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CARZONE MOTORING REPORT



Examining Trends in the
Irish Motoring Industry

Carzone.ie
Ireland's Ultimate Motoring Marketplace

CONTENTS

Introduction	03
Key Findings	04
Market Summary	05
Finance	08
Buying & Selling Guide	10

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INTRODUCTION

Welcome to the second Carzone Motoring Report, a bi-annual digital publication focusing on the state of the Irish car market and the opinions of thousands of motorists.

The new car market may still be on the slow road to recovery, but used car sales have never been higher, giving Carzone.ie more influence over the nation's motoring than ever before. Over **100 million searches** for used cars were carried out on Carzone.ie during the first months of 2013. Carzone.ie is not only Ireland's Ultimate Motoring Marketplace with over **20 million visits generating over 900 million page impressions last year**, it's also an authority on the used car market and the search data allows an incredibly detailed look at buying trends.

Some of the analysis in this document was made possible by accessing Cartell.ie's database of vehicle transactions. Cartell.ie was the first company to offer car history checks in Ireland and continues to lead the industry. In this edition of the Carzone Motoring Report, Cartell.ie helped us take a closer look at the car finance situation, from what finance options are available to the rise of the car manufacturers' own finance divisions.

Last, but certainly not least, we asked 2,356 car buyers a series of questions in a bid to understand their buying habits and opinions, including their car preferences and methods of financing. The results make for an interesting read and they combine with the search data and that from Cartell.ie to continue to illustrate what's going on in the Irish car market.

WARREN CRAY
GENERAL MANAGER

KEY FINDINGS

THE KEY FINDINGS FROM THE FIRST SIX MONTHS OF 2013

>> Fuel and Road Tax are the two biggest financial concerns for Irish motorists.

[\[page 05 \]](#)

>> The best-selling new car was the Volkswagen Golf, which was also the most searched for car on Carzone.ie.

[\[page 06 \]](#)

>> 454,823 used cars were sold in the first six months of 2013

[\[page 05 \]](#)

>> Desire and demand for good quality diesel cars remains high.

[\[page 05 \]](#)

>> After the Golf, the most searched for cars are the BMW 3 Series, BMW 5 Series and the Audi A4.

[\[page 06 \]](#)



>> This summer's heatwave prompted a flurry of searches on Carzone.ie for open topped cars.

[\[page 06 \]](#)

>> Extreme weather has a profound effect on Irish buying preferences.

[\[page 06 \]](#)

>> More car buyers are turning to PCP-like finance options.

[\[page 08 \]](#)

>> New car sales are down year-to-date, despite the introduction of a new dual plate registration system.

[\[page 07 \]](#)

>> 78% of survey respondents hope to use some form of car finance for their next car purchase.

[\[page 09 \]](#)

MARKET SUMMARY

BUYER PREFERENCES

As at the start of this year, the survey data clearly shows that the top two financial concerns for motorists are the cost of fuel and road tax, followed closely by the price of motor insurance.

That's backed up by over 66% of our respondents' confirming that they plan to buy a more fuel efficient car.

Taking that a step further, 64.1% of those surveyed said they'd buy a diesel model next.

The same data revealed that hybrid and electric power remains unpopular, with only 2.2% reckoning they'd choose such a car for their next purchase.

Earlier this year Carzone.ie revealed a large disparity between searches and the used car stock available in terms of fuel type, and though there are more diesel cars for sale now (55.4% of the total stock, up from 51.2%) demand is higher than ever.

An incredible 84.2% of searches on Carzone.ie were for diesel cars - up from 79.8% in 2012.

Cartell.ie's data backs up this trend with just 34.9% of the cars on the road in Ireland fuelled by diesel (the figure was 33% at the end of 2012).

As explained earlier this year, the imbalance in supply and demand has a lot to do with the change to CO2 emissions-based motor taxation in 2008.

