



USED CAR
RETAILING

Return to normality is opening up stock channels for dealers

Strengthening car market is driving bigger choice of stock to forecourts through traditional auctions plus online remarketers. *Alex Wright* reports



The used car market increased by 6.5% to almost two million units sold in the first quarter of 2024, according to the Society of Motor Manufacturers and Traders (SMMT).

It was the fifth quarter of successive growth, as the second hand market hit a five-year high, reflecting recovering supply in the new car market, which, in turn, has improved used car availability and choice.

According to Close Brothers' Forecourt Foresight research, which surveys more than 130 dealers, almost three-quarters (74%) of dealers use trade-ins as their primary source of stock. More than two-thirds (70%) use online auctions and three-in-five

(60%) buy vehicles from private sellers. Added to those figures 44% of dealers get their stock via other dealerships, and a third (33%) turns to digital platforms such as Auto Trader and Motorway. Only 21% uses in-person auctions.

The bottom line is, however, that whichever channel they use, with more stock now flowing through the market, it's critical that car dealers capitalise on the opportunity by finding the best vehicles possible.

AUCTION BUYING

Paul Hill, spokesman for the National Association of Motor Auctions (NAMA), says the most effective channel for stock sourcing is through auctions, both

physical and online. Given that NAMA's members handle more than one million vehicles annually, including cars and supercars, they are well placed to help in that regard, he claims.

"NAMA members are trusted sources that provide a high level of reliability and transparency, which is crucial for dealers," says Hill. "In addition to traditional auctions, online auctions have become increasingly important.

"The digital transformation of the auction industry has made it possible to participate in auctions from virtually anywhere. These online platforms provide real-time data and analytics, helping dealers make decisions quickly.

"The ability to bid on vehicles remotely has

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Post-pandemic dealers have resorted to older stock, but now younger used car supply has improved

streamlined the process, making it more efficient and cost-effective."

Hill says that the key benefits of auctions are the vast choice of vehicles they provide and the ability to make instant decisions, with a vehicle being sold every 45 seconds. That enables dealers to quickly fill inventory gaps, without having to wait, he adds.

Another advantage, says Hill, is that the dealer pays the market price at the time of purchase because the prices aren't fixed. That, he says, creates a dynamic and competitive environment.

"Vendors and buyers come together in a transparent environment, ensuring that market forces determine the price," says Hill. "Auctions also offer a degree of protection and indemnity for vehicles

through laws and permits, which is a significant advantage."

The flipside of an auction's competitive nature, however, Hill says, is that it can sometimes drive prices up, reducing the potential margin for resale. Therefore, he says buyers need to be prepared to compete for the best prices, which can be challenging when multiple bidders are interested in the same vehicle.

Neil Smith, founder of Motorvat, says that while the primary advantages of sourcing through auction are choice and volume, the fees are high, often exceeding the profit that can be made on the vehicle. He adds that it is also difficult to assess the vehicle's condition, especially mechanically, when looking at

an online catalogue. Some auctions also make it difficult to reject a vehicle, giving dealers only 48 hours from receipt to report back any mechanical issues, he says.

"A good option is to seek out those smaller, more niche auctions that sit below the primary auction channels," advises Smith. "These more niche auctions still have a reasonable volume of stock across a number of weekly sales and, typically, the fees charged are noticeably lower than those of their larger competitors."

Cliff Deller, managing director of Orchid Automotive, says that, for big volumes, the larger car super-markets and marketplaces such as BCA, Aston Barclay and Mannheim are the best sources. They are particularly effective, he says, when, for example, a dealer wants to buy hundreds of vehicles.

ONLINE MARKETPLACES

The most effective channel, according to James Wilson, COO of Motorway, is online marketplaces. Motorway itself regularly lists up to 1,500 cars per day, seven days a week, giving dealers a large range of quality used car stock to bid on, he says.

"Everything is done online, from browsing and bidding for stock, to making fast and secure payments using Motorway Pay, offering dealers the easiest and most effective way to stock their forecourts," says Wilson.

Wilson adds that buying stock at physical auctions takes up a significant amount of time out of the office, travelling to the site and inspecting and bidding on cars. And even then, you aren't guaranteed to get the stock you need, he says.

"Buying privately-owned stock through an online marketplace like Motorway allows dealers to get exactly what they need for their forecourt," says Wilson. "With thousands of cars listed every week, dealers are spoiled for choice with unique stock across all makes, models, ages and prices. Dealers also typically make more margin through online auctions, buying from private sellers, as opposed to traditional auctions."

"Occasionally, private sellers may have undisclosed damage, but we're constantly evolving our platform to solve these instances. For example, we have AI Image Assist, which uses AI (artificial intelligence) to check photos submitted by private sellers to ensure they are of high quality and this year we launched Motorway Collect, an app used by drivers to ensure there is a consistently high quality appraisal at collection."

DIRECT FROM CONSUMER

Rather than auctions, Smith says that buying direct from consumers is a more attractive route for retailers. The upsides are that there are no fees involved and dealers have the chance to properly assess the vehicle before agreeing a final price.

"This ensures they are far more in control of their initial margin and, without associated fees, they have more margin to play with from the outset," says Smith. "They are also in control of what they pay for that vehicle and, if operating a retail back pricing strategy, they know what the purchase price limit is based on what they can realise from a retail perspective. So, unlike other channels, they don't run the risk of being bid up."

The main disadvantage, says Smith, is the

