Consumer Automotive Financial Services in Canada

Description: Consumer Automotive Financial Services in Canada investigates the market for automotive financial services linked to sales of new and used passenger cars to individual buyers in Canada. In addition to analysing the market for finance and leasing services, the study also covers creditor insurance, motor insurance, road assistance, extended warranties, prepaid service contracts, plus four niche protection products, namely excess wear and tear, GAP, scratch and dent, and tire and rim.

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 Canada 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, prepaid service contracts, and the four niche protection products mentioned above 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 1.44 billion (about CAD 1.41 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 60 leading car dealerships as well as an analysis of the approach to consumer automotive financial services of 33 car manufacturer brands in Canada. 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 BMO Financial Group, First Canadian, Groupe PPP, Industrial Alliance, LGM, Motors Insurance Corporation, Royal Bank of Canada, Scotiabank, SSQ Financial Group, Sykes Assistance Services, Sym-Tech and TD Canada Trust. Together, the report and database will provide you with the definitive guide to current and future opportunities in consumer automotive financial services in Canada.

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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

Protection, warranty and assistance products are worth 4.0% of the value of car sales themselves

This report is the first to provide an in-depth analysis of the subject in Canada 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
2.0 MARKET ANALYSIS

Introduction

Passenger vehicle data

Sales of new passenger cars picked up in 2012, though have yet to return to the levels of 2008
US manufacturer groups hold the top three places, ahead of Asian groups
SUVs and up-market brands are major factors in the car market, while European budget cars are absent

Consumer automotive finance and leasing market

Market size and growth

All segments of the car finance market have recovered since 2008 except for direct lending on new cars
... with the market value having risen at a compound annual rate of 3.8% since 2008

Types of finance and leasing product

Simple car loans account for the majority 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 1.5 billion in 2012

Types of creditor insurance policy

A minority of finance providers' creditor insurance includes unemployment cover

Automotive dealer survey
Provision of consumer automotive financial services

More than 85% of dealerships offered four types of automotive financial service

Number and nature of schemes

Dealers typically have a large number of partners for finance and leasing...
... and many have their own independent partners for creditor insurance

Consumer uptake of automotive financial services

A majority of customers finance their vehicle at the point of sale, for both new and used cars

Take-up rates for protection, warranty and assistance products average 40% with new cars

Competitor dynamics: dealer partnerships

Finance and leasing: four providers dominate non-tied finance relationships with dealers in Canada...
... with three sub-prime specialists active in the market

Provincial lenders and credit unions have a significant presence

Creditor insurance: many dealers have their own arrangements for this product...
... with First Canadian, Industrial Alliance and Walkaway holding the bulk of these relationships

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

Groupe PPP held the most partnerships with dealers in Quebec

Road assistance: this is provided with both original and extended warranties

GAP protection: dealers mostly use non-tied partners, since few manufacturer brands have a scheme

Competitors include both major insurers and niche providers

Prepaid maintenance contracts: no third-party providers were identified for this product

Scratch and dent protection: First Canadian holds the most non-tied partnerships

Tire and rim protection: often provided by the same companies as for scratch and dent protection

Excess wear and tear protection: Scotiabank, First Canadian and Sym-Tech hold the most partnerships

Automotive manufacturer brand survey

Provision of consumer automotive financial services

Provision rates by manufacturer brands are lower than for dealers in four cases

Competitor dynamics: manufacturer brand partnerships

Finance and leasing: all brands except Suzuki have a captive or preferred provider in this field...

Scotiabank and TD Auto Finance are the leading non-captive providers

Creditor insurance: two providers have substantial direct relationships

Motor insurance: only one manufacturer group offers this product

Extended warranties: internal provision is more common than the use of external underwriters
Road assistance: Sykes Assistance Services and the Canadian Automobile Association dominate
GAP protection: only two underwriters were found to be active in this field
Prepaid maintenance contracts: all schemes identified operate internally
Scratch and dent protection: LGM is the only external provider of this cover
Tire and rim protection: internal provision is more common than for scratches and dents
Excess wear and tear protection: manufacturer brands back these schemes themselves

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