This favours efficient models, and diesel engines in particular, so new car sales since then have been predominantly diesel.

A total of 74% of cars sold in Ireland in 2012 were diesel. The figure for the first six months of 2013 reduced slightly to 72.5%.

Before 2008, VRT and annual road tax were calculated according to engine size, which encouraged buyers to opt for small capacity petrol cars.

It's those that still make up the majority of the fleet.

Overall used car searches are up on 2012's figures, but diesel searches increased faster than any other. Only searches for electric cars and bi-fuel vehicles reduced.



454,823
used cars were sold in the
first six months of 2013

TOP BUYING TIP
Diesel cars are usually more fuel efficient than their petrol equivalents, but they often cost more to buy and may come with higher longer term maintenance costs - especially if they are used only for short journeys. Weigh up the costs before automatically assuming that diesel is best for you.

MARKET SUMMARY

LET'S TALK ABOUT THE WEATHER



It's funny how, after a day of good summer weather in Ireland, we all rush out and buy new sunglasses and shorts, dust off the barbecue and plan for the weekend ahead spent outdoors in the sunshine.

This year we were incredibly lucky and it seems the good weather got under the skin of car buyers too. Carzone's site data clearly shows spikes in searches for open-topped cars throughout the summer.

The first noticeable spike came in June, when we had a mini heat wave across the country. June 10 was the busiest day of the year for cabriolet searches, recording 89% more traffic than the week before.

While general search numbers remained high for the next few days (Carzone was running a high-profile television advertising campaign at the time) convertible searches dropped by 49% in three days - coinciding neatly with a return to rain!

However, the trend returned in July, when Ireland experienced a particularly long and hot heat wave. There's a linear relationship between the number of hours the sun shone on a given day and the number of searches for open-topped cars that evening and the next.

Naturally, cabriolet sales remain relatively low in Ireland (less than one per cent of the total fleet are open-topped cars), but extremes of weather in general does affect how Irish car buyers think.

Looking back at the search data from December 2010, for instance (the coldest on record and marked by consistent heavy snowfall), the first Friday of that month saw more than four times the number of searches for SUVs than the week before.

SUV searches remained high all month and, somewhat bizarrely, rose again on December 21/22, possibly as people began to worry about being stranded for Christmas!

NEW CAR SALES

While used car sales have never been so buoyant, new car sales have slumped this year, in line with consumer confidence in the economy.

Up to the end of September, figures released by SIMI (Society of the Irish Motor Industry) revealed that year-to-date registrations are down 7% on 2012, which itself was down 12% on 2011.

Using the data up to the end of September, Volkswagen is the best-selling brand and its Golf model is the best overall selling car.



That dovetails neatly with Carzone's search data, where the Golf was the most searched for car - at an astounding rate of **410,338 searches per month**.

Irish buyers continue to aspire to greater things though, as evidenced by the fact that the most searched for brand on Carzone so far this year is BMW, with the 3 Series and 5 Series occupying second and third place behind the Golf in model searches.

On the new car side, the 5 Series was the highest selling car in Ireland in September!

MARKET SUMMARY

DUAL REGISTRATION SYSTEM

SIMI believes that the introduction of the new dual registration system may have helped a little this year, though its benefits are not likely to be realised for a few years yet.

In case you've not had reason to find out what it's all about, Ireland moved to a dual plate system this year for the first time ever, where cars sold in the first half of the year used the '131' prefix (e.g. 131 D 12345) and those sold since July used '132' (e.g. 132 D 12345).

Contrary to popular belief, **this measure was not introduced to counteract triskaidekaphobia** (the fear of the number 13), but to spread new car sales out more evenly over the year. In January 2014 the prefix will be '141'.

A huge amount of a new car dealer's business is currently carried out at the start of the year. A bulk load of stock must be taken in and readied (over the holiday period) for the new registration on January 1st and the market is all but ceased by May.

