

The Lightstone Confidence Indicator

Key findings:

Current biggest challenge:

While there is some activity in the market, it is still low compared to pre-lockdown levels with customer uncertainty and the impact of lockdown restrictions cited as reasons for the low activity.

20.6%

have implemented the required regulations prescribed by government

Respondents remain hopeful that business will improve over the next 3 months, however, the financial position of consumers and the impact of Covid-19 are concerns mentioned most often.

Measures taken by business to offer relief to consumers include the adjustment of payment terms or payment holidays (17.6%), extending warranties/service plans (11.8%) and offering special pricing and discounts to consumers (7.9%).

Current positive aspects:

Expectation that business volumes will improve (11%) and the lower interest rates and fuel prices (10%)

Current negative aspects:

impact on future activity are the financial problems experienced by customers (29%)

Threat of more Covid-19 outbreaks and the lockdown restrictions (28%)

The economic state of the country (25%)

Rising unemployment rate (24%)

As the pandemic rages on; business is expected to take longer to recover than initially anticipated:

89% reckon that it will take **more than 6 months** for business to recover

44% think it will take **more than 1 year**

10.9%

reported that they have increased their online and social media marketing/presence

Business areas impacted the most:

75% negative impact on cash-flow

54% availability of stock

52% ability to pay staff salaries

Lightstone

We simplify the complex



Motor Industry Confidence Indicator

June 2020

Lightstone

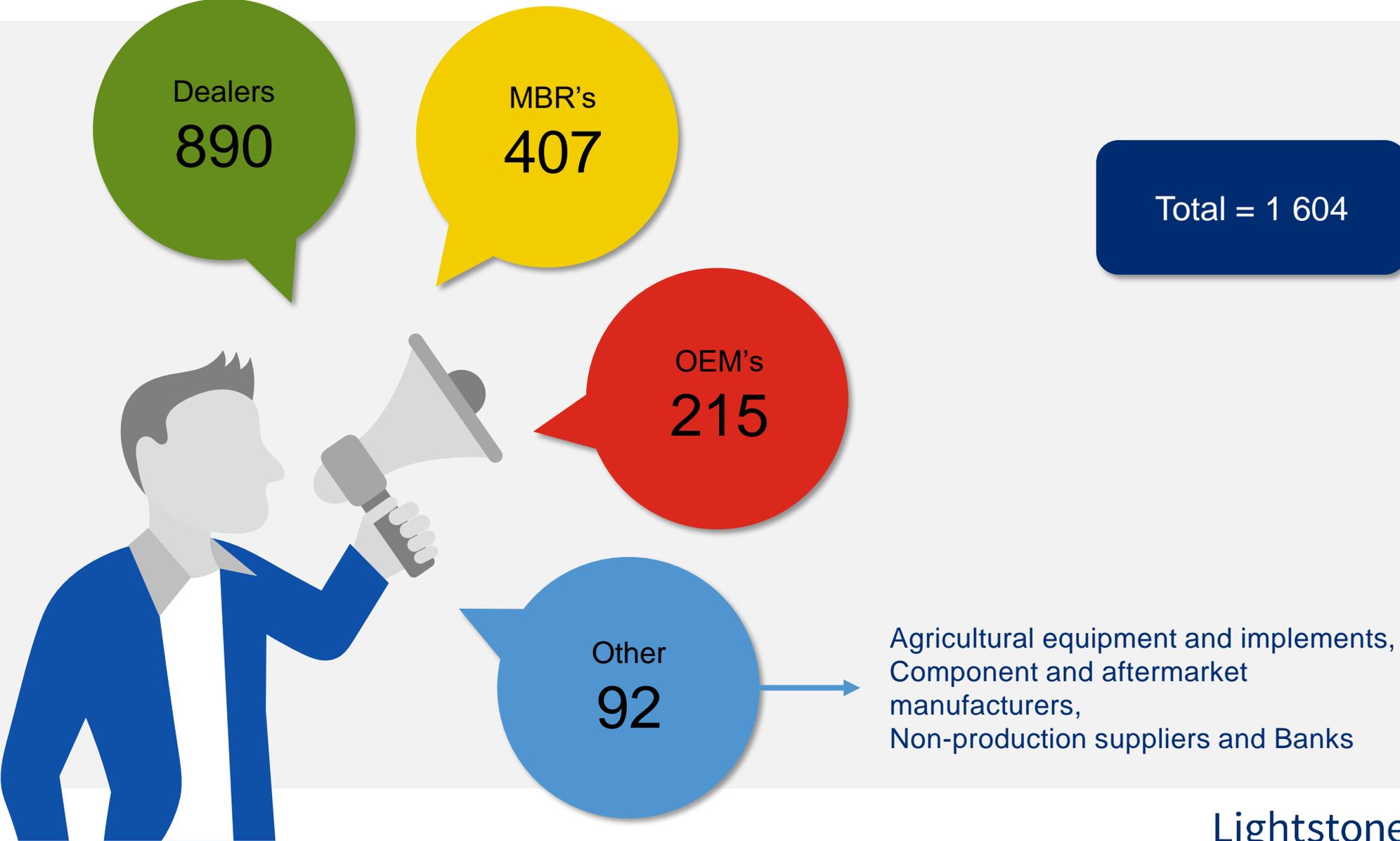
We simplify the complex

Objectives

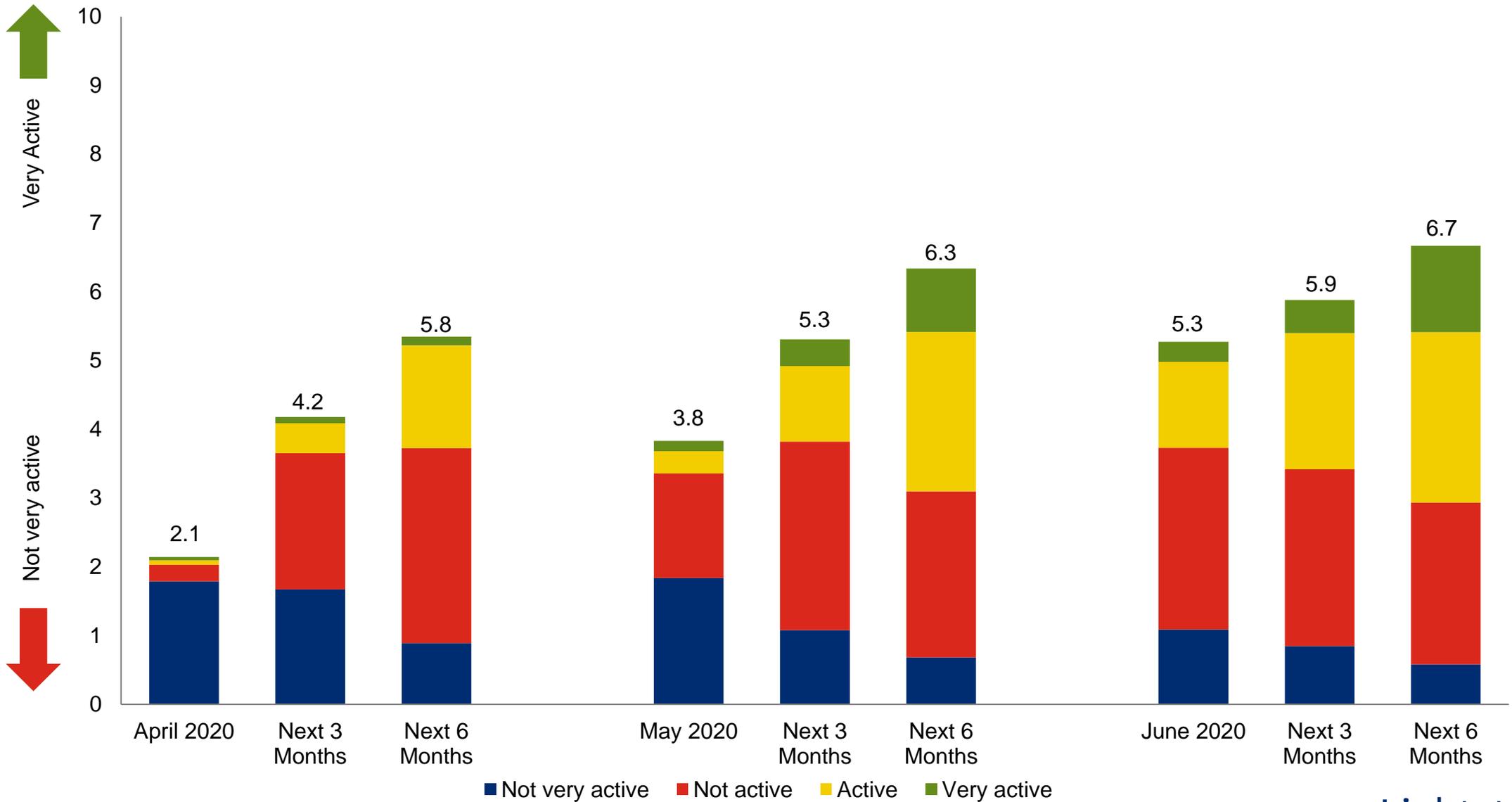
To measure and track the impact of COVID-19 on the various segments of the SA Motor Industry

