AutoTrader

Market Report

September 2017

Nathan Coe

Auto Trader, Chief Operating Officer

Welcome to the Auto Trader Market Report for September 2017, a bi-annual review of the new and used car markets, consumer car buying behaviour, as well as data and insight compiled from Auto Trader, the UK's largest digital marketplace for new and used cars.

As expected, new car registrations continue to lag behind the record highs reached in recent years. Data for August from The Society of Motor Manufacturers & Traders (SMMT) showed that new car registrations were down 6.4%, which means that year-to-date, the market is down a modest 2.4%[1], broadly in line with expectations. However, whilst the new car market cools from record growth, the used car market remains positive, with modest growth for the first half of the year (January – June) of 1.3%[2].

Yet despite a fairly stable new and used car market, findings from this Report suggest that the sustained debate on fossil fuel cars – and predominantly the negative commentary on diesel engines – has led to confusion for car buyers, and could have impacted consumer buying confidence as a result.

In Auto Trader's March Market Report, we explored the UK's progress and trajectory towards a future of electric cars, and eventually fully-autonomous vehicles. The initial move towards electrification is inevitable for the UK, as it is for countries across Europe, but the fuel debate, riddled with its complexities, has made the car buying process more challenging for many motorists.

Despite further substantial investment from car manufacturers, and stronger messages from Government on an electric future, the fuel debate has focused less on the benefits and value electric cars can offer UK motorists, and more on demonising traditional fuel types, which has just served to worry car owners and confuse potential car buyers.

And for many this has led to a change in car buying behaviour and 'kneejerk' reactions. Speaking to 13,000 motorists for this Report, 40% of car buyers who have seen or heard news about fuel in the media this year say their car buying behaviour has been influenced as a result, and not all of this behaviour is in tune with the change the Government is keen to stimulate.

10% of diesel car owners that advertised their car on Auto Trader in July and August this year said that their decision to sell had been influenced by the negative press coverage surrounding diesel engines. Yet when asked about which fuel type they were going to buy next, almost half (47%) said they were returning to diesel (albeit a newer engine), 17% said they were switching to petrol and 26% said they were undecided (3% said other). Only 2% said they were considering buying an electric and 5% were interested in purchasing a hybrid.

49% of car buyers said the messages on diesel over the course of the last 12 months have made car buying more challenging and 35% agree that they simply do not understand the benefits of different fuel types to help inform their choice. Auto Trader's recent Car Buyers Report highlighted that an astonishing 60% of car buyers give up trying to find their perfect car and merely settle for something, out of sheer exhaustion. This Report shows that the fuel debate could be contributing to this exhaustion.

Manufacturers are already making great progress on the road to 2040, with some even suggesting they are ahead of the Government's plans to reduce pure fossil fuel engine sales by 2040. Yet the big challenge still seems to lie with increasing car buyer confidence in electric power. To address this, the industry and Government must work together to focus on creating an attractive electric future, rather than on the current rhetoric that only serves to stigmatise cars and create uncertainty for motorists and their wallets.

With the current debate, we are at risk of further confusing car buyers, making the buying process more difficult, and potentially influencing the wrong car buying behaviour, as this research shows.

74% of motorists that we spoke to for this Report agree that the pollution caused by cars on UK roads is worrying, and 48% admit that they care more about car pollution now than they did 12 months ago, so the consumer appetite to change is there. Now it's time to refresh the debate and move on so car buyers can become more informed of the benefits and lose some of the anxiety and uncertainty of an electric powered future.

This Report highlights there are other clear barriers to electric in the eyes of car buyers, notably upfront costs and a lack of clear infrastructure. This is why it's more important than ever to shift the narrative on fuel and focus on what's important for motorists and the wider automotive industry.

[1] SMMT New Car Registrations (August 2017)
[2] SMMT Used Car Sales (Q2 2017)

Key findings

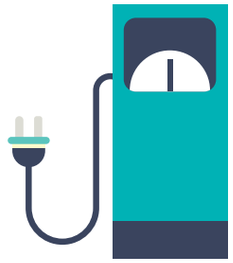
40% of motorists who had seen or heard news about fuel types said it had influenced their car buying behaviour

49% of motorists say they wouldn't consider an electric vehicle because of the upfront cost

49% of motorists said the messages on fuel types over the last year had made car buying more challenging

Online searches and average prices for used diesel cars increased following the Government's 2040 announcement

10% of motorists selling a diesel car on Auto Trader said the negative news on diesel had influenced their decision to sell



48% of motorists say they wouldn't consider an electric vehicle due to a lack of charging infrastructure

Fuelling a debate

After years of deliberation on what the future holds for traditional fuel types on UK roads, the Government has finally signed the death warrant on pure petrol and diesel vehicles, announcing in July 2017 that a new car sales ban will come into effect in 2040, just weeks following a similar announcement in France.

July 2017 also brought us news that Volvo will only manufacture hybrid and electric vehicles post 2019, which was arguably the strongest message from a manufacturer on ceasing combustion engine production at the time.