It is hoped that a second plate change in July will spread the demand more, making new car sales less seasonal. The same strategy has been in operation in the UK for many years, though the plates change in March and September instead.

And has it been a success in Ireland?

Well, it's way too early to tell. There was a spike in sales this year in July, but there was a corresponding dip the month before. **It's likely to be a few years before buyers appreciate what it all means.**



We asked dealer principals and salesmen from around the country what they thought of the change. Here are a few of the responses:

Ger in Cork: *"I believe the two plate system does not work. We are in very challenging times and the two plate system has hurt sales in this country. The outlook for next year is difficult due to the lack of finance from the banks. A customer used to have a new car that lasted a year, now it is only six months."*

Joe in Dun Laoghaire: *"There might be a slight advantage funding stock as there technically should be two buying periods in Jan/March and July/August. When the system is running for three or four years we can have better feedback."*

Gary in Tipperary: *"The main benefit of the plate change will most likely not be felt until 2015 onwards and we still expect Q1 to be the busiest buying period for next year. Because of this there will still be the extra cash requirement needed to fund this business on the dealer side. This is still*

a major problem for the trade as many banks are slow to finance stocking."

Consensus is certainly that it will take a few years before the effects of the change are fully felt, by which time it's hoped that the Irish economy will have dramatically improved.

John in Dublin has the last, positive, word: *"Sentiment seems to be improving within the industry after a very challenging year in 2013. For the latter part of 2013 we have seen an increase in volume of used car sales on the same period in 2012, added to this the average spend on a used car has increased by circa €7,000, which is an indicator of an improvement in consumer confidence."*

Whilst 2014 is still expected to be another challenging year we don't expect it to be as difficult as 2013, and see a small increase in the new car market. Many customers are becoming increasingly turned into finance options such as PCP offered by the manufacturers and the focus is shifting to a monthly cost as opposed to an outright buying price."

CAR FINANCE

WHAT ARE YOUR OPTIONS?



Options are simpler than you think.

If you're buying a car, whether new or used, you're more than likely going to be financing it somehow. Few, if any of us, have the necessary readies put aside to fund anything other than the most basic, and aged of cars.

So finance it is and off we trot into a world of APR, deposits, PCP and hire purchase. Don't fret though, as the options are generally simpler than you think and once you've done some homework, you'll be fine.

As always, pay attention to any interest rates quoted (whether fixed or variable; most likely variable) and make utterly sure you've been through all the fine print with a tooth-comb - more than a few supposedly smart buyers have been caught out by the terms and conditions.

One of the best bits of recent news has been the arrival of the car company banks. In the past, finance packages sold on a new car were usually done in co-operation with a 'high street' bank.

Now though, an increasing number of car makers have their own internal

finance arms, which are competing directly with the major commercial banks both in terms of interest rates and acceptance of loan applications.

Based on finance checks carried out by Cartell.ie in 2013, Volkswagen Bank and BMW Financial Services each hold 8% of the automotive finance market in Ireland, though only 3% of our surveyed readers used manufacturer supplied finance. It will be interesting to see if that rises over the next six months.

BUYING NEW OR USED, YOUR PRIMARY OPTIONS ARE:

HIRE PURCHASE

This is usually offered by a car dealer, either on a new or used car, and is one of the simplest ways of financing a purchase.

The money usually physically comes from a commercial bank, most often, which means there's a greater danger of your loan application being turned down.

However, some of the major car companies (Renault, BMW and Volkswagen most notably) now have their own internal banks and they are much more likely to approve your loan.

Either way, make sure the repayments aren't too steep and that you can keep them up even if interest rates rise. And of course you won't actually own the car until you make the final payment.

PCP (Personal Contract Purchase)

PCPs have become very popular since Ford first introduced them in the UK in the early nineties. Essentially they are like having your own personal company car programme.

You pay an initial deposit (generally between 10 and 20%) and then finance a certain amount of the car's purchase price, repaying over (usually) 36 months and leaving a 'bubble' payment at the end. That bubble is usually around €5,000 on a family car.