- › Measure current market activity.
- › Measure expected market activity over the next 3 months.
- › Measure expected market activity over the next 6 months.
- › Identify the factors that will have the biggest effect on future activity.
- › Measure the impact of COVID-19 on:
 - Finance and liquidity
 - Workforce
 - Operations and supply chain
 - Strategy and brand
- › Measure the impact of COVID-19 on various aspects of the business.
- › Measure how monthly revenue is affected by the lockdown.
- › Measure how long it will take business to recover from the impact.
- › Identify the preparations done for the end of lockdown.
- › Identify measures taken to offer relief to consumers.
- › Identify innovations implemented to mitigate the impact of COVID-19.

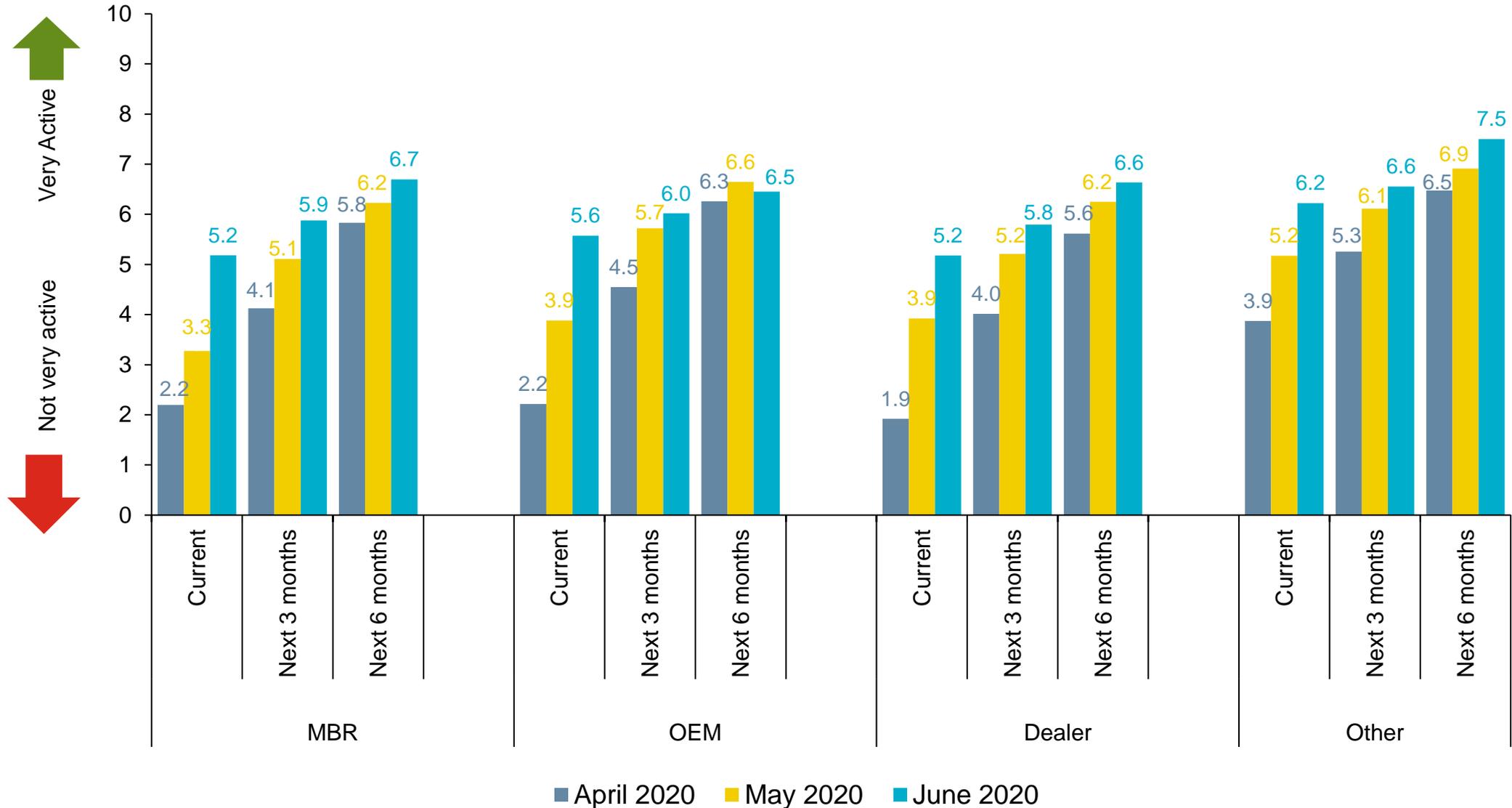
Survey respondents



Current and expected levels of market activity



Current and expected levels of market activity by segment



June 2020 level of activity: Top 5 themes and comments

01

There is some, but not much, activity

- “Less leads, less applications, a lot of declines.”
- “New car sales are very slow at the moment.”
- “Current activity levels are slightly better than expected.”

02

Business is picking up, but not at pre-lockdown levels

- “We have had enquiries and applications and there has been movement but not like before.”
- “We are not getting the normal amount of vehicle bookings for repairs. Mostly delivery and business vehicles which are urgently needed.”
- “Not as busy as we were but also not as quiet as we thought it would be on returning to work.”

03

Customer uncertainty, not willing to commit

- “Clients need a lot of convincing to do deals – clients have been affected very negatively by Covid-19.”
- “Clients are unsure of the future. Enquiries but no applications.”
- “People don’t have money for their excess. A lot of people have cancelled their insurance to save money.”

04

Lockdown restrictions limit business

- “We are not working to full capacity; our production is affected.”
- “Business starts to pick up but there are Corona cases now and then, forcing the plant to shut down and returning to work after days or weeks.”
- “Most people are not travelling, lowering the accident ratio.”

05

Low approval rate from the banks

- “Lots of applications, but very little approvals.”
- “Many quotes are being declined.”
- “More than 60% do not make the banks’ approval criteria.”

3 months level of activity: Top 5 themes and comments

01

Optimism for a gradual increase in activity

- “We expect customers to have recovered from the impact and expect most of them to have covered their debts and can get bank approvals.”
- “Clients will receive their full salaries and will start buying.”
- “Hopefully, it will pick up, but it will take time for everything to recover.”

02

Customers’ financial position is a concern

- “Unemployment increased and the economy declined, and consumers are in more debt now than 3 months ago.”
- “Even once all business types have re-opened, consumers will remain cash-strapped.”
- “Clients are in arrears due to Covid-19 lockdown. Their income is lower, and they are less likely to apply or buy.”

03

The impact of Covid-19 is more severe than initially anticipated

- “Covid-19 is only going to hit South Africa in the next 2 months. Customers losing their jobs and cannot afford to purchase vehicles.”
- “I think the real knock-on effect in the market will lag and the impact will be felt 3 months down the line.”
- “The economic fall out will hit home. Drastic effects on disposable income due to the end of payment holidays.”

04

Not anticipating much activity in the months to come

- “Do not foresee major change in the economic activity levels over the next three months.”
- “Reduced demand due to higher prices resulting from the dramatic devaluation of the rand.”
- “The pandemic is predicted to be worse in the next three months.”

05

Consumer uncertainty; not willing to commit

- “Customers are uncertain of their future job stability.”
- “Clients are worried about the future of the economy in spite of the interest rates that have been lowered.”
- “With the pandemic figure surging upward, more people will be scared of spending too much.”

6 months level of activity: Top 5 themes and comments

01

Hoping for an improvement in market activity

- “We hope that business will become more active, that a need arise to buy vehicles.”
- “There will be a slight up tick in the market towards the end of the year as per the traditional trend but still suppressed due to economic slow down.”
- “Should start to get busier, but no fireworks yet, as people are still feeling the punch of lockdown.”

