Market disruption from EV ambitions will accelerate UK automotive change in 2025

ADS predicts 3 major problems wrought by the transition to electric - and how to overcome them

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MISTRUST of valuation forecasts, more vehicle recalls and the challenge of closing an 'EV servicing gap' will define Britain's struggling dealer market in 2025.

That's the view of data experts ADS, who identify three major areas where profit and efficiency are under mounting threat in the year ahead.

All three are a direct result of forcing the transition to electric faster than the market can handle without major disruption - but they also represent strategic opportunities for the smartest players, says ADS.

Taken together, collapsing confidence in EV future residual values, a loss of traditional car servicing revenues and technological 'growing pains' causing an increase in vehicle recalls will disrupt an already difficult market even further by increasing costs, reducing revenue and threatening fragile consumer confidence.

Valuation forecasts and car pricing

ADS says that last year's collapse in confidence around future residual values for EVs will now result in increased leasing costs and higher retail car prices as fleets and manufacturers are forced to evolve pricing strategies to minimise future losses.

They describe contract and retail pricing this year as 'a balancing act' that may leave leasing or buying an EV even less affordable for many consumers without even higher subsidies from already hard-pressed manufacturers.
The problem of product pricing will come to a head in 2025 due to the Zero Emission Vehicle (ZEV) mandate, which requires an increasingly high proportion of EV sales and complex trading deals to avoid massive fines for failing to achieve government targets.

Profitable ICE (internal combustion engine) cars have historically subsidised sluggish EV sales. Now manufacturers, facing an EV sales proportion target of 28%, are likely to further increase petrol and diesel car prices to enable further EV discounts.

Because EV values have consistently undershot forecasts, causing millions in losses for leasing companies, customer contracts will almost certainly rise.

"Disruption of this kind - especially during a cost of living crisis - will make the market very difficult for everyone, including consumers, in 2025," said Jon Sheard, Operations Director of ADS.

"Pricing will become a balancing act and data insights will be more important than ever in restoring confidence as new approaches to forecasting residual values become necessary.

"The resilience of the industry will be tested in a way we haven't seen since the 2008 financial crisis".

Increasing EV Recalls

ADS says that the pace of EV development is certain to mean more safety recalls, linked with such advanced engineering, new battery technologies and increasingly sophisticated software.

This will challenge those dealers who fail to keep track of customers - but also represent a major opportunity for those who maintain the most accurate customer databases.

As ADS revealed last year, already more than half of customer details kept by dealers contain inaccuracies.

With recalls growing in frequency, this will put pressure on dealers to clean up their databases so that customer confidence is maintained and new revenue opportunities can be secured.

Jon Sheard said: "Although recalls are a problem they also represent a major opportunity to those dealers who have maintained accurate contact information because every recall is a chance to sell additional services or even secure a further sale.

"Data-cleansing and even real-time customer detail updating will be more important than ever before as dealers face a market in flux."

Revenue threat from the 'EV Servicing Gap'

As EV sales mount, servicing revenue will decline, posing another threat to dealer revenues.

For many dealers the lions share of profit comes from aftersales and service work, so that the reduced servicing needs of EVs present a serious challenge to business viability.

The simplified mechanics and advanced onboard diagnostics of EVs mean cars often requiring little more than tyre replacements or brake checks in their first three years, leaving a hole in dealer profits.

ADS says that this 'servicing gap' will have to be plugged by focusing on customer retention and more focused engagement than the usual MoT and service reminders, which often fall into the void anyway due to inaccurate customer records.

As ADS has consistently proved, accurate customer records present a wealth of typically untapped profit potential from drivers of ICE cars, who remain a substantial majority.

Data cleansing and reconnecting with lapsed customers will provide a profit lifeline during the turbulence of the EV transition, which will only become more disruptive in 2025.

Workshops which explore new revenue streams, such as EV diagnostics, battery health checks, and software updates will also help to bridge the 'service gap' while also positioning dealerships who do it right as leaders in the EV revolution.

ADS gives ‘tyre rotation’ as an example of innovative ways to improve customer engagement, citing the US market as an example where preserving the integrity of tyres by regularly swapping between front and rear has become standard practice.

As well as improving dealer support for owners of relatively heavier EVs, such regular customer contact opens the door to providing other services and bolsters client-dealer relationships.

Jon Sheard said: "The challenges and threats we have identified for 2025 are not insurmountable, but they make it clear that business as usual is no longer an option.

"While dealers typically prefer to focus on the exciting work of selling products the reality is that concentrating on disciplined customer data management to maintain relationships will be more important than ever before if dealers are to survive this period of transition."

ADS stresses that as well as highlighting genuine threats, every problem it highlights for 2025 also represents an opportunity to innovate and grow.

Jon Sheard added: "The leasing sector will certainly learn the lessons from the failure in residual value forecasting that has rocked the industry and will develop new data-led tools for mitigating future shocks.

"And those dealers who finally confront the quality of their customer records and relationships now have an opportunity to open their lead over the competition and become leaders in the transition to a lower carbon world."

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ABOUT ADS

ADS - Auto Data Solutions - connects motor retail businesses with market and customer data that increases efficiency and boosts revenue. Founded by a team of former senior CAP-HPI managers, ADS partners with all of the leading data and system providers to provide a unique set of services designed to drive growth and profitability for dealers.