

Car Ownership and Purchasing in Europe - UK - August 2009

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What is this report about?

As the global financial crisis which began in 2007 led to a global recession in the real economy in 2008, the new car market in Europe was one of the first sectors to experience a downturn. However, the downturn in the new car market became so severe that the very survival of major car manufacturers came into question.



Key issues covered in the analysis

- Car sales and scrappage incentive schemes have been introduced in, amongst others, France, Germany, Spain & the UK. Similar schemes introduced by France in the mid 90s indicate that when the schemes end, sales fall back to pre-incentive levels. The report analyses the impact of scrappage schemes on the car markets in Germany, France the UK and Spain.
- Largely due to incomes and wealth, purchases of new cars are generally skewed to the over 45yr old age group whereas used car purchases are skewed to the under 45yr old age group.
- The purchase incentive schemes has a two-fold effect: pulling forward new car orders that would have been placed anyway had the schemes not been in place, and releasing pent up demand from orders deferred during the recession. The schemes have targeted owners of old cars (9+yrs old). So the schemes will have been successful in converting formerly used car owners into new car buyers.
- Introducing blanket incentives for new cars, such as the scrappage schemes, should be targeted at specific age and lifestage groups who want to purchase new but actually buy used for reasons of affordability. A prime opportunity for targeted incentives would be married couples and families.
- Consumer research on European car purchase prices show that more than one third of used cars and one third of new cars cost between €7,500 and €14,999. Here lies the opportunity to convert used car buyers into purchasers of new cars.
- To shorten replacement cycles, the car industry needs to develop alternatives to outright purchase and purchasing using credit finance. Car replacement cycles are lengthening in Europe, particularly in Germany and France where around 30% of households are replacing a car only every five years or more.

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Scope of the report

The market covered by this report is primarily the retail market for new cars, including car-derived vans in the private light goods (PLG) sector in Germany, France, the UK and Spain. Statistical data on new registrations are taken from ACEA, the European Automotive Manufacturers' Association, which in turn draws on data from national manufacturers' associations such as the Society of Motor Manufacturers and Traders (SMMT) in the UK. Consumer data are drawn from BMRB's Europa TGI survey of 10,000 adults in Germany, France and Spain and 25,000 adults in Great Britain.