Generally a PCP will guarantee a future residual value for your car and any of that value above the amount of the bubble can be used as a deposit on your next purchase.

Or you can just pay the bubble amount and keep the car, or hand back the car and finish the plan at no extra cost.

Beware though; some PCPs will have mileage limits and a minimum standard of maintenance that must be adhered to.

Also, while the monthly repayments would likely be lower, the overall cost may actually be higher than that for Hire Purchase. A PCP would usually only be offered on a new car.

Reflecting that, only 6.4% of our survey respondents that used finance to buy their car have signed up to a PCP, and only 12.5% suggested they'd consider it next time.

PERSONAL LOAN

In many ways, this is the most straightforward way of buying any car. You own the vehicle outright immediately and you would usually be dealing with a bank to which you are already a known and valued customer.

As ever though the devil is in the detail and you will need to keep a close eye on the likelihood of an interest rate rise to ensure that your loan remains affordable.

A fixed rate loan would probably be best at the moment (given that European Central Bank rates are at an historic low), but may be hard to get a bank to agree to.

There is some anecdotal evidence to suggest that banks are currently reluctant to loan amounts greater than around €15,000 for a personal car loan, limiting their usefulness for a new car purchase, but as ever it will depend greatly upon your personal circumstances and credit history.

It's well worth investigating the Credit Union as well, as they can often be more eager to lend and also easier to deal with if your circumstances change for the worse.

The vast majority of our readers surveyed used an overall loan with full repayments to finance their car. Of those that used finance at all, 77.5% confirmed they used a personal loan and 59.8% said they'd consider a personal loan next time.

CREDIT CARD

No, don't laugh - this is an option depending on your credit limit and your personal financial discipline.

The upside is that any purchase is immediate, you own the vehicle

outright and the bonus is that the credit card company is duty bound to assist you in the case of any fault with the purchase.

Again, this depends on the price but most credit card purchases, usually up to a value of €30,000, are covered by insurance.

The obvious downside is interest rates. APR on a credit card purchase can easily break the 20% barrier so you'd better be quick with the repayments and nothing wrecks your credit history faster than missing your card bills.

MORTGAGE

Again, don't laugh. For a select few who own their homes outright, taking out a small mortgage is the most affordable way to finance a car purchase and makes sense if you're spending a significant amount of money.

Be careful though; your house is, of course, at risk if you miss repayments and you are effectively taking out a property loan to buy a depreciating asset.

This is an option that probably works best for older buyers, keen to unlock some of the value in a property that has weathered the recession well.

With any of these options, it's worth chatting to a personal financial advisor before committing.

SURVEY RESULTS

We asked our readers to tell us if they used finance to purchase their current car, and if so, from whom and of what type. The results make interesting reading. A surprisingly high 57.5% didn't use finance at all. Of those that did, high street banks and dealer finance schemes lead the way, and, as mentioned above, 77.5% of all financing was through overall loans with full repayments.

Given that most of those surveyed had bought a used car it was no surprise that PCPs were taken out by just 6.4% of the respondents, though more indicated a willingness to consider it next time around. Lease plans were taken out by 10.4% of those questioned.

On a positive note, most people found the process of obtaining finance quite easy, 44% of respondents indicating that it was easy, 24.6% saying it was difficult and 31.4% in the middle. Backing that up, 88.6% of respondents had never been turned down for finance.



88.6% of respondents had never been turned down for finance

TOP BUYING TIP

Investigate all possible sources of finance open to you and calculate all of your costs for the duration of the finance. Don't forget to factor in depreciation, as it's often overlooked.

BUYING GUIDE

Our findings lay bare the facts surrounding the used car market, and while they make interesting reading, they could also help buyers with their next purchase.

