

# Can new car dealers expect a smoother road in 2021?

By [Mark Dommisse](#)

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We, the National Automobile Dealers' Association (Nada), foresee an improved but by no means a smooth road ahead for South African new car dealers in 2021.



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Along with so many other industries, the hard lockdown at the pandemic's onset forced us into a dire situation. For a very uncomfortable period, new vehicle sales were brought to a virtual standstill. Between April and October 2020, there were six amalgamations, 19 dealership sales and 38 closures as a result of the economic slowdown.

Midway through 2020 we began recovery phases and franchise dealers have done everything in their power to transition from pure survival mode to finding their feet in tough trading conditions, even if it has meant evolving into leaner, more efficient businesses. This right-sizing, combined with government and rental agencies reopening fleet acquisitions, has resulted in dealers experiencing some stability over the past four to six months.

The return in appetite from the car-buying public, no doubt stimulated by low-interest rates and many banks' financial relief plans, has also been crucial to recent recovery. In fact, Nada credits the South African government and financiers for providing a strong foundation upon which our industry can rebuild.



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However, any market predictions are risky given the many uncertainties both locally and globally. A number of forces, some of which are outside South Africa's control, could still impact the economy and dampen recovery efforts.

We need to be cautious of a third wave, which is almost inevitable in the winter months. The roll-out of the vaccine in South Africa will go a long way to keeping us out of further lockdowns, and we're looking forward to the opportunity to put this in place in the coming months and create the necessary immunity to strengthen the economy.

Of course, the success of franchise dealers is not measured only on sales, but also on services and parts. A dealer's income is split roughly fifty-fifty between vehicle sales and revenue generated by workshops and parts counters.

We saw a sharp decline in servicing during initial lockdown phases, as work-from-home arrangements meant far less commuting and most drivers simply weren't accumulating distance. The panel beating industry was also severely affected, as fewer cars on the road saw fewer accidents - a grim fact perhaps, but a fact nonetheless.



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Since September, Nada's member dealers have returned to near normality in workshops as a result of more regular commuting patterns. We also saw pre-holiday services close to normal numbers ahead of the December holidays.

Supply challenges with regard to new vehicle stock across brands are also impacting negatively on businesses. This is mostly due to global supply chain challenges, including a chip shortage which has and will continue to have an effect on global supply for the foreseeable short-term future.

Nada is however encouraged by a healthy used car market, as many consumers are reviewing household budgets and downscaling monthly vehicle expenses.

Demand for second-hand cars is particularly strong, and the potential is high for used car departments and dedicated used car dealers. Unfortunately, this does pose another challenge as demand is outstripping supply at the moment. We expect buoyancy in used car sales to continue, provided the flow of good quality second-hand vehicles entering the dealer ecosystem is sustained.

## ABOUT MARK DOMMISSE

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