

UK Car Review - UK - February 2017

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“The UK car market continues to develop and evolve. Sales are put above 10 million units for the first time in 2016 evidence of the continuing popularity of car ownership. Within the market, buyers are increasingly looking for vehicles that match their lifestyles with compact, multi-purpose and executive models currently benefiting from especially strong demand.”

– Neil Mason, Head of Retail Research

This report looks at the following areas:

- New car sales suffer from slowdown in expansion
- What future for diesel?
- Can growth in hybrid and electric cars be maintained?

The UK car market has benefitted recently from strong sales with Mintel’s latest research noting that new and used volumes surpassed the 10 million mark in 2016 for the first time. Growth has been largely consistent since the difficulties the sector faced during the economic slowdown in 2008. Not only have car sales, and new sales in particular, been on an upward curve there have been further developments within the car sector. These include fragmentation in the market which has seen the rise in popularity of a number of vehicle categories as well as manufacturers. Equally there are changes taking place in the fuels used to power cars with vehicles using hybrid or electric power beginning to become a realistic alternative to those using diesel or petrol.

Yet at the same time that the market has seen growth it is also entering a period of uncertainty. This is partly a result of the potential impact of the UK leaving the EU following the Brexit vote in June 2016. Already depreciation in Sterling has led to increases in the cost of fuel with this ultimately set to increase the cost of vehicles imported into the UK. Taken with the new car sector already suffering from a slowdown as it reaches a peak in its current cycle the short-to-medium prospects for the sector are for sluggish sales and ultimately a downturn.

Internally the market is expected to remain focused on smaller vehicles although recent new car purchases have boosted interest in SUVs (Sports Utility Vehicles) as well as renewed interest in executive cars. Mintel expects progress made by AFV (Alternative Fuelled Vehicles) to continue, with diesel - increasingly associated with air pollution - set to be the main casualty. As for buyers, the process of trading up by some, as well as seeking out value by others, is set to continue with the latter possibly benefitting more depending on the future performance of the UK economy.

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DID YOU KNOW?

This report is part of a series of reports, produced to provide you with a more holistic view of this market

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Table of Contents

Overview

What you need to know
 Products covered in this Report

Executive Summary

The market

Car sales reach all time high

Figure 1: UK new car sales, by volume, 2011-21

Smaller format cars account for over a third of new sales

Figure 2: New car registrations by broad segment (share), 2016

Cars are the preferred mode of transport for many

Figure 3: Mode share (average distance travelled), England, 2015

Companies, brands and innovation

A highly fragmented market

German brands are strongly differentiated from others in the market

Figure 4: Attitudes towards and usage of selected brands, January 2017

Investment in advertising remains largely stable

Innovation for all

The consumer

Most adults own a car

Figure 5: Car ownership, November 2016

New and used cars are both popular

Figure 6: Age of car owned, November 2016

Most adults who don't own a car also don't have access to one either

Figure 7: Non car ownership, November 2016

Small and medium-sized vehicles dominate the market

Figure 8: Type of car owned, November 2016

Petrol is the most popular fuel for cars

Figure 9: Fuel used with main car, November 2016

Commuting is a key use for a car

Figure 10: Reasons for using a car, November 2016

Improvements to current technology is more important than the introduction of new technology

Figure 11: Future demands from suppliers, November 2016

What we think

Issues and Insights

New car sales suffer from slowdown in expansion

The facts

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The implications

What future for diesel?

The facts

The implications

Can growth in hybrid and electric cars be maintained?

The facts

The implications

The Market – What You Need to Know

2016 sees car sales of 10 million+ for the first time

New car sales have been the stronger segment recently

Smaller and more versatile vehicles are proving popular with buyers

Franchised dealers dominate sales channels

Growing car sales fail to raise car ownership

Cars dominate over other transport alternatives

Market Size and Forecast

Car sales surpass 10 million per year for the first time

Figure 12: Best- and worst-case forecasts for UK new and used sales, 2011-21

Forecast methodology

The impact of the EU referendum vote

Market performing better than could have been expected

Figure 13: Alternative market scenarios for the post-Brexit car market, at current prices, 2016-21

Figure 14: Detailed post-Brexit scenarios for UK new and used car sales, at current prices, 2016-21

Wider demand for vehicles is set to soften after a period of expansion

Market Segmentation

New car sales continue their upward trend

Figure 15: New and used car market volumes, 2011-16

Car parc expansion is also being accompanied by car parc ageing

Figure 15: Age structure of the car parc in years, 2011-15

Dual and multipurpose vehicles benefit from increased interest

Figure 16: New car registrations, by broad segment, 2011-16

... although it is mini/supermini and lower and upper medium that continue to dominate

Figure 17: New car registrations by broad segment (share), 2011-16

Interest in smaller and more versatile vehicles is evident from buyers

Figure 18: New car registrations by category, 2005, 2010 and 2015

Popularity of diesel appears to stall

Figure 19: Sales of cars by fuel type, 2011-16

Channels to Market

Franchised dealers account for nearly half of all sales

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Figure 20: Sales of new and used cars, by channel, 2013-15

Market Drivers

Mixed messages when it comes to the affordability of motoring

Figure 21: Consumer expenditure on car purchasing, servicing and repair and motoring expenses, seasonally adjusted at current prices, 2011-15

Little evidence that growing car sales are increasing car ownership

Figure 22: Percentage of households with car availability, in England, 2005-15

Number of trips being taken is in decline

Figure 23: Trips, distance travelled and time taken, 2005-15

Cars still dominate when compared to other transport options

Figure 24: Mode share (average distance travelled), England, 2015

Cars favoured most for commuting and shopping...