Along with the tips provided throughout this document, we've compiled a checklist to help ease the task of buying a used car. Admittedly it can be a daunting experience the first time, and there are pitfalls to be aware of, but for every disappointed buyer there are thousands of happy drivers.

1. FOCUS ON YOUR REAL NEEDS

Do you have a family? Then get a family car. A business person that wants to uphold a professional image? Then choose a compact executive or luxury model. And if you need to transport lots of passengers, the practical world of the MPV awaits. Whatever your requirements there is a car out there ideally suited to you and your lifestyle. Talking of which, work out where you will actually use the car, as a model that is naturally at home in the city may not be quite so suited to long motorway slogs.

TOP TIP: CONSIDER A CHEAPER PETROL CAR OVER DIESEL IF YOU DON'T COVER MORE THAN 20,000 KMS PER YEAR.

2. SET A BUDGET - FOR EVERYTHING

It seems obvious, but it's easy to get caught up in the excitement of buying a new car – usually the second most expensive purchase after a house. Becoming irrationally and emotionally attached to a prospective automotive suitor can see you suddenly overspending – so decide on a budget long before you start searching for cars, and stick to it. Remember also that the costs don't stop when you have taken possession of the vehicle – there's insurance to think about for a start, along with annual road tax and maintenance.

TOP TIP: ALLOW A LITTLE EXTRA IN YOUR BUDGET TO COVER AN INSPECTION, CAR HISTORY CHECKS AND MISCELLANEOUS COSTS THAT MAY ARISE.

3. SHOP AROUND

Once you've decided which makes and models would suit both your lifestyle and financial situation, make a short list of examples to actually go and view. If needs be, look at less preferred vehicles first, as this will give you a good basis to judge which one is the best of the bunch. Compare and contrast with other examples at the same price point and spend some time researching any problems that individual models may be famed for – using anything you find to your advantage.

TOP TIP: IT'S WORTH CHECKING WITH YOUR LOCAL MECHANIC OR FRIENDS TO GET THEIR OPINION OF CERTAIN CARS THEY'VE HAD EXPERIENCE OF.

4. INVEST IN A FULL INSPECTION

An independent expert will be able to look over the car, take it for a drive and offer a full report as to its condition and any future work required. This can be arranged with specialist garages or even the AA, the latter of which will also provide a guarantee. It may not be cheap, usually costing upwards of €250, but offers peace of mind and potential bargaining points for the buyer. If the seller is reluctant to allow an inspection be aware they may be hiding something. A vehicle history check from Cartell.ie is also recommended.

TOP TIP: IF AN INSPECTION REVEALS A POTENTIAL ISSUE, DON'T BE AFRAID TO WALK AWAY FROM THE DEAL. IT'LL BE MONEY SAVED IN THE LONG RUN.

5. DRIVE YOUR CAR

It's important to drive any prospective purchase before handing over money. Check to see if the vendor's insurance - or your own - covers this. Drive the car from cold if possible, pay attention to how quickly the engine starts, if there is any smoke, strange noise or wayward handling and braking. Try and drive the car on a typical route for your intended use and make sure there are no fluid leaks and that all electrics are fully working.

TOP TIP: NEVER AGREE TO INSPECT A CAR IN THE DARK OR WHEN IT IS WET, AS ISSUES WITH THE BODYWORK AND WHEELS MAY NOT BE VISIBLE.

6. PLAY THE HAGGLING GAME

Most sellers will have included a small margin in the price so be prepared to offer less than a car is advertised at. Ignore sob stories and don't let emotions get in the way of making the deal – selling and buying a car should be treated as a business transaction. Offer a realistic amount and when you are close to agreeing offer your hand to shake on the deal encouraging the vendor to accept. Leave a small deposit (unless taking it away that day) and obtain a receipt for all financial transactions.

TOP TIP: DON'T BE OVER EAGER IN TERMS OF RUSHING TO SEE A CAR 'BEFORE IT'S SOLD' - THERE WILL BE PLENTY MORE IN THE MARKET.