In addition to all of this news, Audi announced it was offering emission upgrades for 850,000 cars, Mercedes-Benz recalled three million diesel cars over emission concerns and Volkswagen revealed plans to refit four million diesel cars to avoid diesel bans in major cities.

In all, July 2017 was an incredibly busy month for news on car fuel types, but this is a debate that arguably began quite some time before. The VW emissions scandal – and investigations with other brands that followed – has put fuel under the microscope for the past two years.

The most recent debate started as a discussion on what action the UK should take against diesel engine cars to improve air quality in big cities such as London, but quickly evolved into a larger debate which toyed with the prospect of a Government-led scrappage scheme. The Government announcement to ban pure diesel and petrol sales by 2040, however, also put petrol vehicles in the firing line for the first time, signalling a conclusion for pure fossil fuel engines and sending a message that the UK's move to electric is inevitable.

The Government has finally signed the death warrant on pure petrol and diesel vehicles

And with each new development on the fuel debate came more press coverage, which has impacted UK car buyer behaviour and approach to their next vehicle purchase.

Changes in consumer behaviour

Our research has revealed that 40% of motorists who have seen or heard news about fuel types in the last 12 months claim it has had an impact on their car buying behaviour. In response to news on fuel, 23% said they sought more information on different fuel types to inform their decision, 14% said they started saving for a new car and some motorists even claimed to buy or sell a car sooner than planned, 9% and 6% respectively.

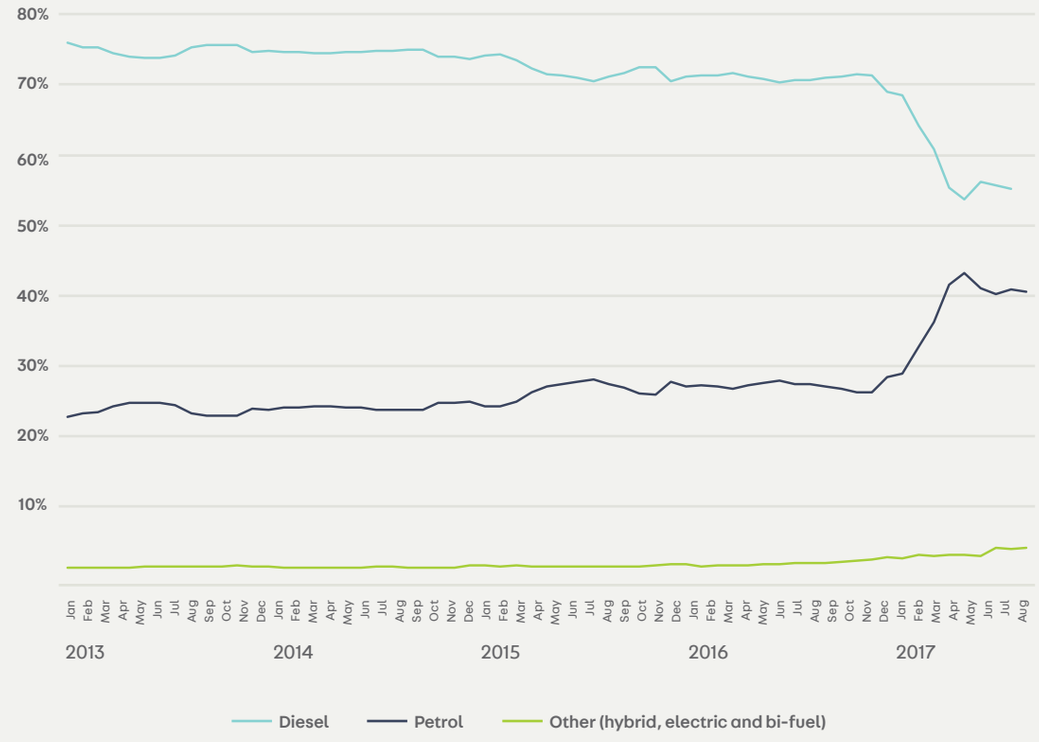
Searches for diesel cars have also been impacted on Auto Trader, showing a decline that mirrored the volume of negative press coverage on diesel engines going back as far as November 2016. In November 2016, 71% of car buyers selecting a fuel type when searching on Auto Trader chose diesel, compared to just 26% for petrol vehicles. But as months of negative press commentary on diesel continued, the share for diesel searches had dropped as low as 54% by May 2017. Petrol searches gained as a result, rising to 43% of all searches in the same month.

However, searches for diesel cars on Auto Trader have grown since May, rising back up to 55% in August, which naturally led to a decline in petrol searches by 3%. The trend change could possibly be due to the Government's 2040 announcement and acknowledgement that serious action on diesel vehicles was some years away.

Which of the following have you done or do you plan to do as a result of hearing news on the impact of different engine fuels?