02

Economy will take time to recover

- “I don’t see a major increase in spending over the next 12 – 18 months, the damage is already done.”
- “A financial recovery will take time to normalize and the general consumer will be more vigilant with spending money.”
- “It will take the economy a long time to recover from the impact of the lockdown therefore I feel that our market will not be very active.”

03

Depends on the Covid-19 situation and the lockdown restrictions implemented

- “Should the lockdown be over there should be a lot more activity and business requirements.”
- “Provided the pandemic can be flattened we should start to get back to normal.”
- “Hopefully, we will be on Level 1 of the lockdown with more opportunities.”

04

Customers will have more certainty about their financial position

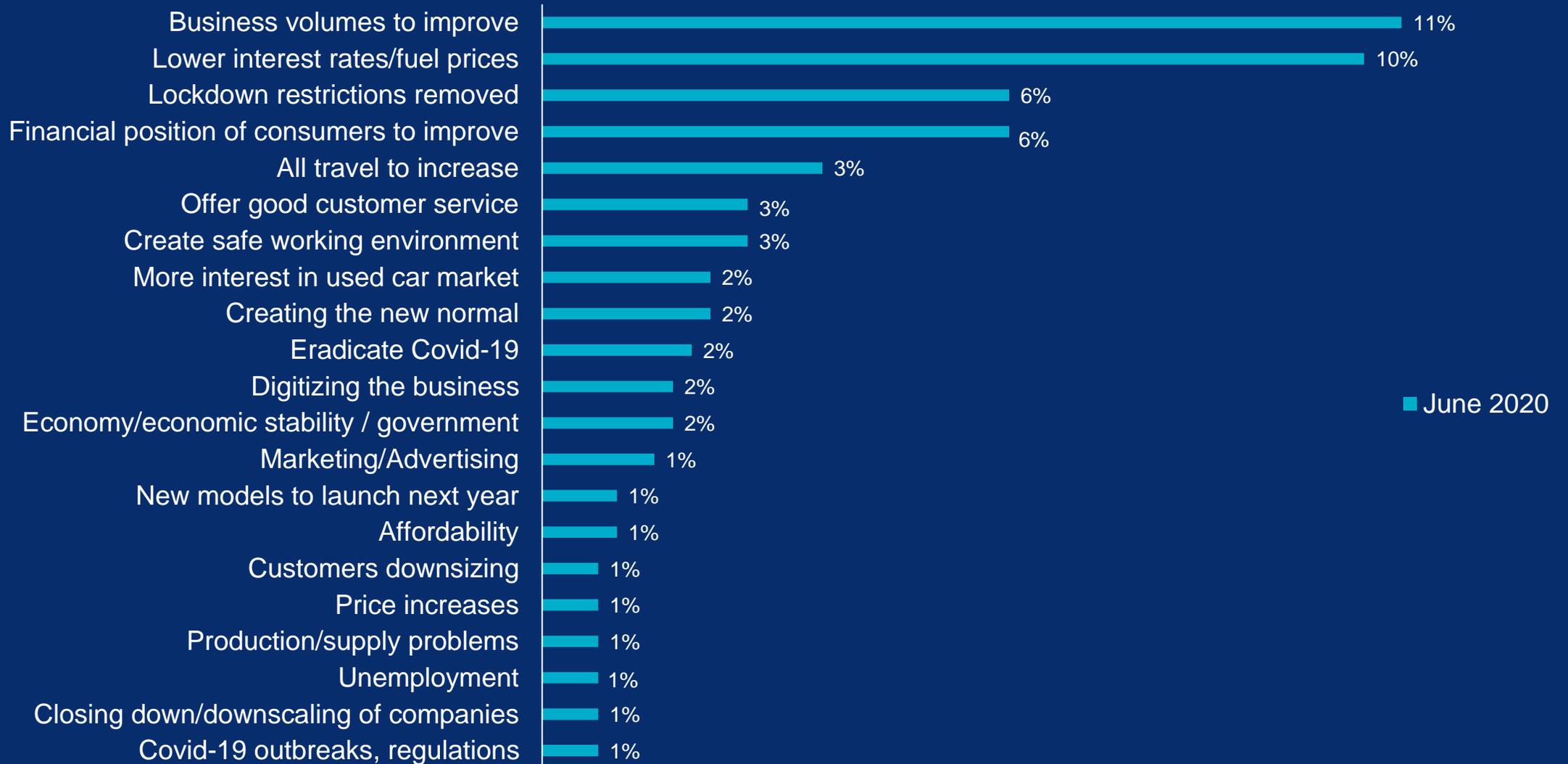
- “Business is slowly resuming, and clients are assessing their financial position, and this will impact their ability to purchase.”
- “If the rates remain low, and clients have sufficient disposable income and job security, there will be a demand in the motor industry .”
- “Clients will be up to date with their finance and the market will start stabilizing.”

05

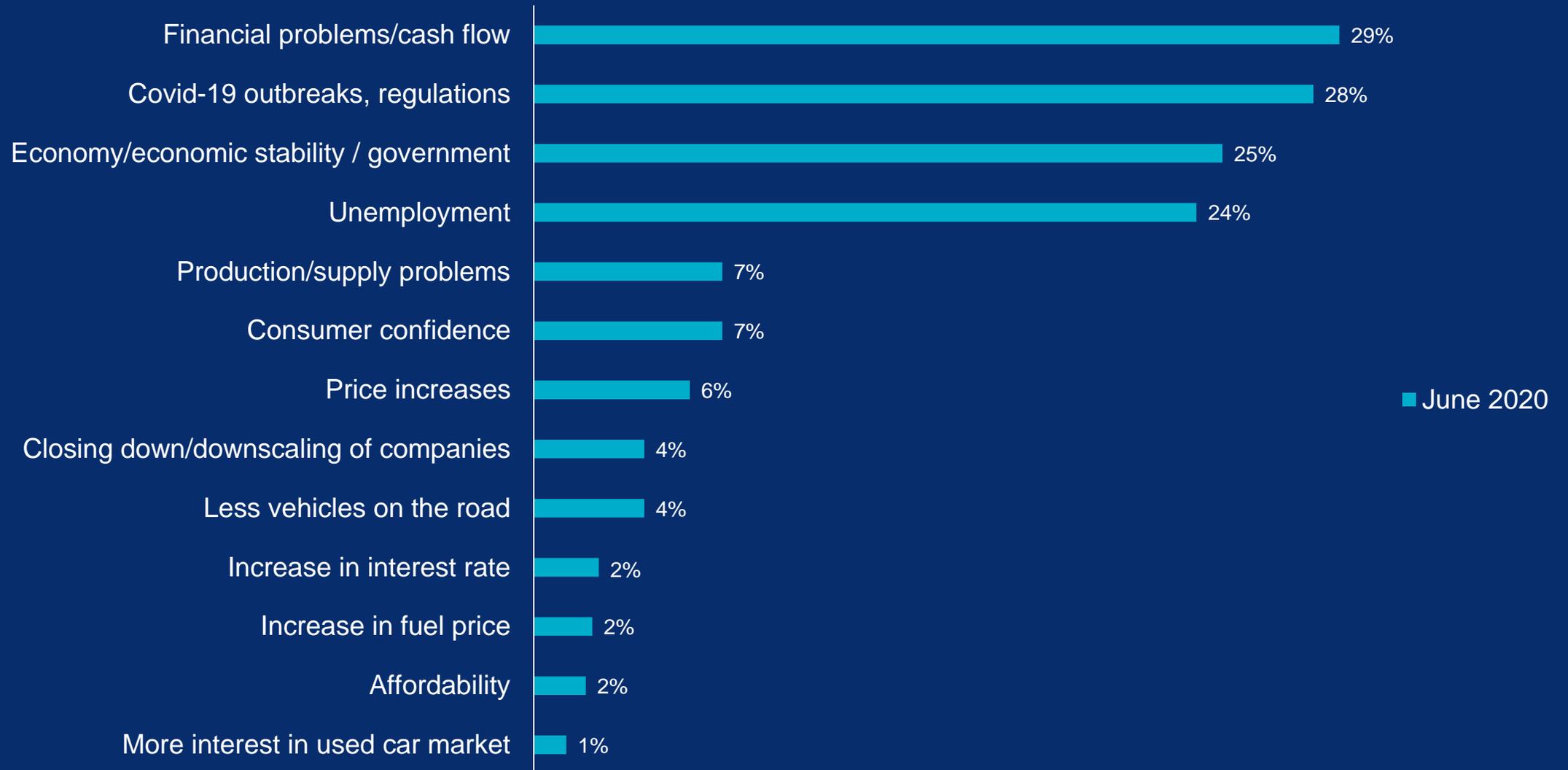
Not expecting much activity

- “It will remain stagnant due to retrenchments and unemployment.”
- “Cannot see a big increase with all the uncertainty and job losses anticipated in the next couple of months.”
- “Country is already in recession ... no growth .”