Figure 26: Importance of transport types by specific reasons for travelling (England), 2014

... as well as by a cross section of adults

Figure 25: Mode share (average distance travelled), England, 2015

Over half of adults plan to buy a car in the next three years ...

Figure 26: Do you or someone else in your household plan to buy a car(s) within the next 3 years, February 2016

... although there is no obvious preference towards buying new or used

Figure 27: Intention of purchasing a car/s in the next three years, by new or second-hand purchase, February 2016

Hybrid and electric cars set to play a greater part in the market

Figure 28: Hybrid and electric new car registrations (Great Britain), by volume*, 2011-21

Number of larger households continues to increase

Figure 29: Changes in single and multi-person households, 2006-15

UK population both growing and ageing

Figure 32: Trends in the age structure of the UK population, 2011-21

Companies and Brands – What You Need to Know

Established manufacturers see market share fall back

Smaller models remain popular with buyers

Innovation addressing all aspects of driving

Advertising expenditure is growing although directed towards particular types of car

Not all brands perceived the same

Market Share

Ford, Vauxhall and Volkswagen suffer a reversal in their fortunes

Premium marques continue to make ground as consumers trade up

Value brands are also growing in popularity illustrative of further polarisation

Figure 30: Manufacturer shares of new car registrations, 2010, 2012, 2014 and 2016

Performance of Nissan, Land Rover, Jaguar and MINI illustrates good performance for UK producers

Smaller models dominate sales

Figure 31: Top 10 car models, 2016

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Launch Activity and Innovation

Hyundai looks at multiple power trains for its Ioniq model

Autodrive offering support for autonomous driving

Volvo combines safety with features

Honda Sensing offers new level of driver awareness

Gesture control beginning to take off

Ford partners with Amazon's Alexa

Advertising and Marketing Activity

Promotional expenditure on an upward trajectory

Figure 32: Recorded above-the-line, online display and direct mail total advertising expenditure by car manufacturers, 2012-16

Family cars and 4x4 categories dominate activity

Figure 33: Recorded above-the-line, online display and direct mail total advertising expenditure, by type of car, 2012-16

Advertising expenditure closely mirrors market position

Figure 34: Recorded above-the-line, online display and direct mail total advertising expenditure by leading car manufacturers, 2012-16

Television advertising is the clear winner as other channels suffer from mixed fortunes

Figure 35: Percentage media type split of recorded above-the-line, online display and direct mail total advertising expenditure by car manufacturers, 2012-16

Nielsen Ad Intel coverage

Brand Research

Most German brands are performing well

Figure 36: Attitudes towards and usage of selected brands, January 2017

Key brand metrics

Figure 37: Key metrics for selected brands, January 2017

Brand attitudes: German brands are positioned well against quality

Figure 38: Attitudes, by brand, January 2017

Brand personality: Volkswagen continues to be associated as being unethical

Figure 39: Brand personality – Macro image, January 2017

Reliability differentiates many mass-market brands

Figure 40: Brand personality – Micro image, January 2017

The Consumer – What You Need to Know

A majority of adults own a car

Car ownership can be broadly split between new and used vehicles

Small and medium-sized vehicles are popular

Petrol is the most popular fuel

Commuting and shopping dominate key uses for a car

Drivers are looking for improvements rather than innovation

Car Ownership

7 out of 10 adults currently own a car

Figure 41: Car ownership, November 2016

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Wealth, gender and location are some of the factors that influence car ownership

Despite variations in ownership, the percentage of adults with a car is growing

Figure 42: Car ownership, 2014-16

Age of Car Owned

Broad spread of car owned by age

Figure 43: Age of car owned, November 2016

Older adults prefer owning used

Income is a major factor affecting choice

Londoners have a preference for buying new

Rising new car sales boost profile of those with a vehicle purchased new within the last 2 years

Figure 44: Age of car owned, 2014-2016

Non Car Ownership

Most non car owners don't have access to any vehicle

Figure 45: Non car ownership, November 2016

Young adults benefit in more affluent households

Type of Car Owned

Small and medium-sized vehicles are most popular with car owners

Figure 46: Type of car owned, November 2016

Small cars popular with young adults

London - A market for compact and luxury cars

SUVs attract older, rural and wealthier owners

Compact cars are more likely to have been purchased in the last two years

Medium saloon/hatchbacks make progress when it comes to ownership

Figure 47: Car ownership, 2014 and 2016

Fuels Used with Main Car

Majority of cars owned are powered by petrol

Figure 48: Fuel used with main car, November 2016

Older adults have a preference for diesels

Use of petrol and diesel appears linked with location

London records the strongest penetration of hybrids

New car buyers appear to have switched towards diesel

Diesel is popular with larger cars

Reasons for Using a Car

Commuting is the main reason for using a car

Figure 49: Reasons for using a car, November 2016

Older adults find different uses for their cars

Shopping dominates for less affluent, commuting for most affluent

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Future Demands from Suppliers

Improvements to existing engines dominate over other demands

Figure 50: Future demands from suppliers, November 2016

Technical and environmental improvements are popular with young adults and those with children

Men are interested in alternative power sources

Those living in London are keen on vehicle features

Presence of children drives interest in particular vehicle features

Owners of older, used, cars show least interest in improvements

Owners of compact cars exhibit strong environmental demands

Diesel owners seem more demanding than those with petrol vehicles

CHAID analysis

Methodology

Wealthy, urban adults hold good prospects for connectivity enhancements

Figure 51: UK Car Review – CHAID – Tree output, November 2016

Figure 52: UK Car Review – CHAID – Table output, November 2016

Appendix – Data Sources, Abbreviations and Supporting Information

Data sources

Exclusions

Market sizing and segment performance

Fan Chart Forecast

Abbreviations

Consumer research methodology

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