

Car Finance: Inc Impact of COVID-19 - UK - June 2020

Report Price: £2195 | \$2995 | €2600

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This report looks at the following areas:

- The impact of COVID-19 on market performance and dynamics in the car finance sector.
- How COVID-19 will impact consumer behaviour, product and channel preferences.
- Analysis of competitive strategies and innovation.
- Consumer car buying activity and future intentions, including funding methods and a comparison between plans in 2019 and 2020.

COVID-19 poses an immense challenge to the car finance market in 2020. Lockdown closed all car dealerships for at least 10 weeks, cutting off the primary channel for car finance sales. Activity will be severely restricted while social distancing rules (even reduced ones) remain in place. Additionally, the economic downturn resulting from the outbreak will affect consumers' ability to afford to upgrade/replace their cars or get new ones. Even people who have not seen disruption to their income will be cautious about making big purchases in times of high uncertainty.

However, the automotive industry as a whole will be anxious to boost sales, with the government promising to do whatever it takes to help the economy. Even while the lockdown is still ongoing dealerships are already offering good deals. People who are in a position to buy will be picky about their choices.

The shift towards online channels is more obvious and urgent and some providers risk being left behind. Consumers who remain in a financial position to purchase a new vehicle will be increasingly value-conscious and price-driven. However, there will be opportunities to bolster the appeal of car finance products, with more convenient and flexible options being key to a quick recovery.



"The car finance sector has experienced challenges for the last few years, but previous difficulties pale in comparison to the threat posed by COVID-19 in the short and medium term. The crisis will affect consumers and businesses for years to come, accelerating structural changes in terms of sustainability and profitability."

– Irene Salazar, Senior Financial Services Analyst, 10

June 2020

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- **People with experience of car finance likely to use it again**
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