

Consumer Cut-Backs Spur Motor Sector Break-Down

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The buffeting endured by the UK motoring industry is spreading to affiliated sectors as cash-strapped consumers change every aspect of their motoring habits, according to new research by GfK Automotive.

The research among more than 4,000 British motorists shows a fundamental shift in approach to car ownership over the past 12 months, in the face of ongoing economic gloom.

One in three motorists (30 per cent) now say they will keep their car longer before purchasing a replacement. If they were to delay buying a new car for just one a year, it would cost motor retailers over Â£1bn a year, puncturing the already fragile recovery in the sector.¹

The ripples of motorists'™ economy drives go beyond the manufacturers and dealers. The study finds that, as consumers struggle in the face of surging inflation and rising petrol prices, they are looking for more ways to shave money from motoring bills.

A quarter² have changed insurance provider to reduce premiums and one in 20³ are taking the risk of cancelling or not renewing breakdown recovery services, in order to trim costs.

Francisco Lopez of GfK Automotive said:

"The long economic recovery is changing the way people approach all aspects of car ownership and this is having serious consequences on the sector. It is no longer the case that people will simply purchase a second-hand car instead of a new one – many consumers are putting off all major car purchases altogether. Additionally, they are looking to reduce their car budgets in associated areas such as insurance premiums. All of these things take money out of the sector, further weakening it and threatening jobs."

The continuing economic gloom has also led to behavioural changes in both automotive ownership and use. Half⁴ of motorists have reduced their car use in the last 12 months with one in 10⁵ increasing car sharing as a means of spreading car costs.

Despite the gloom, the shift in habits has seen a silver lining in one area, with a sixth⁶ of motorists servicing their cars at local independent garages instead of a major dealership.

GfK Automotive interviewed 4,270 UK car owners/users online, using Toluna Panels between 13 and 19 July 2011

(1) – There were 35.5m motorists in the UK in 2010 (source: <http://www.dft.gov.uk/statistics/series/national-travel-survey>).

The brand new car market in the UK is forecasted to be 1.93 million cars in 2011

(source: <http://www.smmmt.co.uk/2011/07/new-car-and-van-forecast-july-2011/>) and there will be 907,000 new private cars in the UK in 2011

(market split between business+fleet and private being 53/47. Source: <http://www.smmmt.co.uk/reports-publications/>)

This means one in 39 UK motorists will buy a private car in 2011 – a conversion factor of 0.025. 30% of motorists (11.4 million) state they"™ll keep their cars for longer – if "longer" is taken to mean one year and we apply the conversion factor this percentage, there would be 285,000 fewer private car sales, if every motorist would change car every year.

Given the Department of Transport states the average length of car ownership in the UK is 7 years, the annualised effect of this intention would be 40,714 cars (285,000 / 7).

This figure represents a 2.1% of the total UK market. As the average price per car sold in the UK is Â£28,159 (source: <http://www.drivendata.co.uk/wp-content/uploads/2011/05/DD-Car-Index-May-2011.pdf>), the potential impact to the industry of Â£1.14 billion.

(2) 23% have changed insurance provider to save money

(3) 5% have cancelled/not renewed their breakdown recovery service to save money

(4) 50% use my car less now than compared to this time last year

(5) 9% car share now some/all of the time

(6) 17% now service their car at an independent garage rather than a main dealership

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