I will find out more information about engine fuel types	23%
I have started saving for a new car	14%
I plan to buy a new car quicker than planned	9%
I will change the amount/distances I drive	7%
I plan to sell my car quicker than planned	6%
I looked at finance deals	5%
Other	36%

Monthly percentage of fuel searches on Auto Trader

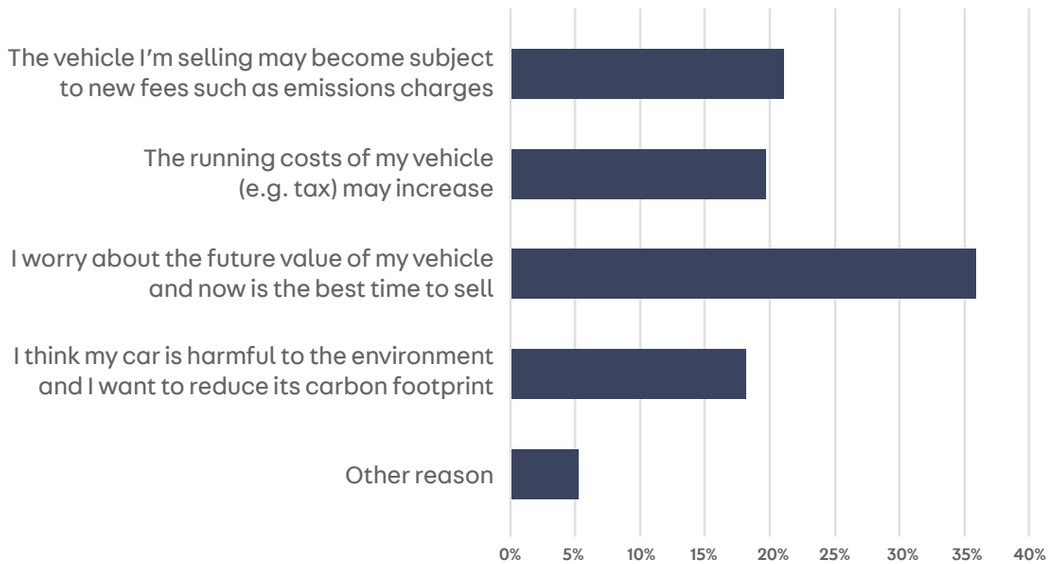


Whatever the reason, it's clear that the Government's announcement has not reduced the number of people searching for diesel cars.

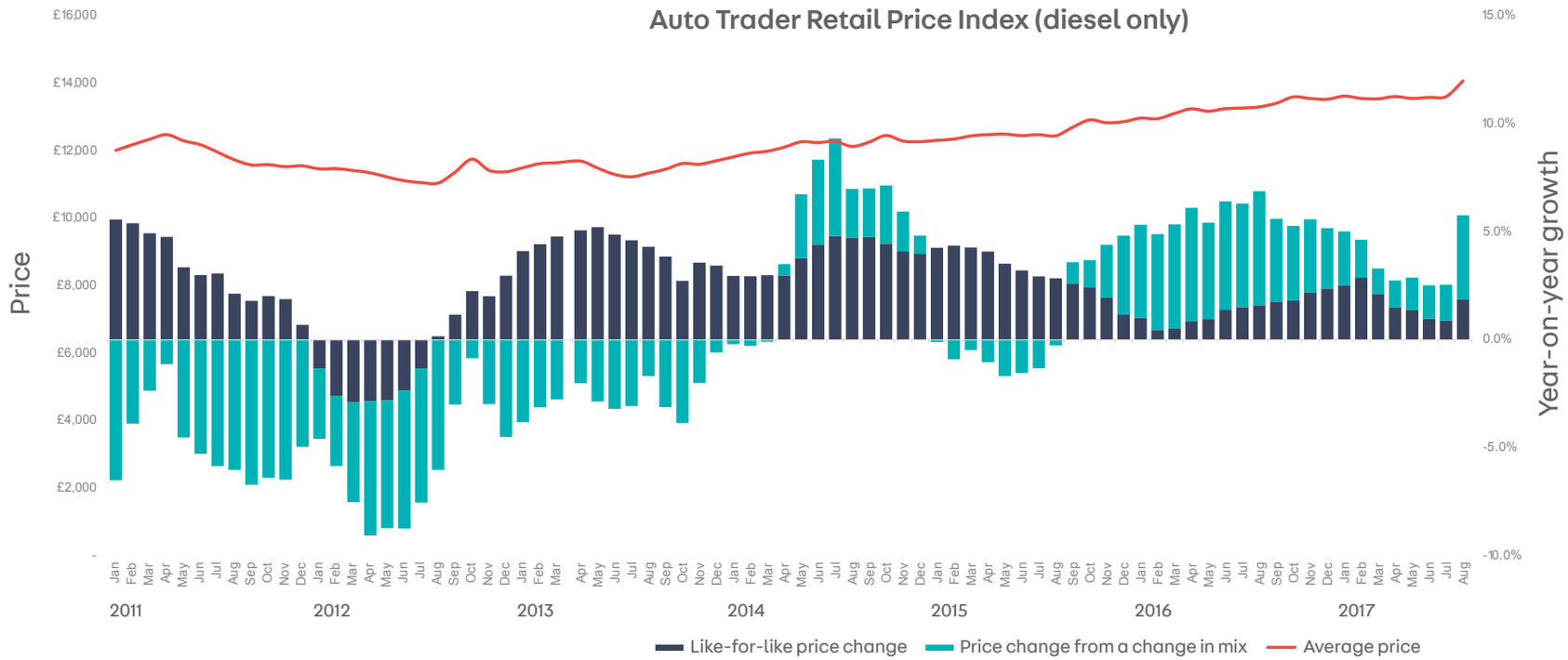
Based on the views of over 10,000 motorists selling their cars privately on Auto Trader in July and August 2017, 10% of diesel car owners said the recent press coverage surrounding diesel cars had influenced their decision to sell. 36% of that group said they were concerned about the future value of their diesel car, 21% said they were worried about potential new fees or emissions charges and 20% said they were worried about how future running costs could be raised, such as tax.

