

European car buyers enjoying price wars says analysts

FRANKFURT, GERMANY: The European car market may be slowly showing signs of stabilising after years of crisis but cut-throat price wars still offer car buyers the chance to snap up a bargain.



When manufacturers lift the wraps on a flurry of new models at the IAA show, which opens in Frankfurt Thursday (12 September), customers stand to benefit once again as car manufacturers slash prices even further, analysts said.

"With the market still characterised by over-capacity and manufacturers seeking to hold on to market share, there are a lot of discounts, which means that mass producers are losing money in Europe," said Yves Lacroix, analyst at Euler Hermes.

And Renault says that with the market still depressed in 2013, the company is not expecting any easing of the downward pressure in prices.

In Europe, French group Citroen, for example, is offering its C1 city car for just €7,990 after slapping on an "ecological bonus" of €200 plus a "green premium" of €3,710 if the buyer hands in their old car that is more than eight years old.

US company Ford is offering a discount of €4,110 on its Fiesta model and offering to pay a premium of €1,000 to owners who hand in their old car, plus another €1,000 if the car is more than 10 years old.

That leaves a purchase price of just €9,490 for the new car.

Germany's Volkswagen, which for a long time resisted slashing prices, is also unable to buck the trend and the starting price for its Passat family car, including discounts and premiums, is now €22,030.

Great bargains to be had

In addition to the normal discounts, some manufacturers dream up spectacular offers to win customers. South Korean company Kia, for instance, is offering free maintenance for seven years to anyone who buys its Carens multi-purpose vehicle.

And its compatriot Hyundai is offering to insure its French customers against losing their job. Hyundai will pay them up to

€300 a month if they do lose their job and give them personal coaching to help them find a new job.

Such aggressive commercial practices are difficult to quantify and compare because of the many different forms they can take.

Nevertheless, according to analysis carried out by Observatoire Cetelem, such offers enable households to save up to 11% on the purchase price of a new car.

The study by Cetelem found that the eurozone's economic crisis and rising unemployment had a direct impact on household sentiment and customers are now loathe to make any large-scale purchases, putting considerations such as safety, design and comfort lower down on their list of priorities than price.

Analysts are projecting a 5.0% decline in the European car sales this year. Mid-range cars, which have seen a series of innovations in recent years, are being hit the hardest because they are now seen as being too expensive.

And top-of-the-range models that were able to resist the price wars for a long time are no longer immune. "This segment is no longer holding up so well. The rebates can take various forms," said Benard Jullien, a director at Gerpisa.

He said entry-level models in the premium segment are much cheaper than in the past. By contrast, there are some branches of the vehicle sector that seem to have escaped the trend so far.

"Low-cost vehicles continue to see strong and robust demand among customers. Here, there is actually a situation of under-capacity. It's a segment where makers don't have to sell their vehicles at cut prices," the analyst said.

Source: AFP via I-Net Bridge

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