 21% said 3-4 months, suggesting leasing firms might expect to remain closed for longer than car dealerships and manufacturers.

Figure 9: Actions taken by leasing firms in response to the pandemic



n=30 Source: Autovista Group

Almost half of respondents had already started working with customers to extend leasing terms, and only 4% said they were not considering this option.

“We will have a slow return to work starting from next week but only one person per eight desks to keep to social distancing.”

Director of sales & marketing, financial services firm, UK

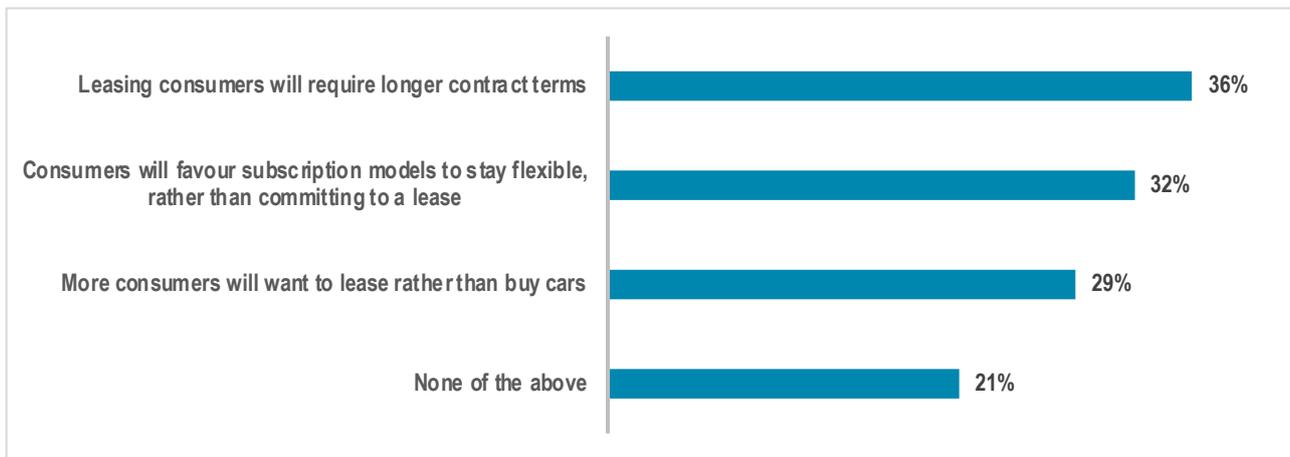
Additional actions that leasing firms have taken to address the pandemic include measures to re-open while protecting customers and staff, reduction in fleet volumes and the creation of new financing plans to meet changing customer need.

Supply and changing demand

As with other sectors, respondents from leasing firms were not so far predicting changes to consumer behaviour as a result of the pandemic. Only around one-third agreed with suggested predictions for how leasing behaviour may change, with leasing customers expecting longer contract terms considered the most likely change, albeit by only 36% of respondents (see Figure 10).

Leasing firms so far do not expect that consumers are more likely to want to lease rather than buy cars as a result of the crisis (only 28% predict this change), but interestingly one-third of them feel that consumers may start to favour subscription models rather than committing to a lease. The Covid-19 pandemic could push firms towards this business model faster than may otherwise have been the case.

Figure 10: Changes in consumer requirements predicted by leasing firms



n=28 Source: Autovista Group

Revenue impact

As we might expect given the trend of the responses, dealers expect the revenue impact of the coronavirus pandemic over the next six months to be significant. Three-quarters of dealers expect to see a decrease in their revenue of more than 10%. No single dealer sees their company having any revenue growth over this period. A mere 1% of dealers expect their revenue to remain stable (see Figure 11).

Unlike for other questions in the survey, we don't see a significant variation in how people in different countries responded to this question.