Yet despite these clear early shifts in behaviour in response to the growing negative commentary on diesel cars, one of the most noticeable impacts these developments have had on UK motorists is confusion. Confusion about the state of play of the fuel debate, but more crucially, what the final conclusion to the debate will mean for the fuel type they own.

Reasons why negative press coverage has impacted decisions to sell



Auto Trader Retail Price Index (diesel only)



Average diesel used car price increases accelerate following the Government's 2040 announcement

One of the most interesting aspects to understand is whether the recent coverage and debate regarding diesel vehicles has led to a decline in the value of those cars, which would be a prime concern to diesel car owners.

Auto Trader's Retail Price Index, which tracks the market value of all cars advertised by retailers on autotrader.co.uk, shows that despite the recent demonising of diesel vehicles, the price of a used diesel car, on a like-for-like basis (comparing cars of similar age and model this year versus last) is higher this year.

Whilst this is positive, and may come as a relief to some, there can be no doubt that the sentiment shift on diesel vehicles has had some impact, as the growth in the average price of petrol vehicles is at a significantly higher rate than diesel vehicles.

In 2017 average used car price increases have been slowing, but August bucked this trend, where average used diesel price increases accelerated. Data for August showed a total price growth of 6% for used diesels, with an underlying like-for-like price increase of 2% which doubled from July (1%). The remaining increase of 4% was due to changes in the mix of cars on Auto Trader's marketplace, with more younger and premium cars than the same period last year.

The average price for a used petrol car was up 16% year-on-year for August, holding an underlying like-for-like price increase of 9%. Average used car prices on a like-for-like basis are up 4.6% across all vehicle types for August, a trend which has seen consistent increases since 2012.

Car buyers confused

Addressing an event held by the SMMT in June 2017, Jaguar Land Rover Managing Director, Jeremy Hicks, said, "At the moment there is confusion where there needs to be clarity". Hicks highlighted a lack of consumer awareness which is not being helped by a lack of clarity with the current fuel debate.

The difference between CO2 and NOx and the role they both play in air quality and air pollution is one of many areas where car buyers find themselves unaware or confused. Hicks said, "There are two things we tend to address – wrongly – in isolation: global warming and air quality. To simplify, CO2 is bad for the planet, NOx and particulates are bad for your health." Therefore, the question remains: if the public debate can be criticised for wrongly addressing the problems at the core of the fuel debate, what chance do motorists have of keeping well informed when it comes to car buying?

49% of motorists surveyed for this Report claim that the messages around fuel types over the last year have made the process of buying a car more challenging, 35% claim they don't understand the latest information underlining the pros and cons of the different fuel types, and 48% claim there isn't enough clear information on what current fuel types have to offer.

With over half of motorists claiming that the car buying process is made more challenging at a time of a sustained debate on fuel, the scrutiny of diesel and discussion on the future of fossil fuel powered engines could be making the process of car buying more difficult in many cases.

As the second biggest purchase most consumers will ever make, and a useful barometer of consumer buying confidence in the UK, car buying could be at risk of disruption if consumers become further confused and detached from the fuel debate, which cannot be a good thing for UK car buyers or the large industry that surrounds the retailing of new and used vehicles.

"At the moment there is confusion where there needs to be clarity"

Jeremy Hicks, Managing Director, Jaguar Land Rover

of motorists claim that the messages on fuel types have made the car buying process more challenging

don't understand the latest information provided on different fuel types

Transactional effects of un-informed buying behaviour

With the new car market cooling following a record year of new car registrations in 2016, the SMMT reports that new car registrations are down 2.4% year-to-date (Jan-Aug) so far compared to 2016[3]. Further to this, August data shows that petrol market share has increased by 3.8% year-on-year, with diesel showing the opposite trend with a 21.3% decline year-on-year for the same month.

Interestingly, this is likely demonstrating that the narrative and debate that is primarily focused around older diesel cars (pre Euro 5 standard), is actually impacting consumer buying behaviour for new cars (Euro 6 standard).

Criticism of the diesel debate so far has highlighted that the word 'diesel' has conveniently been generalised and borne the brunt of the criticism on fuel. This has broadly tarred newer, cleaner and more fuel efficient diesel engines with the 'dirty diesel brush', despite them proving just as clean and even more fuel efficient than their petrol counterparts.