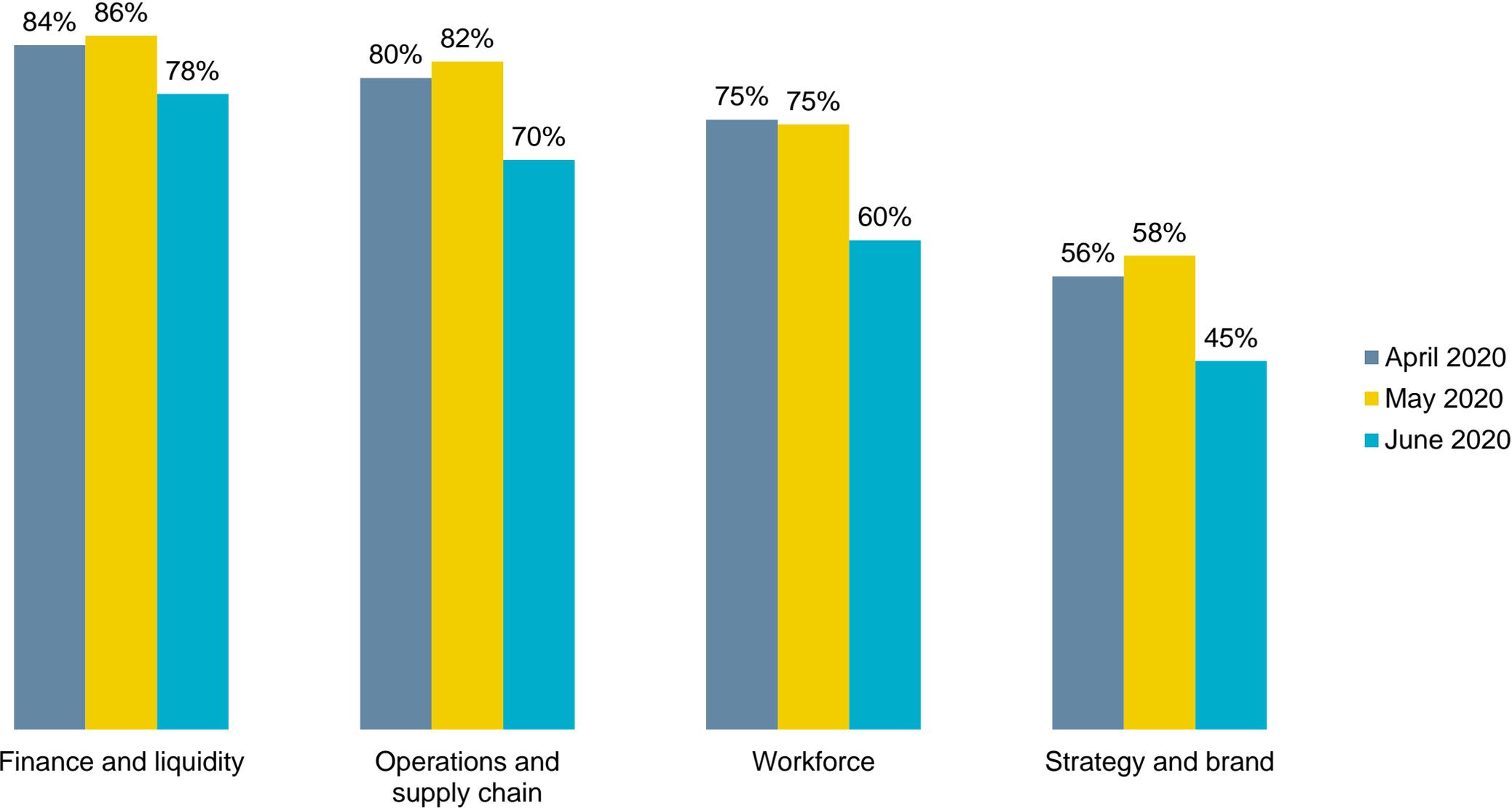
Positive factors anticipated to have the biggest effect on future activity



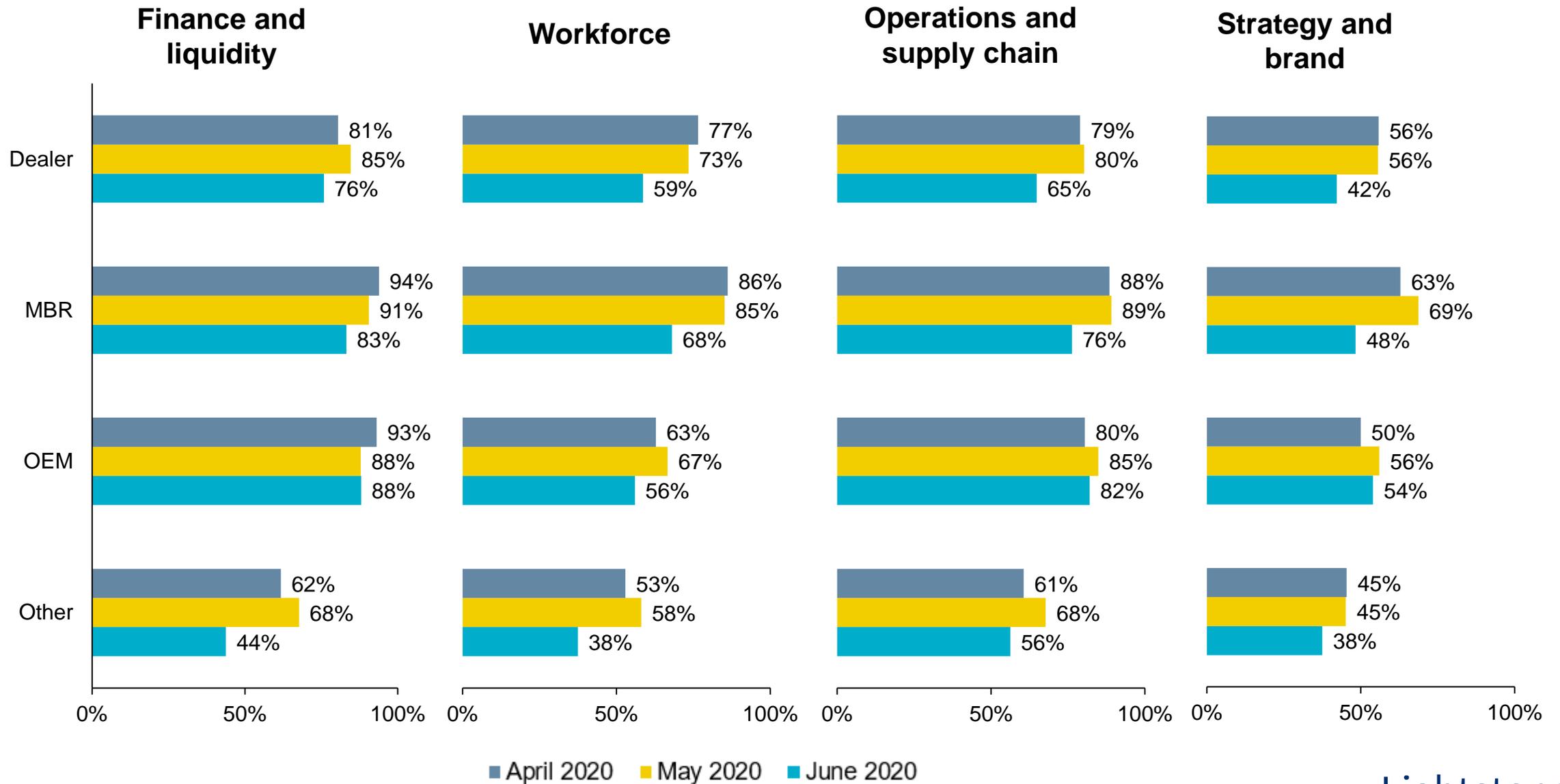
Negative factors anticipated to have the biggest effect on future activity



