

# A surprise trend predicted for SA's pre-owned vehicle market in 2023

The pre-owned vehicle industry is not normally seen as a technologically advanced one - albeit the new car industry most definitely is in some instances. In fact, technology is vital today and many dealers lacking technology would undoubtedly have struggled over what has been an exceptionally erratic market over the past two years.

 By [Rikus Blomerus](#) 9 Jan 2023



Rikus Blomerus, chief marketing officer

at WeBuyCars | image supplied

The car market experienced challenging times due to the following reasons; a shortage of cars in the immediate aftermath Covid, followed by a shortage of new vehicles and finally high inflation of new vehicle prices. Anyone getting their pricing wrong during these rapid fluctuations would have struggled.

To better manage these sharp fluctuations in our industry, we've been on a technology journey for some time now and made great headway in terms of being positioned to sell our products at the right time and at the right price. It involves real-time data, enabling us to price correctly and be prepared whenever necessary to take a lower margin on a vehicle and selling or purchase another vehicle more appropriate to the current market.

The primary characteristic of the pre-owned car market is that it's not production based – unlike other markets, we can't produce our products more efficiently, so there's a fixed cost base dictated by supply and demand. The "efficiency" factor in our market is the lag – a dealer may buy a vehicle with a certain sale price expectation, whereas any one of several factors including interest rate hikes may precipitously affect that selling price. Therefore, our business model is to not chase the highest price but take a reasonable margin and turn our stock as rapidly as possible.

Secondly, supply of new vehicles in the market should have normalised. This is good for the used market, as the new market supplies us at the end of the day. A supply of pre-owned vehicles is anticipated during the early months of 2023. One of the reasons for this is repossessions or selling of the vehicles may increase as higher interest rates have impacted customers who bought in 2020 and 2021, when interest rates were rock bottom and are now unable to continue paying for vehicles.

This in turn will prompt dealers to compete against each other on price for what will be a buyer's market.

One of the more surprising trends in the pre-owned market in South Africa is the paucity of trade in electric cars, though there is a bigger percentage of hybrid cars. It represents a minute fraction of less than 1%, and one might have expected to have grown by now. Our consumers are ready for hybrid, electric and autonomous cars – but South Africa's infrastructure is definitely not.

One of the technological innovations introduced by the more advanced players in our pre-owned market is the ability to buy and sell online. Historically, consumers viewed our market with some circumspection due to lack of trust.

The pre-owned car industry has evolved hugely in recent years to the extent that the type of rip-offs that were the stuff of legend in the past no longer occur with a reputable company. A seller can easily do their homework online, either employing a company like ourselves or selling it on their own - and get more than one quote. Technology is what keeps the market honest and benefiting the consumer.

Technology is constantly upgrading our processes, enabling our business decisions in the direction of more accurately giving the customer what they want. Our data collation system is extremely responsive to market trends enabling us to almost instantaneously adapt our procurement practices to meet demand for a particular model at the right price.

The niche we found was in a market where there's a lot of noise from ads and promotions which all look identical. It's a highly competitive market now and competition will be even more prevalent in 2023. Success will come to those that differentiate themselves from the rest.

## ABOUT RIKUS BLOMERUS

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