The latest Euro 6 emission standards show that new diesel cars should be half as polluting than petrol for CO2 emissions, whilst the standards for diesel NOx emissions are just 0.02g/km below petrol (0.08g/km and 0.06g/km respectively), whilst Euro 6 also restricts new petrol and diesel vehicles to the same standards for particulate matter (0.005g/km). So although consumers making the switch will be marginally improving air quality, the difference could be minuscule, and in the process new buyers will be doubling CO2 emissions and reducing fuel efficiency if their driving behaviour is more suitable to a diesel engine.

Euro 4 (pre 2009) vs. Euro 6 (current) emission standards

Euro 4 emissions standard (petrol)
CO: 1.0g/km
NOx: 0.08g/km
Euro 4 emissions standard (diesel)
CO: 0.50g/km
NOx: 0.25g/km
PM: 0.025g/km

Euro 6 emissions standard (petrol)
CO: 1.0g/km
NOx: 0.06g/km
PM: 0.005g/km (direct injection only)
Euro 6 emissions standard (diesel)
CO: 0.50g/km
NOx: 0.08g/km
PM: 0.005g/km

[3] SMMT New Car Registrations (August 2017)

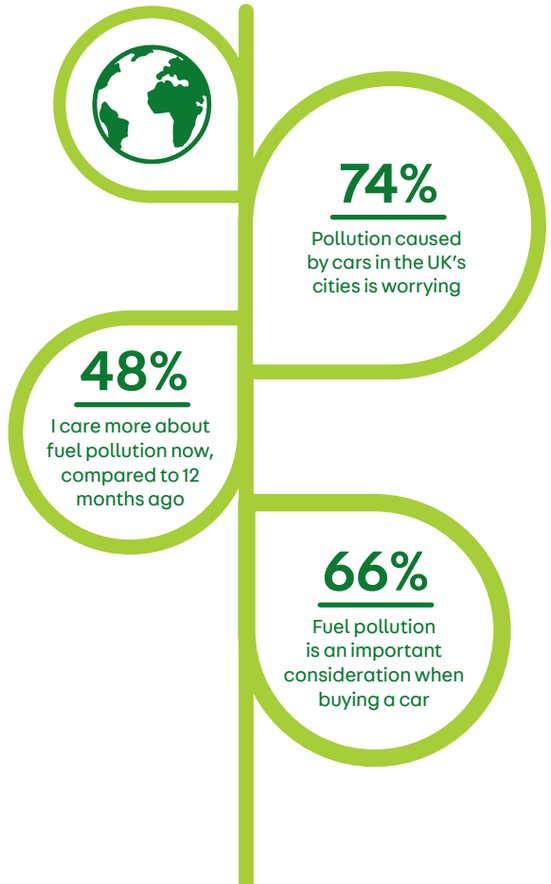
Consumer choice is the ultimate catalyst for change

Fuel efficiency is still one of the most important considerations for motorists looking to buy their next car. In fact, the three most important considerations for car buying (price, running costs, fuel efficiency) are all based on cost, and all three can be significantly impacted by the type of fuel engine motorists choose to buy.

Only 10% of recent car buyers said they chose that particular fuel type to reduce their carbon footprint, highlighting how small a role environmental considerations play in the current car buying process. But although environmental considerations do not play a big role in the car buying decision, it is still the case that the decision on the fuel type is still considered important by car buyers.

Yet despite the lack of influence environmental considerations have in the decision process for buying a car, motorists still share a sense of awareness for the environment. 74% of motorists agree that the pollution caused by cars on UK roads is worrying, and 66% claim that fuel pollution is an important consideration to make when buying a car. 48% of motorists also say they care more about car pollution now than they did 12 months ago. So why aren't we seeing a larger shift of motorists moving from fossil fuel cars into hybrid and electric?

Fuel efficiency is still one of the most important considerations for motorists looking to buy their next car



Disconnect between concern and action

Chris Haydon, Insight Director, Join the Dots Agency

This Report reveals a clear disconnect between the claimed increase in environmental concern and the action consumers could take to address their personal circumstances.

Drivers claim to care about the environment and want to do the right thing, with 74% saying they are worried about pollution and 48% saying they care more about fuel pollution compared to 12 months ago. Therefore you would assume that alternative fuel vehicles will be the next logical step for drivers when they are considering their next car.

But, as we know, what consumers say and do are very different and there is a disconnect between their claimed concern about the environment and the reality of the action they take.

Primarily, this is due to cost, with 65% saying that getting a good deal was their main consideration when buying their next car. This means that fossil fuels (and more specifically petrol) are the most likely engine fuel type to be considered as their next car as they are more accessible financially.

On top of this, consumers don't think that small changes that they can make will have an impact – they are expecting brands to make changes for them, but aren't prepared to pay for this.

This disconnect is akin to when consumers make decisions about many everyday items, for example which meat to buy; they want to buy free range meat due to the higher animal welfare standards, but aren't prepared to pay extra for this. Milk and clothes production are similar examples.

The decision to switch to an alternative fuel engine will sit with the consumer and they won't be forced into doing it. For example, when asked why they would buy an electric vehicle, 'increased Government taxes on fossil fuel' was one of the least popular reasons, which is akin to the limited impact that higher Government taxes have had on tobacco usage.

