Consumer Automotive Financial Services in Australia

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

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 Australia is provided in terms of gross advances and assets leased for 2008 to 2012 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 creditor insurance, motor insurance, road assistance, extended warranties, GAP insurance, tyre and rim insurance are sized in terms of gross written premiums and other revenues sold through the automotive trade (i.e. via dealers and manufacturers) in 2012. These markets, estimated to be worth USD 1.99 billion (about AUD 1.93 billion) in total in 2012, are broken down between new and used cars and between new contracts sold during 2012 and in-force business sold in previous years but still being renewed in 2012.

The report draws on a survey of 65 leading car dealerships as well as an analysis of the approach to consumer automotive financial services of 40 car manufacturer brands in Australia. 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.

In addition to captive finance companies owned by manufacturer brands, organisations covered by the report include AGI, Aioi Nissay Dowa Insurance, Allianz Australia Insurance, Assist Australia, Capital Finance, Esanda, Harrier National, Macquarie Leasing, MTA Insurance, St George, Suncorp Insurance and Swann Insurance. Together, the report and database will provide you with the definitive guide to current and future opportunities in consumer automotive financial services in Australia.

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The provision of financial services is essential to support both car sales and profitability
Many car dealers in Australia generate between a half and all of their net profit from financial services
This report is the first to provide an in-depth analysis of the subject in Australia 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

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Operating models
Tied and non-tied providers
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Currencies, exchange rates and inflation
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Finaccord

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Sales of new passenger cars pick up in 2012 following several years of stagnation
Eight groups possess a share of total new car sales in Australia in excess of 5%

Consumer automotive finance and leasing market
Market size and growth
Following retrenchment in 2009, the volume of cars financed is likely to hit a new peak in 2012...
... with the market value having risen at a compound annual rate of 5.7% since 2008

Types of finance and leasing product
Simple car loans and chattel mortgages account for the lion's share of the finance and leasing sector

Consumer automotive insurance, warranty and assistance markets
Market sizes
In total, the automotive trade is likely to sell policies worth almost USD 2 billion in 2012

Automotive dealer survey
Provision of consumer automotive financial services
Provision rates lie between 95% and 100% of dealerships for six types of automotive financial service...
... although enthusiasm for tyre and rim insurance has fallen back as a result of regulatory intervention

Number and nature of schemes
Many dealerships sell the products of non-tied partners as well as those of manufacturer brands
Consumer uptake of automotive financial services

Take-up rates exceed 20% of the relevant audience for the majority of automotive finance products...
... and in the case of finance and leasing have apparently returned to levels seen prior to the credit crunch

Among insurance types, dealers report the highest take-up rates for GAP insurance

Competitor dynamics: dealer partnerships

Finance and leasing: three providers dominate non-tied finance relationships with dealers in Australia...
... although competition comes from at least nine smaller non-tied providers of finance and leasing

Motor insurance: the leading four non-tied providers hold almost three quarters of dealer relationships

Several competitors participate indirectly through their partnerships with finance companies

Extended warranties: over 95% of dealers researched are distributors of extended warranties

By share of non-tied relationships, Harrier National is ranked equal second behind Swann Insurance...
... with Allianz Australia Insurance and five other players also active in this sphere

Road assistance: where made available on a non-tied basis, this can be sold in a variety of different formats

GAP insurance: for this product, there is a relatively even split between tied and non-tied product providers

Seven competing non-tied providers were visible in total

Tyre and rim insurance: Swann Insurance and AGI are the non-tied providers most heavily used by dealers

Prepaid service contracts: these are rarely marketed by dealerships in Australia

Automotive manufacturer brand survey

Provision of consumer automotive financial services

Provision rates by manufacturer brands tend to be lower than for dealers

Competitor dynamics: manufacturer brand partnerships

Finance and leasing: 25 brands have a captive or preferred provider in this field...
... with Macquarie Leasing emerging as the leading external finance partner

Creditor insurance: in effect, there are three underwriting units competing for direct relationships

Motor insurance: Allianz Australia Insurance is linked directly or indirectly to as many as 14 brands

Extended warranties: over two thirds of manufacturer brands have a scheme up and running

Road assistance: AGA Assistance Australia and Assist Australia are the main competitors

GAP insurance: Swann Insurance and Chartis Australia Insurance have both picked up mandates

Tyre and rim insurance: fewer manufacturer brands operate schemes for this type of insurance

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Passenger car parc and new / used passenger car sales in Australia, 2008 to 2012 (data)

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Average number of tied and non-tied schemes offered by dealers in Australia for each type of automotive financial service, 2012 (data)

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Provision of prepaid service contracts by manufacturer brands in Australia, 2012: provision rate, operating models and weighted provider share of partnerships

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