



Changing face of auctions

Are online operators posing a new threat to the established motor auction businesses in the UK?
Richard Yarrow investigates

Car manufacturers and their franchised dealers have long enjoyed a close relationship with vehicle remarketing firms. The benefits are two-fold and at opposite ends of the business. Firstly, and most importantly, the likes of Manheim and BCA stage single-marque closed auctions on behalf of manufacturers. Guaranteeing dealer access to the best quality used stock, it's the common sense way of encouraging the public to favour the franchised network over the local independent retailers.

Remarketers can also provide a convenient disposal route for unwanted part-exchange stock. Older or high-mileage vehicles are transported to open auctions and bought by independent traders.

But a new threat to that business is coming from online operators and one in particular, Full Auction, has recently secured a high-profile new client.

Nationally, only around 200 franchised dealers have used Full Auction since it launched last July. Peugeot's retail group Robins & Day has been the biggest customer so far, shifting 1,500 vehicles through its website. But now sister operation Citroën Retail Group is ending its relationship with BCA and switching to online disposal with Full Auction.

Cutting out the middleman

"We took the decision as we felt the system better reflected our needs and requirements for our future aspirations within the Citroën Retail Group," said David Peel, chief executive of Peugeot Citroën Retail UK. "We will concentrate on the commercial benefits of this policy and seek to maximise our return on the trade vehicles we dispose of."

Full Auction's appeal is its simplicity. Only franchised dealers can sell cars on it, only VAT-registered independent traders may bid and buy. It's cutting out the middleman and the need for costly transportation of cars to and from the auction hub.

Barry Cooper is MD of Cooper Solutions, which owns Full Auction. He said: "Once you're registered, it's easy to use with simple admin and we only charge the seller so there's no buying fee. We even have a delivery service so the buyer knows what it will cost for him to get the car, postcode to postcode."

Cooper said the disposal business had changed over the years. "Franchised dealers have gone from having a cozy relationship with a few local independent traders, to using large remarketing firms staging physical auctions. But we

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think online is the future. We are a small alternative disposal route and it's very early in the game, but this is going to be huge. We've got 1,000 traders registered with us from a standing start last July."

The other end of the remarketer's business – closed auctions for dealers to source quality used cars – has also been through an evolution. The days of daily rental companies buying cars, using them then selling direct to the trade have gone.

Managing the arrival of new product

Adrian Rushmore, managing editor of Glass's Guide, said it means manufacturers' stock-holding of late-used cars is much greater than it's been historically. "They have a responsibility, often unwritten, to offer cars to the franchised dealers before they go to the wider world. That's the role of the closed auction."

One of the key drivers behind staging a closed auction is to manage the arrival of a new product on to the used market.

Tim Hudson, MD of auction firm Aston Barclay, said: "It makes for a soft landing in front of the most appreciative audience and allows the dealer to enhance the franchise. This is particularly important at the moment because the used business is at least as crucial as the new one. It can also protect the product from the open market, because the audience is sympathetic to it, needs it and has invested in it."

Hudson said dealers attending a closed auction would be considering every car going under the hammer as a retail proposition.

"CAP and Glass's are only guides, and dealers will have in their minds the prices they are going to put cars on the forecourt at when they're bidding. It's a competitive environment and bidding can be at least as intense with competing franchised dealers as it is with the public," he said.

Manheim shifts 30,000 cars a year through closed auctions for the likes of Volkswagen. The remarketer's commercial director Chris Cush said they're staged in the knowledge that a franchised dealer – or specially selected trade buyer – will bid higher for a newly launched vehicle than may be the case at an open auction. "A Mercedes-Benz sale we ran in



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Retail UK

Leeds in September saw 143 vehicles offered for sale," said Cush. "It attracted almost the entire franchised dealer network, generated £3 million, and overall values were 111% of CAP Clean and 108% Glass's Guide."

Some closed auctions can also turn into what the industry dubs 'repatriation sales'. A BCA spokesman explained: "These are another possible avenue of stock for dealers and are where the manufacturer invites other vehicle owner/operators to enter stock into their closed sales programmes. This would typically be fleet and leasing companies, and it can extend the age and mileage range of the stock on offer."

Popular with franchised dealers

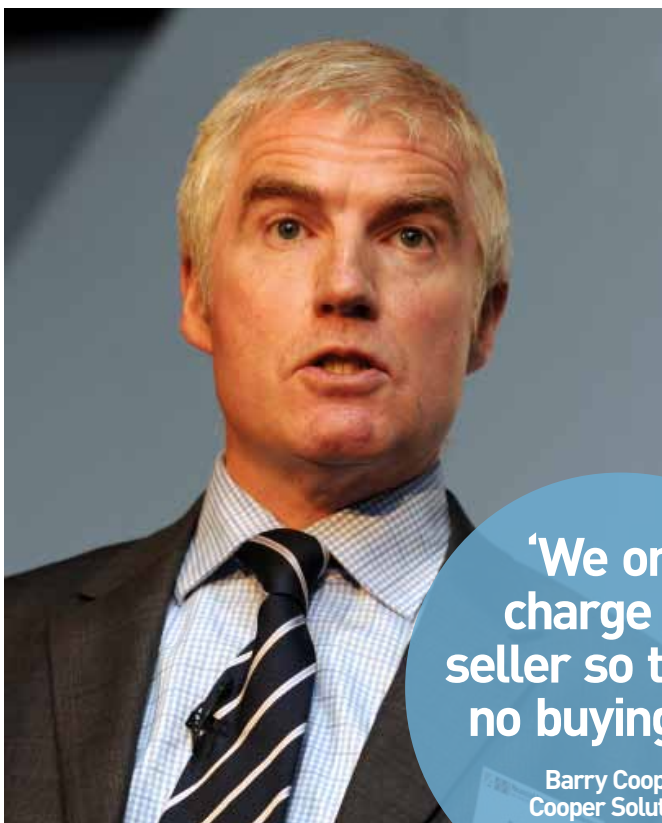
Closed auctions are generally popular with franchised dealers. Chris Roberts is MD of Thurlby Motors, with four sites – three Vauxhall and one Nissan – in Lincolnshire. He uses closed auctions because he knows what he will be getting. "It's the choice of high quality product direct from the best source. You can see in advance what's going through and the chances of getting the cars you want are higher because it's a restricted audience."

But not every dealer has the choice. Nigel Wright works for Turner Motor Group in East Anglia, and is responsible for sourcing used stock for its sites in Cambridge and Bury St Edmunds. He physically attends a minimum of four auctions every week and buys 15-20 cars. "I only get a handful at closed auctions every year because Toyota, Lexus and Hyundai – the brands we represent – rarely hold them."

The internet has had a powerful effect on all types of retailing and vehicle remarketing is no different. Vendors generally offer online bidding at physical closed auctions for those who can't attend in person. BCA has Live Online. Manheim's technology is called Simulcast; at a Mazda sale in January there were 51 buyers, 27 of whom were not actually present.

The attraction of purely online closed sales is obvious for both manufacturers and retailers (see Peugeot case study panel overleaf) and in theory every dealer in the country can take part from their own showroom. Most volume brands conduct them regularly and Nigel Wright said that included Toyota. "But with only around 20 cars a week going through, not every dealer is going to win and the competition

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