7. CROSSING THE T'S & DOTTING THE I'S

This is possibly the most important part of buying a car – get this wrong and it could end in tears. Ensure that the VIN (Vehicle Identification Number) matches that on the car's log book and the address is the same as the location of the vehicle itself. It's also worth doing a full history check with Cartell.ie to make sure the car isn't subject to outstanding finance or an insurance write-off. If it all checks out then fill in the necessary paperwork for the vendor to send off and before you drive the car away make sure you have suitable insurance cover.

TOP TIP: REDUCE THE CHANCES OF BUYING A STOLEN CAR BY ASKING TO DO THE TRANSACTION AT THE SELLER'S HOME AND ASK THEM FOR ID AND PROOF OF INSURANCE.

SELLING GUIDE

Buyers will find plenty of information to help them along, but it's often forgotten that these same motorists are usually selling a car as well, and while it's theoretically a simpler transaction, there's much the seller can do to maximise their car's value.

1. PRICE IT RIGHT

The first thing you'll need to do is price your car correctly. A quick check on the internet to see what similar vehicles are selling for is a good place to start. It pays to know the market and remember, although haggling is part of the process, don't set your advertised price too far above your minimum or you'll get no interest.

2. BE HONEST AND GIVE DETAILS

Make it clear from the outset the exact make and model you are offering, as well as any special trim or specification designation. Modern cars are better equipped than ever before, so prioritise any listed extras – leave out power steering, but mention satnav and air conditioning if fitted. It's also important to mention any remaining NCT or road tax, as well as any recent expenditure, like a cam belt change or new tyres, as buyers will see this as one less future expense.

3. DON'T HURRY THE PHOTOS

A picture can tell a thousand words so make sure your images count. Take photos with a clear background (think sky and grass, not housing estate) and in good weather with plenty of light. Try and keep the sun behind the camera and include a shot of every angle – front, back and both sides – as well as the engine bay, interior and any special features. Ensure your shots are in focus and if there is any damage mentioned in the advert consider showing this as well - there's no point hiding it, as this will irritate a potential buyer that turns up to view the car.

4. PREPARE THE CAR FOR SALE

There's a reason that the cars in professional adverts look immaculate – they've been valeted inside and out. You don't have to go to the expense of having it cleaned by a professional, but you should give it a basic wash before you take any pictures and before a buyer views the car if it has got dirty again. It's important to pay particular attention to the interior, especially if it's a family car subjected to pets or sticky-fingered children.

5. MAKE THOSE FIXES

Things like stone chips or kerbed alloy wheels can really let down a car's appearance, but are usually cheap and easy to sort. If the tyre tread is running low consider replacing them and make sure all of the fluids (oil, water, screen wash) are topped up as necessary. It's also worth gathering all of the car's paperwork together and singling out any larger bills to show that the car has been maintained properly – a large history folder points to a well-looked after car.

6. THINK LIKE A BUSINESS PERSON

Expect lots of questions, either over the phone, email or in person. Make sure you have the facts correct – when does the tax run out, were there any advisories on its last NCT and how many owners has it had? Most buyers will likely want to test drive the vehicle so make sure that either your or their insurance covers them for this – otherwise offer them passenger rides only. Never leave the buyer alone with the car and its keys either and turn the engine off if swapping drivers on a test drive.

7. SEALING THE DEAL

Expect a bit of haggling but be clear to yourself what is an acceptable amount to receive for the car. Other buyers will come along if this one doesn't want to pay your minimum. Make sure you are happy with the method of payment as well, be it cash on collection, cheque or bank transfer. Ensure all funds have cleared before you release the car. It's wise to write a receipt for both the buyer and seller, signed by both, and fill in all the official paperwork, sending off the relevant parts and informing your insurance company that you have sold the car to another party. We'd advise you to ask the buyer for ID.

CARZONE MOTORING REPORT