Dealers in Germany are slightly more optimistic than average, with 68% expecting an above 10% decrease in revenue in the next six months. (This counts as optimism in this context.) Those in the UK are slightly more

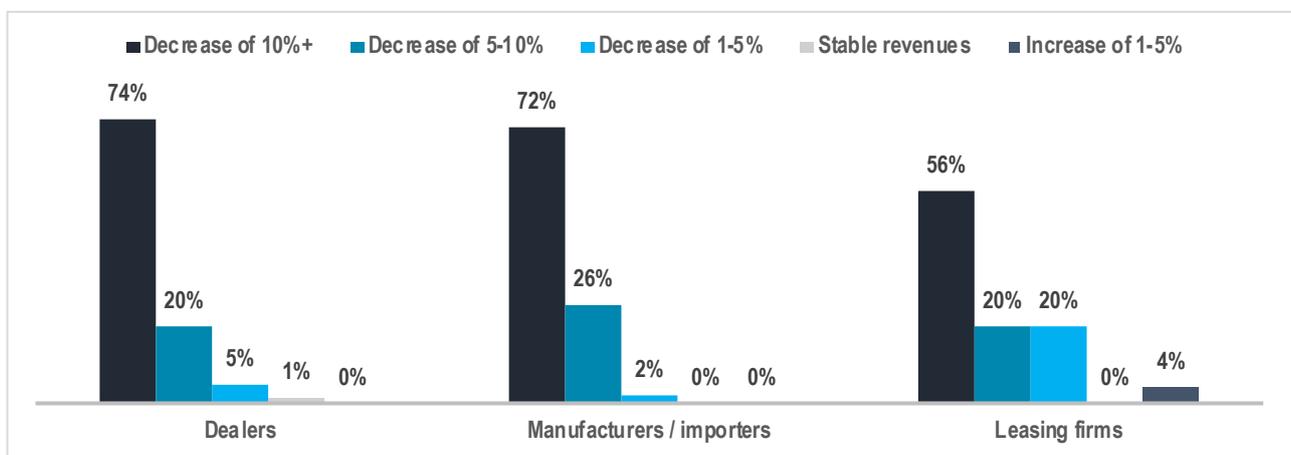
pessimistic, with 77% expecting a greater than 10% decrease in revenue and the remaining dealers expecting a decrease of 5-10%.

If we turn to look at the impact automotive manufacturers and importers expect from the coronavirus pandemic, we see that they expect their prospects to be equally gloomy. Just under three-quarters expect to see their revenue decrease by more than 10% over the next six months.

Leasing firms are slightly more optimistic, with just over half expecting the revenue decrease to be above 10%. A tiny 4% even expect modest growth over the period.

Overall, it appears that even countries emerging from lockdown are far from hopeful about the future.

Figure 11: Expected revenue impact of the pandemic, by company type



n=302 Source: Autovista Group

Conclusion

[Part one](#) of our report showed that optimism around the short- and medium-term effects of the coronavirus pandemic on the automotive industry was in short supply. In part two, we see this too, with firms of all types across all regions expecting at least a 10% decrease in revenue over the next six months.

Despite the dramatic impact the Covid-19 pandemic has had on the automotive industry, we do not yet see an expectation that consumer behaviour will change significantly as a result. Only a minority of respondents recognised that some changes are emerging in consumer behaviour and requirements (or predicted that they would see a change in the future). It could be that firms are understandably focused on survival. Indeed, the only change in consumer behaviour that many respondents said they are seeing was a complete drop-off of demand.

Manufacturers and importers appear to have responded more promptly than dealers to the crisis and also are more rapidly increasing their efforts to sell cars online. Dealers may find themselves needing to keep up with OEMs' expectations around their e-commerce capabilities.

At the time of the survey, UK dealers appeared to be suffering a greater impact of the pandemic than their counterparts in Germany and Austria, being much more likely to be closed and much less likely to be preparing for the future. While the fact that the UK is a couple of weeks behind in its progression of the pandemic is part of the cause, of course, it

also appears that UK respondents feel less certain about what they can expect as lockdown lifts. It will be interesting to see whether this changes when we update our survey results in a few weeks, once UK dealerships have been able to re-open.

Several dealers, manufacturers and importers agree that used cars will be more attractive to consumers than new cars as a result of the crisis. Some leasing firms expect that consumers will require lower outlays and greater flexibility still, with one-third predicting that car subscriptions may become more attractive as a result of the crisis.

We will continue to explore what the future of our industry looks like as the pandemic plays out. To help you navigate the change, we have created the [Coronavirus Gateway](#) to provide analysis related to the pandemic and our [Auto Mobility LIVE hub](#) for a host of future-focused expert insights.

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.

Autovista Group
5th Floor, Wellington House
125 Strand
London WC2R 0AP
UK

Email: information@autovistaintelligence.com

Tel: +44 (0)20 3897 2450

Author

Jenefer Thoroughgood, Research Manager, Autovista
Group

