Consumer Automotive Financial Services in the UK

Description: Consumer Automotive Financial Services in the UK investigates the market for automotive financial services linked to sales of new and used passenger cars to individual buyers in the UK. 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, GAP insurance, minor damage insurance, MOT protection 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 the UK 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, GAP insurance, minor damage insurance and tyre 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 GBP 1.51 billion in total in 2012 (about EUR 1.79 billion), 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 80 leading car dealerships as well as an analysis of the approach to consumer automotive financial services of 47 car manufacturer brands in the UK. 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 the AA, Allianz Global Assistance, Barclays Partner Finance, Car Care Plan, Close Motor Finance, EMaC, MAPFRE ABRAXAS, Original Insurance Services, QBE, RAC, Santander Consumer Finance and The Warranty Group. Together, the report and database will provide you with the definitive guide to current and future opportunities in consumer automotive financial services in the UK.

Contents:

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 the UK 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
2.0 MARKET ANALYSIS

Introduction
- Passenger vehicle data
- New car sales in 2012 were 5% higher than in 2011
- VW has taken top place from Ford as the leading manufacturer group in the UK
- Consumer automotive finance and leasing market
- Market size and growth
- Finance take-up rates at the point of sale for new cars have risen sharply in the past two years

Types of finance and leasing product
- Hire purchase and personal contract plans (PCPs) dominate the UK market
- Consumer automotive insurance, warranty and assistance markets

Market sizes
- In total, the automotive trade is likely to have sold policies worth around GBP 1.51 billion in 2012
- Prepaid service contracts have experienced a rise in take-up rates
- Survey of automotive dealers and manufacturer brands - overview

Introduction
- Provision of consumer automotive financial services
- Provision rate data is indicative of a lack of certainty among dealers for what they should be selling
- Number and nature of dealer schemes
- On average, car dealers in the UK use more than three providers for finance and leasing
- The new Financial Conduct Authority is to investigate the sale of insurance products by dealers

Types of motor insurance policy sold by dealers
- All motor insurance policies sold through dealers are comprehensive
- Sources of road assistance distributed by dealers
- Road assistance is rarely bundled with products other than extended warranties
- Consumer uptake of automotive financial services through dealers
- Take-up rates for point-of-sale finance in the UK have risen for new cars since 2010
- Survey of automotive dealers and manufacturer brands - partnerships

Introduction
- Finance and leasing
- Four non-tied competitors hold three quarters of dealer partnerships between them
- Four manufacturer brands utilise more than one partner for finance and leasing
- Two of the top three providers are not captives
- Santander Consumer Finance holds the most important single external partnership
- Across all types of provider, the leading firm has an implied market share of new business of just 13.4%
- Creditor insurance
- Provision of creditor insurance has dwindled to just one manufacturer group

Motor insurance
- The great majority of dealers only distribute the policies of their manufacturer brands
- Nearly 30% of manufacturer brands' motor insurance partnerships are with brokers
- Original Insurance Services has had a significant impact on partnership dynamics in this arena
- Extended warranties
- Most dealers that offer extended warranties work with non-tied competitors
- Allianz Global Assistance and Car Care Plan are the leading providers through manufacturers
- A combined analysis assigns an implied 23.2% market share to the leading extended warranty provider
- Road assistance
- Non-tied assistance providers are used to support the sale of used cars
- GAP insurance
- At least 15 non-tied competitors work with dealers to sell GAP insurance
Prepaid service contracts
- EMaC and dealers themselves dominate the provision of non-tied schemes
- EMaC has experienced strong growth in revenues and employee numbers in recent years

Minor damage insurance
- Non-tied providers account for three quarters of dealers’ propositions

MOT protection
- Car Care Plan and The Warranty Group both work directly with dealers for this product

Tyre insurance
- Dealers mostly use independent companies for tyre insurance, led by Premia Solutions
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- Implied market shares of new business for extended warranties in the UK, 2013
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- Provision of tyre insurance by manufacturer brands in the UK, 2013: provision rate, operating models and weighted provider share of partnerships

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