Instead, adoption of alternative fuel vehicles depends on whether tangible barriers that drivers see in front of them, can be overcome. These are primarily cost, with 'upfront expense' the most important reason for not considering electric as their next car. But they also have a general lack of understanding about alternative fuel vehicles and have concerns over charging points. On top of this, there are other economic, political and societal challenges (that drivers aren't aware of yet) that need to be overcome, such as readying the power grid, changing the road layouts and replacing lost tax revenue/ jobs in the UK car sector.

The barriers to consumer adoption – the road to 2040

In the 23 years that remain from now until 2040, there is still a great challenge ahead in bringing motorists over from traditional fossil fuel engine cars, and into hybrid and electric vehicles early. The SMMT report that the year-to-date new car market share for alternative fuel vehicles is 4.4%, a 1.2% increase on 2016. To accelerate the Government's 2040 goal, alternative fuel vehicles must appeal to the key buying considerations for consumers that cover a number of driving and ownership areas.

Meeting the 2040 target will be dependent on a wide number of key factors, not least the adoption of alternatively fuelled vehicles (AFV) amongst consumers. Manufacturers are investing billions of pounds into the research and development of the technology, and the Government has promised the necessary infrastructure will be in place to support the switch over. However, without a fundamental desire from car buyers to make the transition from fossil to electric, the Government's ambitious goal could fall short of its target.

Given the significance of this point, we wanted to better understand what the main barriers to adoption might be; what are the hurdles that the Government and indeed, the broader automotive industry will have to successfully overcome over the next two decades? According to our findings there are four key areas that will need to be addressed:

1. Cost

The perceived cost of an electric vehicle (EV) was identified as by far the biggest objection to their adoption. Nearly half (49%) of UK motorists consider the upfront expense of an EV as their primary reason for not purchasing an EV, whilst 41% stated the servicing and running costs.

As we'll see later in this Report, the perception of higher costs is largely an inaccurate one. However, there may be some legitimacy to this consumer anxiety.

According to an independent survey by the Institute of the Motor Industry (IMI)[4] 40% of the public (and 70% of Londoners) had grave concerns about air pollution and saw ultra-low emission vehicles as a solution. However, a significant 65% were either unwilling or unable to pay the increased insurance premiums currently levied on electric and hybrid cars. According to the study, insurers charge up to 50% more to cover 'green' vehicles.

So what's the answer to overcoming this perceived financial barrier? With 45% of motorists claiming lower taxes on electric cars would help make them switch, greater tax breaks and grants could be one possible solution.

The Government provides a range of incentives for consumers that opt to buy a brand new electric or hybrid vehicle, including a £500 contribution towards the

[4] Institute of the Motor Industry study (January 2017)

installation of a charge point in their home, VED exemption for zero emission vehicles valued less than £40,000, as well as the Plug-in Car Grant which was introduced in 2011. Currently, as part of the grant, Category 1 cars (those with CO2 emissions less than 50g/km and can travel at least 112 km without any CO2 emissions at all) are eligible for a grant of up to 35% of the purchase price, capped up to a maximum of £4,500, whilst Category 2 cars (those that have CO2 emissions of less than 50g/km and can travel at least 16 km without any CO2 emissions at all) are eligible for a grant of up 35% of the purchase price, capped up to a maximum of £2,500.

It's a valuable contribution but is it enough? According to a study by the RAC Foundation, the number of motorists claiming the Plug-in Car Grant reached its lowest level in two years last September, which some commentators in the media attributed to the Government halving the cap from £5,000 to £2,500. What's more, according to the SMMT, of the circa 71,000[5] new EVs and AFVs registered in 2017 (January-August), just 37% (26,443) were eligible for the Plug-In Car Grant. As an example of just how influential incentives can be, in Norway generous incentives (up to 15,907 euros at purchase and annual subsidies)[6] are provided to EV customers, making EVs more affordable than internal combustion engines. Not surprising then that one in four cars sold in 2016 was electric.

If the Government is to encourage consumers to switch from fossil to electric by 2040, perhaps more of the £3 billion committed to vehicle emission reduction should be set aside for greater tax breaks and incentives.

2. Infrastructure

Manufacturers such as Tesla, Nissan, Volvo and BMW are making huge strides in evolving the technology, and with each new model we're seeing the range and performance of battery-reliant vehicles improve dramatically. And over the last few weeks we've seen commitments from both Jaguar Land Rover and Uber to only produce/use electric vehicles from 2020. However, even with these developments, without the necessary charging infrastructure in place, many commentators believe the technology will be challenging to roll out on a large scale. It's clear that this sentiment is shared by UK motorists too; 24% of consumers said they wouldn't consider an EV because they travelled a long distance and over half (54%) identified a lack of infrastructure as their primary barrier to adoption.

This was a particular concern for older motorists, with 63% of consumers aged over 55 identifying infrastructure as their biggest concern, compared to 41% of drivers under 35. Interestingly, 33% of the drivers we surveyed aged below 35 claimed they either spent 'almost all of the time' or 'a lot of the time' driving on motorways. This is twice as many (14%) as those aged over 55, suggesting there may be a greater propensity to early adoption amongst younger motorists.