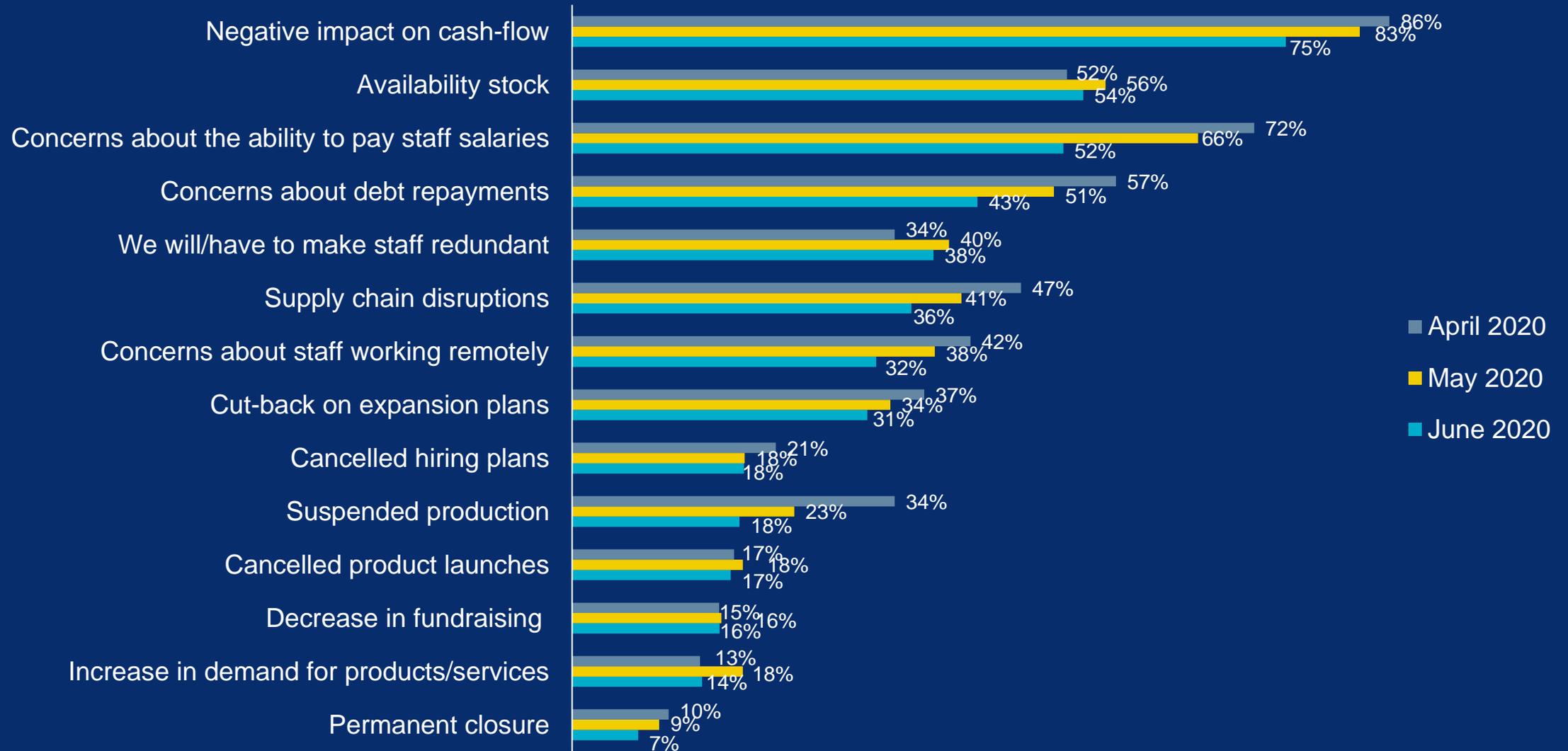
COVID-19 impact on the following business areas rated as 'Severe' or 'Significant'



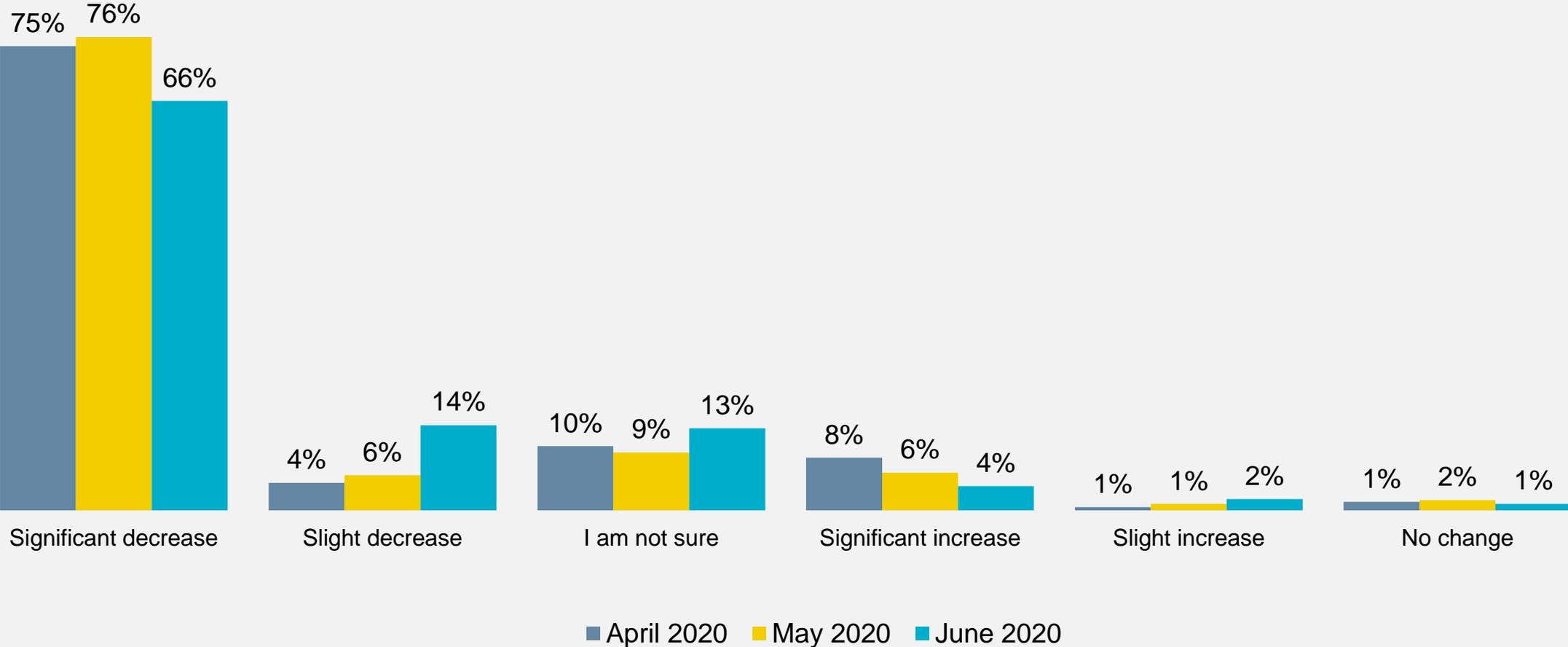
'Significant or 'Severe' impact of COVID-19 on various industry segments



