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Used Car Sales Significantly Impact New Vehicle Residual Values, Pricing and Brand Strength

*Sales of New and Used Vehicles Are Strongly Interrelated,
According to a New Study from the Car Internet Research Program and Capgemini*

OTTAWA and PARIS (March 15, 2007) – The used car business is here to stay and will increasingly impact the new vehicle market in a variety of ways, including residual values, pricing, brand strength and customer relationships. As a result, manufacturer involvement in inventory management and used vehicle branding is crucial for enabling dealers to carry out successful remarketing programs.

These are among the findings from a new report focusing on the used car market published by the Car Internet Research Program (CIRP) and Capgemini. The study, titled “Anatomy and Physiology of the Used Car Business,” provides an in-depth analysis of the used vehicle market with a particular focus on four key markets: U.S., Canada, France and Germany. The research examines: (i) the growth of the used car business, in both size and importance, (ii) global trends affecting the used car business, (iii) the customer buying process, including Internet usage, (iv) a comparative analysis of the four markets, and (v) success strategies for dealers/manufacturers.

The importance of the used car market is growing significantly. In both the U.S. and France, for example, the used-to-new vehicle ratio has increased since 1999 from 2.4 to 2.6, showing a steady growth of used vehicle sales by volume. In addition, used vehicle sales in the U.S. are today more than twice as profitable for dealers as new vehicle sales (a roughly 2.7% profit margin, as compared to 1.2%).

“Franchised dealers’ used vehicle operations now act as a hedge against uncertainties in the new vehicle market and even support new vehicle sales,” said Dr. Christian Navarre, Director of the Car Internet Research Program. *“With declining margins in the new car business and the aging of vehicles on the road, the used car business is likely to be a growing and increasingly important component of franchised dealers’ sales, both in North America and in Europe.”*

It is clear from the research that the key to continued growth will be transparency and symmetry of information, as consumers apply the same approach to research and collection of information in their search for used vehicles

as they do to the new car buying process. For example, although consumers still use local newspapers and word-of-mouth when researching used car purchases, they are turning to the Web in increasing numbers, highlighting the importance of having a strong Internet strategy for used vehicle programs.

While national used vehicle markets differ in character and structure due to a variety of socio-economic, regulatory and other factors, the report identified six core strategies that are essential for growing used vehicle sales:

- Continually improve the customer experience, from the Internet to the showroom.
- Rationalize customer relationships through Customer Relationship Management (CRM).
- Perfect online promotion and merchandising efforts to reach prospective and existing customers.
- Manage inventory and pricing with network-wide IT solutions.
- Maximize high-margin sales opportunities.
- Optimize certified used vehicle programs.

“Consumer attitudes to used vehicles have become more sophisticated as vehicles themselves have improved in quality and reliability,” said Nick Gill, Global Automotive Leader for Capgemini. *“The tools used by consumers have also evolved, resulting in the need for dealers and manufacturers to fundamentally change their approach to the sale of used vehicles, as this report demonstrates. While these changes involve significant financial investments, they hold the potential for great returns and are, in fact, necessary in today’s market. Dealers and manufacturers face a rapidly evolving car market; they must evolve with it if they do not wish to be left behind.”*

About the Car Internet Research Program II (CIRP II)

The Car Internet Research Program (CIRP II) is an industry and academic-sponsored automotive research program directed at understanding how new information and communication technology will impact the automobile industry. Administered through the University of Ottawa, CIRP is sponsored by a variety of industry stakeholders that include: Capgemini, PSA Peugeot Citroën, Renault SA and The University of Ottawa.

About Capgemini

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