Consumer Automotive Financial Services in South Korea

Description: Consumer Automotive Financial Services in South Korea investigates the market for automotive financial services linked to sales of new and used passenger cars to individual buyers in South Korea. In addition to analysing the market for finance and leasing services, the study also covers motor insurance, road assistance, extended warranties, creditor insurance and prepaid service contracts, plus GAP 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 Korea is provided in terms of gross advances and assets leased for 2009 to 2013 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.

Contents:

Executive Summary
Introduction
Market Analysis
List of Graphics / Tables

0.0 EXECUTIVE SUMMARY
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 Korea 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
The Korean market for new car sales has slipped back somewhat in recent years...
... although volumes in the used car market have moved up substantially

Hyundai and Kia are the dominant car manufacturer brands...
... although they have lost some ground to fast-growing foreign competitors

Consumer automotive finance and leasing market

Market size and growth
By volume, point-of-sale finance exceeds direct lending for both new and used cars ...
... and the total value of point-of-sale finance has risen quite markedly since 2009

Types of finance and leasing product
Instalment finance via simple loans makes up over 60% of point-of-sale contracts

Consumer automotive insurance, warranty and assistance markets

Market sizes
In total, the automotive trade is likely to have sold contracts worth over KRW 450 billion in 2013

Survey of automotive dealers and manufacturer brands - overview

Introduction

Provision of consumer automotive financial services
Automotive dealers distribute all automotive financial services investigated apart from GAP insurance

Manufacturer brands register a higher provision rate than dealers in five product categories

Number and nature of dealer schemes
Most dealers work with at least two providers for both finance and leasing and for motor insurance

Types of creditor insurance policy sold by dealers
Where offered, creditor insurance sold with point-of-sale car finance tends to be fairly comprehensive

Types of motor insurance policy sold by dealers
Among dealers distributing motor insurance, comprehensive cover is always available

Sources of road assistance distributed by dealers
Road assistance is generally provided automatically to buyers of new cars in South Korea.

Consumer uptake of automotive financial services through dealers is high.

Point-of-sale take-up rates for finance and leasing are fairly high...

... and it is generally harder for dealers to sell motor insurance, especially to buyers of new cars.

Take-up rates for extended warranties have grown substantially in recent years.

Survey of automotive dealers and manufacturer brands - partnerships

Introduction

Finance and leasing

The majority of dealers surveyed in South Korea utilise both tied partners and non-tied partners...

... with Hyundai Capital acting as both a tied and non-tied provider.

Aju Capital enjoys close ties with dealerships selling GM cars.

Banks and card issuers are challenging the dominance of traditional competitors in this market.

Nearly three quarters of all manufacturer brands have organised finance and leasing services...

... with four major European manufacturer groups operating through captive finance arms.

Hyundai Capital's implied market share of new business exceeds 50%.

Creditor insurance

Creditor insurance is available from just under a quarter of manufacturer brands surveyed.

Motor insurance

Exactly a half of all dealers surveyed distribute motor insurance policies...

... with many focusing on non-tied propositions.

Hyundai and Kia offer motor insurance through Hi Network, a broker.

Hyundai Marine & Fire Insurance holds the highest implied market share of new business.

Extended warranties

It is almost entirely the case that dealers limit themselves to selling manufacturer extended warranties only.

Nine of the 26 manufacturer brands investigated are running extended warranty programs.

Road assistance

Non-tied road assistance services are usually provided by the dealers themselves.

Internally-managed schemes dominate manufacturer arrangements for road assistance.

Prepaid service contracts

Prepaid service contracts are on offer from around a quarter of dealers in South Korea...

... albeit the provision rate among manufacturer brands is vastly higher.
LIST OF GRAPHICS / TABLES

0.0 EXECUTIVE SUMMARY

Key market data for consumer automotive financial services in South Korea, 2013

1.0 INTRODUCTION

2.0 MARKET ANALYSIS

Passenger car parc and new / used passenger car sales in South Korea, 2009 to 2013

Passenger car parc and new / used passenger car sales in South Korea, 2009 to 2013 (table)

New car registrations in South Korea, segmented by manufacturer group, 2013

New and used passenger car finance market in South Korea, segmented by distribution channel: volumes, 2009 to 2013

New and used passenger car finance market in South Korea, segmented by distribution channel: values, 2009 to 2013

New and used passenger car finance market in South Korea, segmented by distribution channel: values and volumes, 2009 to 2013 (table)

% split between the different types of finance and leasing contract organised at the point of sale in South Korea, 2014

Total revenues from consumer automotive insurance, warranty, assistance and service contract markets in South Korea, 2013

Total revenues from consumer automotive insurance, warranty assistance and service contracts in South Korea, 2013 (table)

Comparison of the provision of each type of automotive financial service by dealers and manufacturer brands in South Korea, 2014

Average number of tied and non-tied schemes organised by dealers for each type of automotive financial service in South Korea, 2014 (table)

% split between the different types of creditor insurance policy sold at the point of sale in South Korea, 2014

% split between the different types of motor insurance policy sold at the point of sale in South Korea, 2014

% availability of road assistance through factory warranties, annual services, extended warranties, motor insurance, prepaid service contracts and as a stand-alone product in South Korea, 2014

% of new and used car purchasers acquiring each type of automotive financial service at the point of sale in South Korea, 2014

Provision of finance and leasing by dealers in South Korea, 2014: provision rate, product sources and provider share of non-tied partnerships

Provision of finance and leasing by manufacturer brands in South Korea, 2014: provision rate, operating models and weighted provider share of partnerships

Implied market shares of new business for finance and leasing in South Korea, 2014

Provision of creditor insurance by manufacturer brands in South Korea, 2014: provision rate, operating models and weighted provider share of partnerships
Provision of motor insurance by dealers in South Korea, 2014: provision rate, product sources and provider share of non-tied partnerships

Provision of motor insurance by manufacturer brands in South Korea, 2014: provision rate, operating models and weighted provider share of partnerships

Implied market shares of new business for manufacturer-branded and dealer-intermediated motor insurance in South Korea, 2014

Provision of extended warranties by dealers in South Korea, 2014: provision rate and product sources

Provision of extended warranties by manufacturer brands in South Korea, 2014: provision rate, operating models and weighted provider share of partnerships

Provision of road assistance by dealers in South Korea, 2014: provision rate and product sources

Provision of road assistance by manufacturer brands in South Korea, 2014: provision rate, operating models and weighted provider share of partnerships

Provision of prepaid service contracts by dealers in South Korea, 2014: provision rate and product sources

Provision of prepaid service contracts by manufacturer brands in South Korea, 2014: provision rate, operating models and weighted provider share of partnerships

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