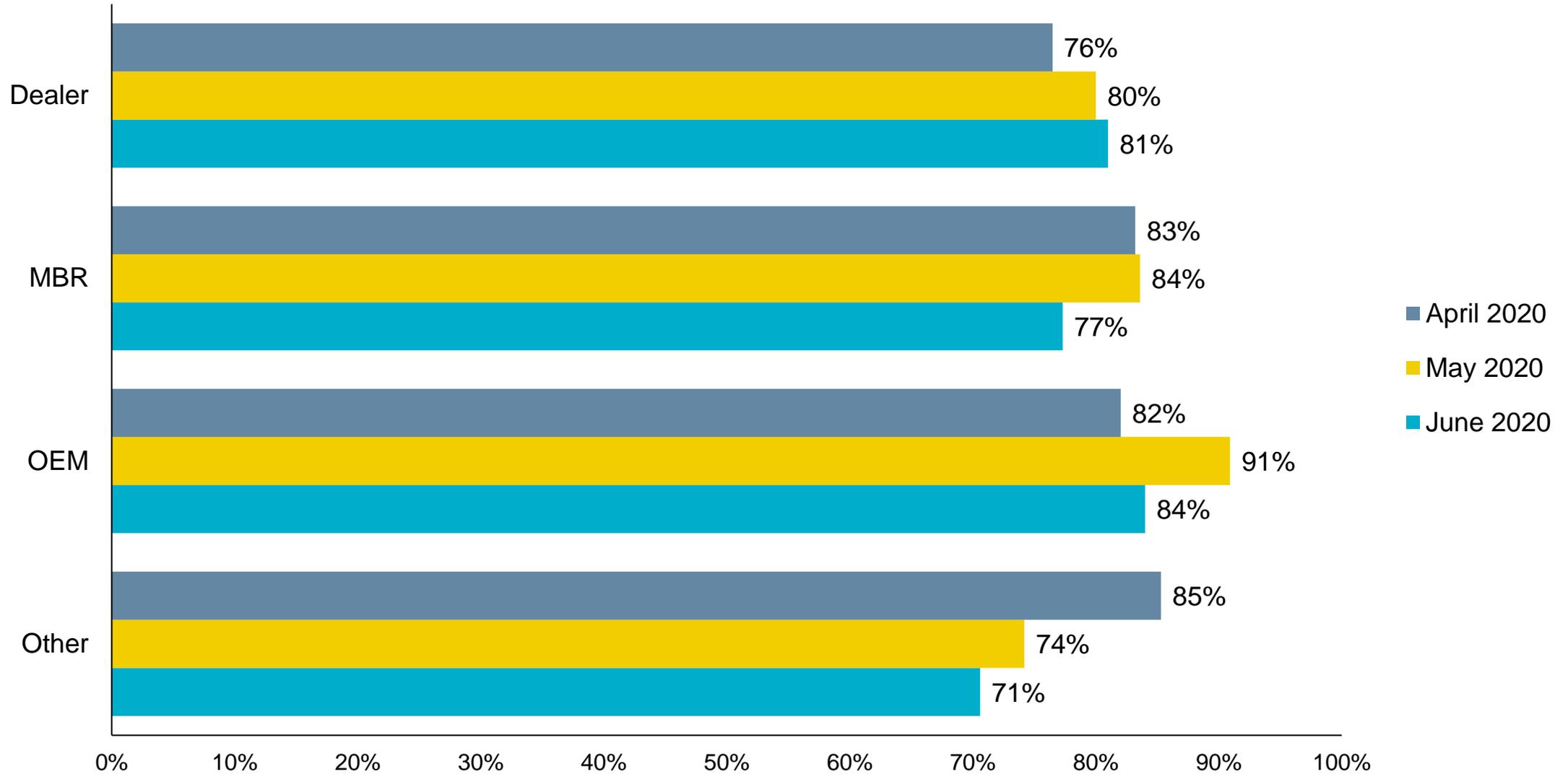
The following business areas are listed as being impacted most by COVID-19



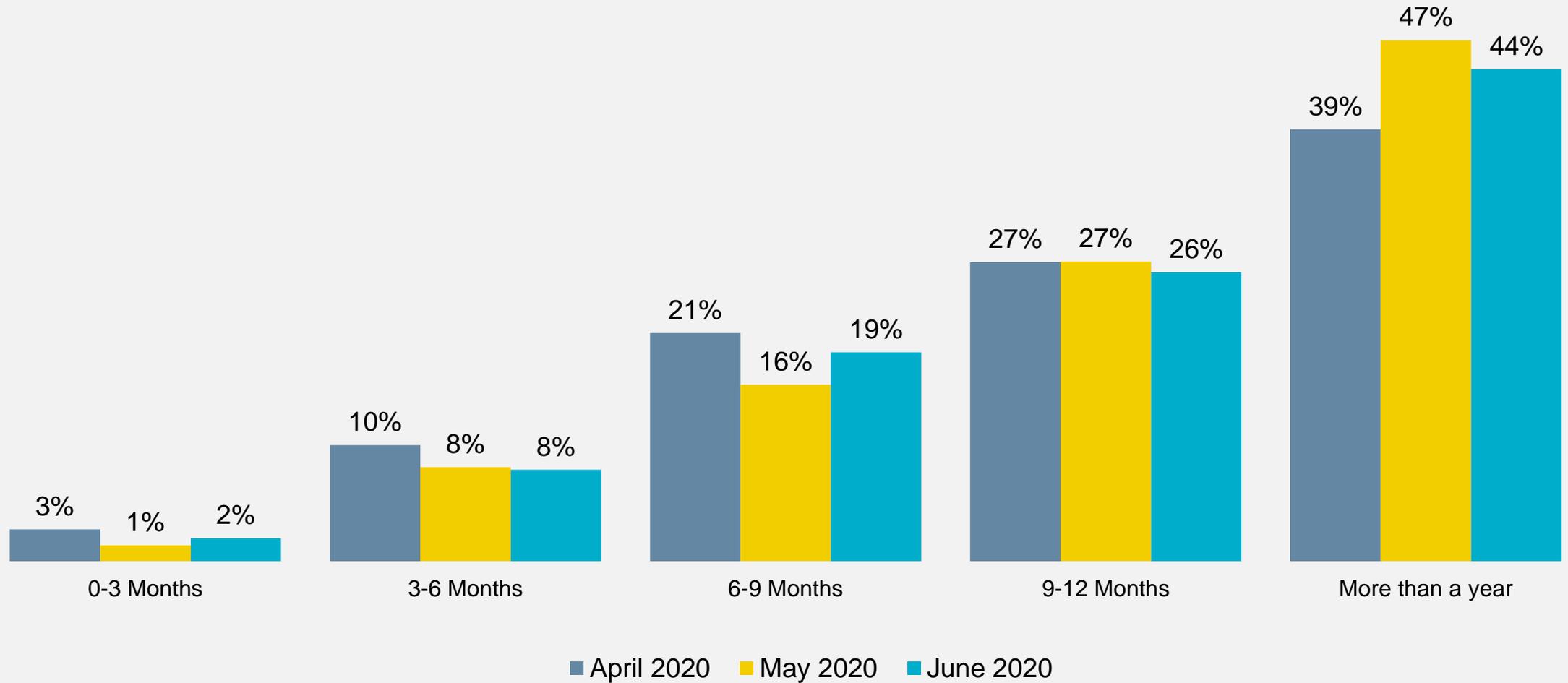
Impact of the lockdown on monthly revenue



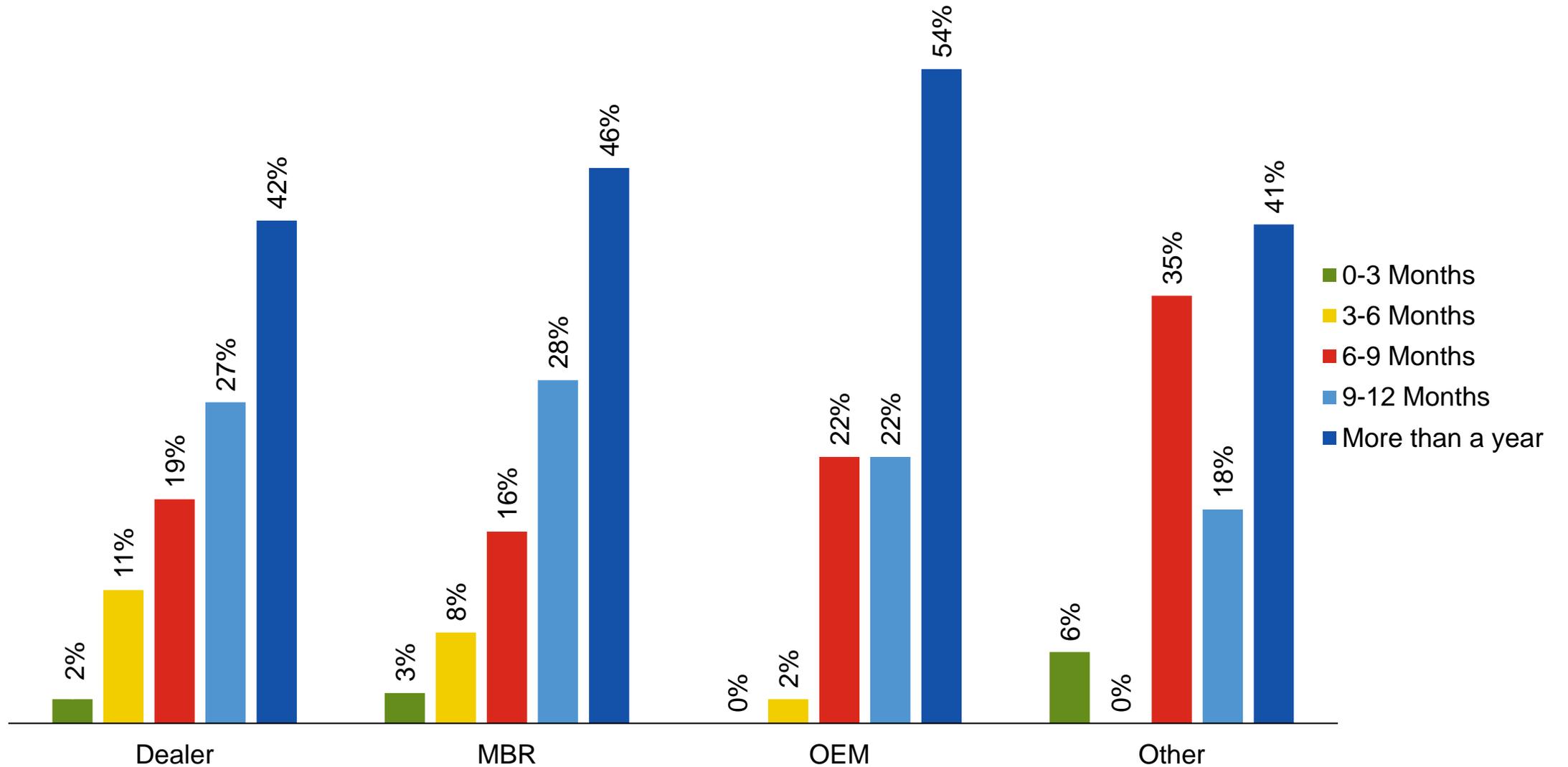
Percentage of respondents reporting a decrease in monthly revenue during lockdown



