

Used car sales dominate SA market

According to the National Association of Automobile Manufacturers of South Africa (NAAMSA), new car sales are continuing to decline. A total of 617,000 new vehicles were sold in 2014, compared to 714,000 in 2005.



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Conversely, used vehicle sales continue to climb. According to Jeff Osborne, head of Gumtree Automotive, while the ratio new cars sold compared to used cars sold was roughly 0.5 used to 1 new in 2005, that number has since risen to 1.7 used cars sold for every new car sold. Economising might be a primary driver for the trend - November's Transunion Vehicle Pricing Index once again revealed that new vehicle price inflation has decelerated, coupled with a slight drop in new vehicle pricing.

Vehicle sales an indicator of the economy

"Vehicle sales, both new and used, are a good indicator of the state of the economy," says Jeff Osborne. "Credit health and the Gross Domestic Product (GDP) growth are low and South African households are putting off purchasing new vehicles as a result. The affordability and variety of the second-hand market, coupled with the ease of entry into private sales, are encouraging sellers to become their own brokers as it were, and dealerships are pushing used car sales to make up for the shortfall of declining new sales."

According to Osborne, over 1.4 million potential car buyers are browsing the automotive category on Gumtree every month. "Dealerships have embraced the fact that their consumers are online and browsing for bargains and they are using the convenience and responsiveness of classifieds to drive sales."

Formalising the second-hand market

This has also led to the "formalising" of the second-hand market, says Osborne. "Innovative online sales dashboards providing real-time analytics at the click of a button has enabled dealerships to measure which ads perform best and which method of communication provides the best quality leads ... we've pioneered this little over a year ago and witnessed first-hand that the industry is becoming adept at analysing information and using it to make stock and marketing decisions."

The addition of sales assistance via companies such as Motofinn, in partnership with Deloitte and DEKRA Automotive, has also enabled private sellers to sell their own cars safely and conveniently. "The risks are removed for both buyers and sellers when using a credible facilitator correctly," states Osborne. "Time and lack of know-how is no longer an obstacle when selling one's car privately."

Overall, Osborne remains optimistic about both new and used car sales in South Africa. "We have to remember that the country has enjoyed many positive new car sales years, which is why the figures seem grim. However, manufacturers and dealerships are becoming more innovative to ensure that the replacement loop remains active. Better deals, improved cars and other aggressive marketing initiatives will keep South Africans firmly in the drivers' seat for years to come."

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