Consumer Automotive Financial Services in South Africa

Description: Consumer Automotive Financial Services in South Africa investigates the market for automotive financial services linked to sales of new and used passenger cars to individual buyers in South Africa. In addition to analysing the market for finance and leasing services, the study also covers motor insurance, road assistance, extended warranties, creditor insurance, GAP insurance, prepaid service contracts, minor damage insurance and tyre insurance.

Using survey results for average take-up rates for finance and leasing propositions at the point of sale, data for the size and growth of the automotive finance and leasing market for consumers in South Africa is provided in terms of gross advances and assets leased for 2010 to 2014 with splits between finance for new and used cars and between finance organised through dealerships at the point of sale and directly with banks or other lending institutions.

Moreover, also by means of data for average take-up rates, the markets for motor insurance, road assistance, extended warranties, creditor insurance and prepaid service contracts are sized in terms of gross written premiums and other revenues sold through the automotive trade (i.e. via dealers and manufacturers) in 2014. These markets, estimated to be worth almost ZAR 10 billion in total in 2014, are broken down between new and used cars, and between new contracts sold during 2014 and in-force business sold in previous years but still being renewed in 2014.

The report draws on a survey of 60 leading car dealerships as well as an analysis of the approach to consumer automotive financial services of 39 car manufacturer brands in South Africa. The PartnerBASE™ dataset that accompanies the report details each of the marketing initiatives for consumer automotive financial services traced by Finaccord for both dealers and manufacturers; a market data annexe is also available in a convenient spreadsheet format so that there is no need to re-enter key data points from the report.

In addition to captive finance companies owned by manufacturer brands, organisations covered by the report include Absa, Bidvest Insurance, Hollard, Innovation Group, MiWay, Motorite, Regent Insurance, SA Warranties, Standard Bank and Wesbank. Together, the report and database will provide you with the definitive guide to current and future opportunities in consumer automotive financial services in South Africa.

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1.0 INTRODUCTION

What is this report about?

The focus of the report is on financial services related to the sale of passenger cars to individuals

Rationale

The provision of financial services is essential to support both car sales and profitability

This report offers a detailed updated analysis of the subject in South Africa based on primary research

Methodology

Survey of dealers and manufacturers

Market data

Computation of market data is based on a complex set of assumptions and variables...
... in order to provide market segmentations in unrivalled detail

External sources

Definitions

Finance and leasing products

Insurance, warranty and assistance products

Operating models

Tied and non-tied providers

Abbreviations

Exchange rate

PartnerBASE and market data annexe

Finaccord

2.0 MARKET ANALYSIS

Introduction

Passenger vehicle data

Sales of new cars in South Africa peaked in 2013 before falling back in 2014....

...with slower but steadier growth apparent for used car sales

Three manufacturer groups make up more than a half of the new car market

Consumer automotive finance and leasing market

Market size and growth

Used cars make up the majority of the finance and leasing market by volume...

... and point-of-sale finance is quite evenly split between new and used cars by value

Growth has been most rapid in the small market for direct lending for new cars

Types of finance and leasing product

Four types of instalment sale contract are commonly used in South Africa

Consumer automotive insurance, warranty and assistance markets

Market sizes

In total, the automotive trade is likely to have sold contracts approaching ZAR 10 billion in 2014

Survey of automotive dealers and manufacturer brands - overview

Introduction

Provision of consumer automotive financial services

All nine products in scope are distributed by a majority of dealers...

... with the provision rate for motor insurance having increased significantly in recent years
Manufacturer brands could introduce new schemes for several products

Number and nature of dealer schemes

Dealers typically work with the four major banks for finance and leasing...
...and often utilise additional, independent providers for creditor insurance...
...but usually have just one partner for niche products

Types of creditor insurance policy sold by dealers

Creditor insurance sold with cars covers both permanent disability and temporary incapacity

Types of motor insurance policy sold by dealers

Most dealers concentrate on comprehensive motor insurance only

Sources of road assistance distributed by dealers

Road assistance is usually available with extended warranties, but can also be acquired with other products

Consumer uptake of automotive financial services through dealers

Point-of-sale take-up rates exceed 60% for finance and leasing and for road assistance...
...and used car customers record higher take-up rates than new car buyers for several products
Among buyers of new cars, take-up rates exceed 20% for all products

Survey of automotive dealers and manufacturer brands - partnerships

Introduction

Finance and leasing

The vast majority of non-tied partnerships are held by South Africa's main banks...
...while Wesbank is the dominant partner among manufacturer brands

On a combined analysis, FirstRand's subsidiaries give it a leading position in this market

Creditor insurance

Over 40% of dealers selling creditor insurance work with an independent provider for this...
...led by Regent Insurance, Traficc and Guardrisk

Hollard holds the most important relationships with manufacturer brands for creditor insurance

Motor insurance

More than 30 insurance providers compete to distribute their policies through dealerships...
...and a number of major dealer chains operate their own insurance services

Viewed in weighted terms, manufacturer partnerships are dominated by three insurers...
... although many brands have not yet introduced a program in this arena

A combined analysis points to Hollard as a likely market leader for point-of-sale motor insurance
GAP insurance Regent Insurance works with the highest number of dealers on a non-tied basis...
... although a dozen non-tied providers are evident in total...
... including Hollard, which is the most prominent provider among manufacturer brands...
... and that also features as an indirect provider via Wesbank

Extended warranties
Almost three quarters of dealers utilise one or more non-tied extended warranty providers...
... with four subsidiaries of Imperial active in this field
Motorite and Innovation Group are the leading partners for manufacturer brands' extended warranties...
... followed by SA Warranties
Innovation Group, an administrator, occupies a leading overall position for extended warranties

Road assistance
Several dealers offer stand-alone road assistance from non-tied providers...
... such as Ctrack and Salesure...
... but the AA leads among manufacturer brands, followed by First Road Emergency

Prepaid service contracts
Motorite is the leading provider of non-tied prepaid service contracts...
... with Innovation Group the most visible partner for manufacturer brands

Minor damage insurance
Several specialist companies offer minor damage cover, including a subsidiary of MMC...
... while Hollard's SMART subsidiary is a key provider for manufacturer brands
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