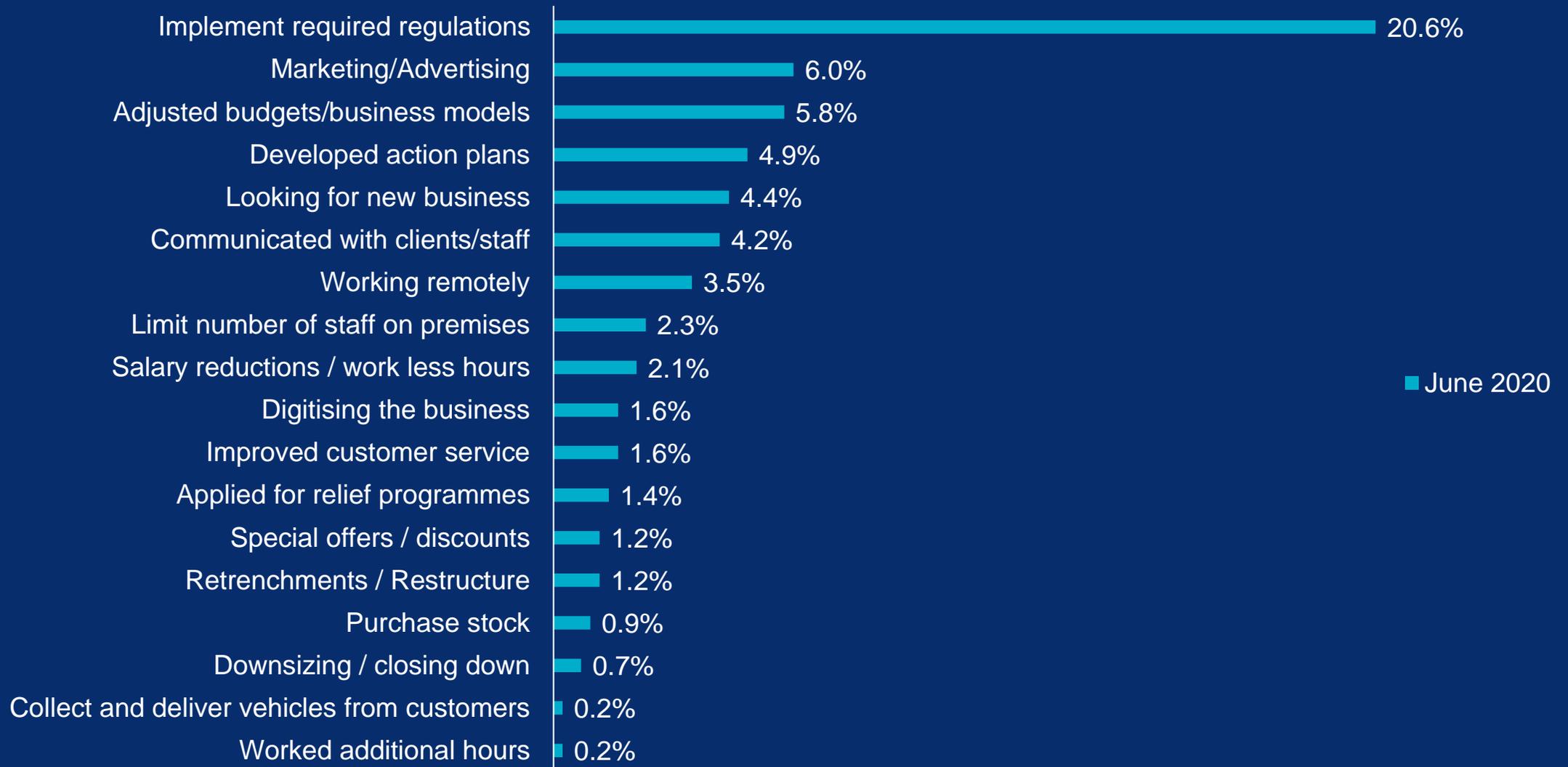
Time needed by business to recover from the impact of COVID-19



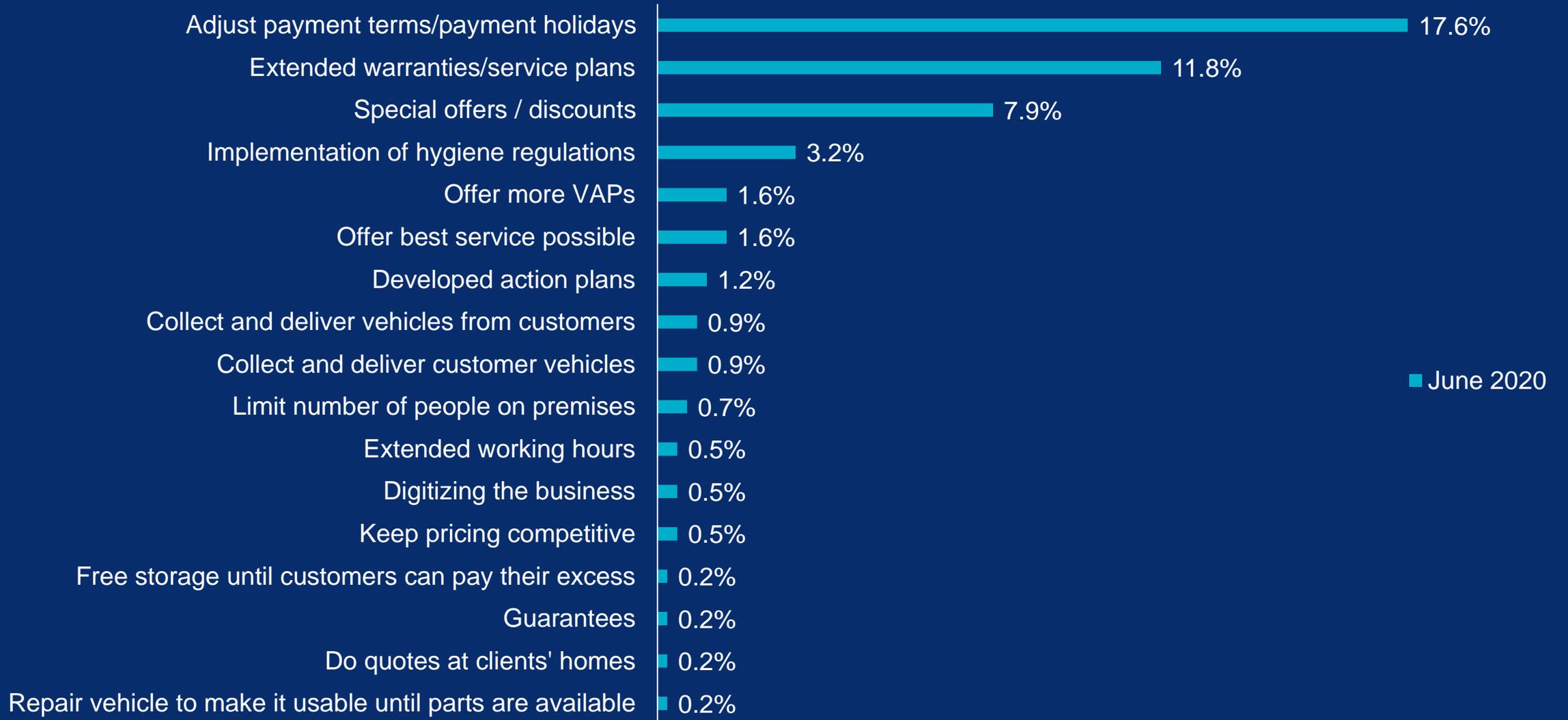
Time needed by business to recover from the impact of COVID-19, by segment