Further highlighting the role infrastructure could play in helping motorists make the switch from fossil to electric, of the consumers we surveyed for this report, 56% identified good charging infrastructure as their most important incentive for EV adoption - higher than any other factor.

There are currently more than 11,000 publicly accessible charging points across the UK, and close to 900 rapid chargers installed along the motorway network. However, with over 100,000 AFVs on UK roads, many have argued that there's not enough to meet the current demand, let alone support future growth.

3. Reliability

Range and performance anxieties have plagued EVs since they were introduced onto UK roads. Today, just 14% of consumers said they thought electric cars were reliable, while nearly a quarter (24%) of motorists identified performance as their primary barrier to adoption. Contrary to these concerns, battery technology has come a long way, with all of the major car brands aggressively

[5] SMMT EV Registrations (August 2017)
[6] Mckinsey report: Dynamics in the global electric vehicle market (July 2017)

competing to extend range and performance capabilities.

The Renault ZOE is not only one of the most affordable EVs on the market, but its higher spec models can now manage 250 miles on one charge. And on the other end of the cost scale, the Tesla Model S not only boasts a range of over 300 miles, but the highest spec version can achieve 0-62mph in under three seconds. It's hugely impressive, and shows that over time electric vehicles needn't involve compromising performance.

4. Lack of understanding

Whilst cost, infrastructure and technology are all legitimate concerns, the key to unlocking consumer confidence in electric vehicles lies with the fourth identified barrier; a lack of understanding.

Any proactive attempt to significantly shift consumer buying behaviour requires education. Despite a regular news cycle reporting the major technological developments of AFVs, without a core understanding of the benefits of owning an electric vehicle, then consumer adoption will be hampered. As highlighted in our previous Auto Trader Market Report, this is similar to the challenge faced by autonomous cars and alternative mobility solutions.

This was supported by our study, with 32% of motorists identifying the lack of understanding as their main barrier to buying an electric vehicle. This underpins the need for greater education; as has always been true, we fear and stay away from the unknown.

Earlier we stated that many motorists cite the cost of purchase and running of an

Dr Ralf Speth

Chief Executive Officer, Jaguar Land Rover

Can the UK compete with other nations who are moving fast in developing the technology, infrastructures and collaborations to shape the future of mobility?

This country has the intellect, imagination and ideas. It always has. But history tells us too often it has failed in delivery. And in this new mobility revolution, if there is not a nimbleness in response, the danger of failure is too harsh to contemplate.

Dates are set by UK Government for the banning of diesel and petrol vehicles by 2040, but with no detailed plans behind this bold statement.

We as a company can deliver electric vehicles. Where is the network of charging points that they will require to function? Indeed, where is the power grid that will allow us to build them? We know the levels of connectivity that will be needed in the future. To allow autonomous vehicles. Freeing individuals. Increasing productivity. Reducing accidents. We know of the 5G network the rest of the world is working upon to enable it. Where is it here?

Sue Robinson

Director of the National Franchised Dealers Association

As the figures in the report show, negative media coverage and speculation about diesel over the past few months have affected not only online searches, but also sales of diesel cars, which have reported double-digit drops since April.

There is confusion surrounding diesel and the whole air quality debate. It is alarming that over half of the car buyers surveyed admitted that recent messages on diesel have made car buying more challenging.

The NFDA and its members have been working tirelessly to help the public understand the issue. It is vital that consumers have accurate data when they choose their next car, so that they can make an informed choice. NFDA dealer members are there to help and support consumers throughout their buying journey.

Modern Euro 6 vehicles cannot be compared to old diesel. They are cleaner and built to standards which require them to emit around a third of the NOx and a fifth of the particulates of diesel cars built before 2009. New diesel cars emit less CO2 than their petrol equivalents and, depending on the driver's habits and behaviour, they can be the most efficient option.

Thousands of motorists who had previously purchased diesel cars in good faith and based on previous Government policy and tax regime must not be penalised. On a positive note, there are currently no Government plans to change diesel taxation in a way that would punish old diesel cars' owners retrospectively.

Going forward, motorists willing to switch to greener cars must be supported. They need to feel reassured and encouraged. The NFDA has been running workshops and events to overcome the lack of understanding and incorrect myths about electric vehicles, including anxieties about range and battery life. With cost and charging infrastructure still representing the two main barriers preventing motorists from buying an electric vehicle, the retail side of the automotive industry will continue to work closely with Government and manufacturers to encourage the uptake of low emission vehicles.

The whole industry needs to face the air pollution issue with a consistent and well thought-through approach. A phase of gradual implementation must be envisaged to ensure consumers and businesses are able to cope with the transition.

The automotive industry is going through interesting times and if we continue to embrace changes and anticipate potential challenges, the sector will remain one of the pillars of the UK economy.

electric car as their biggest objection; the facts are that in reality the costs are largely weighed in favour of EVs, not against them. For example, the popular Nissan Leaf, with a 24kWh battery, can now be leased for £149[7] a month with a deposit of £894. This is £10 a month cheaper than the larger, petrol-engined Nissan Juke.