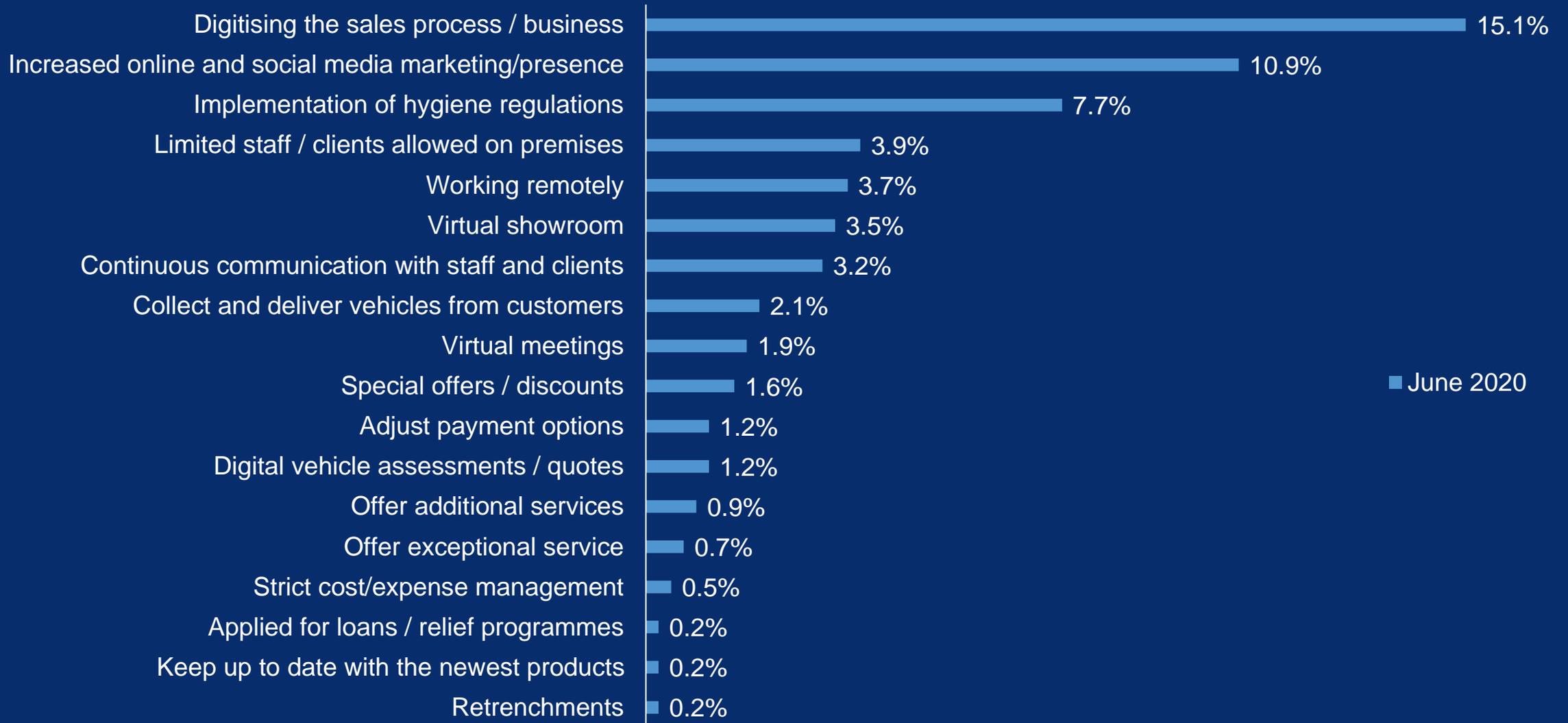
What have you done in preparation for your business at the end of lockdown?



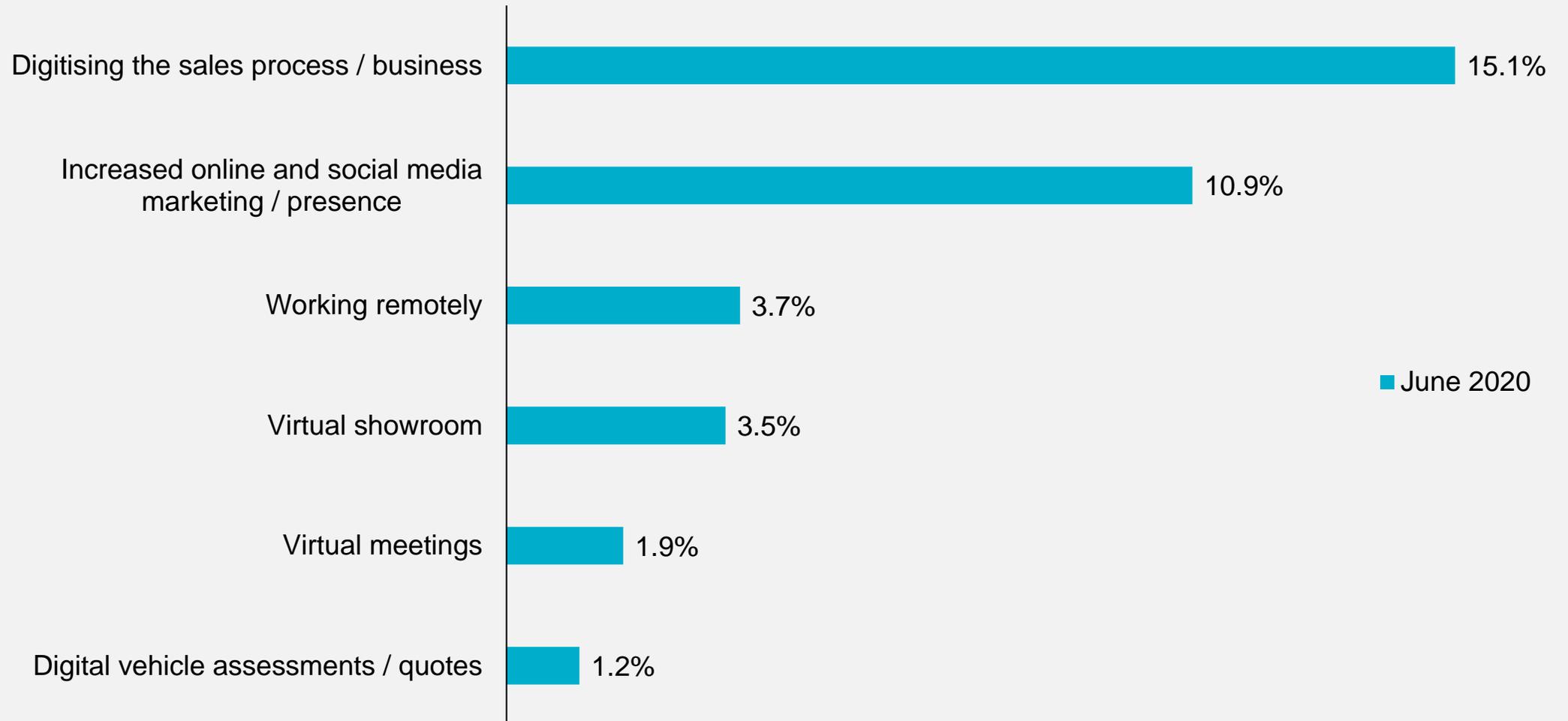
What measures have you taken to offer relief to consumers?



What innovations have you implemented to mitigate the impact of COVID-19?



36% of innovations involves embracing technology to conduct business online



Contact us if you have any questions

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