When it comes to fuel, on a cheap home tariff Nissan estimates that a full charge should cost around £2, offering appoximately 124 miles of driving. Ecotricity, one of the main motorway EV charging providers, charges £6 for a 30-minute rapid charge, good for an 80% fill on a Nissan LEAF.

For a similar sized petrol car, such as the 1.0L 71 PS Nissan Micra, which has a fuel consumption of 61.4mpg[8], to travel the same distance would cost approximately £11 (based on an average fuel price of £1.16 per litre[9]). Despite this 81% of motorists selected petrol and diesel cars as 'good value for money', whilst just 30% said the same for EVs.

Similarly, with greater education, concerns around infrastructure would also become less of an issue. According to the Government's 2016 National Travel Study, the average journey in a car, either as a driver or a passenger last year, was just eight miles[10], and with the average EV providing a range of well over 100 miles per charge, the number of charging stations lining Britain's roads are perhaps less important than many drivers think.

Underpinning this point further, approximately 95% of Britain's EV owners charge their vehicle from home – not at a motorway charging station. However, this does raise an important challenge in the mass adoption of AFVs; where will inner-city motorists, without access to off-street parking, charge their car? One potential solution comes from German firm Ubitricity, which is currently working with a number of London's boroughs to install charging points within some of London's street lamps. It's a novel idea which also removes some of the challenges of installing dedicated EV parking bays and removing parking spaces from general supply.

This anxiety and concern about moving into the unknown is a natural response when the conversation has largely focused on either criticising diesel or threatening penalties for diesel drivers. As we've seen, the more pressing concerns of motorists, such as range, cost and even infrastructure, are in fact less relevant than most consumers think. Therefore, the biggest opportunity to encourage wider adoption lies with adjusting the debate to focus more on the carrot and less of the stick.

Much of the responsibility to educate consumers on the benefits of electric and to clarify the debate around diesels has been left to manufacturers. The recent introduction of diesel scrappage schemes from many of the major OEMs, such as Vauxhall, Ford, Nissan, Renault, BMW, Mercedes, Kia, Hyundai and VW, vary in detail, but all are helping to raise awareness of which diesel engines fall foul of emissions requirements.

As we've seen, electric vehicles are increasing in popularity, and as the industry works to overcome the barriers to adoption, it won't be long before more consumers look to their dealers for advice and the opportunity to buy. Like with other developments within the wider automotive retail industry, it's important dealers embrace the change early and adapt their business to capitalise on the increasing demand and expectations.

If the Government is to successfully encourage consumer adoption ahead of 2040, or its more immediate commitment to 30% market share for electric vehicles by 2030, then education – at a local and national level – must feature more prominently in both the local councils' air quality plans (required as part of the Government's 'UK Plan for Tackling Roadside Nitrogen Dioxide Concentrations') and the national Government's wider strategy.

[7] www.nissan.co.uk
[8] www.nissan.co.uk
[9] www.petrolprices.com (9th September 2017)
[10] GOV.UK National Travel Survey 2016

Research methodology

Consumer research

Auto Trader partnered with Join the Dots, a leading consumer insight research agency, to reveal and analyse the car buying behaviours of over 3,000 UK motorists*. Motorists were asked about their car buying and selling behaviours, as well as their awareness and attitudes towards fuel types over a six-month period (January 2017 - July 2017).

Auto Trader also surveyed circa 10,000 UK motorists (July and August 2017) who were actively advertising their car for sale on Auto Trader at this time. Consumers were asked about the vehicle they were selling, their reasons for selling and considerations for purchasing their next vehicle.

*Motorists in this instance are defined as full UK driving licence holders.

Auto Trader marketplace search data

Auto Trader extracted data from its marketplace to analyse the movements of used car prices and report on the search behaviours of UK car buyers. The data used in this Report includes: specified search behaviour for fuel types and extracts from the Auto Trader Retail Price Index.

Auto Trader Retail Price Index

The Auto Trader Retail Price Index combines and analyses data from c. 500,000 trade used car listings every day, as well as additional dealer forecourt and website data (OEM, fleet and leasing disposal prices, as well as pricing data from over 3,000 car dealership websites and data from major auction houses across the UK), ensuring the Index is an accurate reflection of the live retail market.

About Auto Trader

Auto Trader Group plc is the UK and Ireland's largest digital automotive marketplace. Auto Trader sits at the heart of the UK's vehicle buying process and its primary activity is to help vehicle retailers compete effectively on the marketplace in order to sell more vehicles, faster. Auto Trader listed on the London Stock Exchange in March 2015 and is now a member of the FTSE 250 Index.

The marketplace brings together the largest and most engaged consumer audience. Auto Trader has over 90% prompted brand awareness and attracts an average of 60 million monthly cross platform visits a month, with circa 70% of visits coming through mobile devices.

The marketplace also has the largest pool of vehicle sellers (listing more than 450,000 cars each day). Over 80% of UK automotive retailers advertise on autotrader.co.uk.

For more information, please visit http://trade.autotrader.co.uk

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For the latest news, views and insight for the automotive retail community, follow @ATInsight on Twitter and LinkedIn.

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