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Press Release

J.D. Power Reports:
Fierce Competition among Dealers Creates Need
For Strong Support from Financial Service Providers

Shanghai: 10 June 2015 — Fierce competition, slowing sales and decreasing profitability have created greater needs by auto dealers for support from their finance providers, but these needs are not being met, resulting in lower satisfaction, according to the J.D. Power Asia Pacific 2015 China Dealer Financing Satisfaction (DFS) Study℠ released today.

The study, now in its second year, examines dealer satisfaction with finance providers in two segments, retail credit and floor planning. In the retail credit segment, satisfaction is measured in three factors: application/ approval process; finance provider offerings/ products; and sales representative relationship. In the floor planning segment, satisfaction is measured in four factors: finance provider credit line; floor plan portfolio management; floor plan support; and sales representative relationship.

Dealer satisfaction with finance providers declines notably in 2015. Overall satisfaction with retail credit providers is 794 in 2015 (on a 1,000-point scale), compared with 817 in 2014; overall satisfaction with floor planning providers has declined to 804 from 840.

Nearly one-half (47%) of auto dealers in China said they lost money on new-vehicle sales in 2014,[1] an increase from 28 percent in 2013. The trend continues in 2015, as inventory levels are growing and dealers are increasing incentives an average of 1,200 RMB to a new level of 20,100 RMB per vehicle in 2015. [2]

With the added sales pressure, dealers are looking to their finance providers for help with additional marketing and promotional support. While 53 percent of lenders provide effective sales and marketing tools, an increase from 48 percent in 2014, they still want more support. Their expectation for more marketing support is reflected in notably lower satisfaction ratings in the effectiveness of marketing/ promotion support for new-vehicle sales. The lower attribute rating is a primary driver of the 11-point decline in satisfaction in finance provider offerings/ products, compared with 2014 (787 vs. 798, respectively).

Without improved support, fewer dealers say they "definitely will" be staying with the same financial providers in 2015. The study finds that 63.4 percent of dealers say they "definitely will" use the same lender as their retail credit provider in the next 12 months, nine percentage points fewer than in 2014. The percentage of dealers who say they "definitely will" use the same floor planning provider in the next 12 months declines by 13 percent to 61.4 percent in 2015.

"As the financing of new-vehicle purchases is increasing at a faster rate than the average sales growth rate, finance providers need to understand the challenges dealers face and provide them with better service," said **Joseph Yang, senior manager of auto finance at J.D. Power China**. "Financial Service companies

[1] J.D. Power Asia Pacific 2015 China Dealer Attitude Study℠
[2] *Power Information Network® (PIN)* from J.D. Power

have a tremendous opportunity to drive dealer satisfaction by providing effective sales and marketing tools to help dealers improve profitability."

KEY FINDINGS

- In the sales representative relationship factor of the retail credit segment, the most significant decline is in the financial knowledge of sales representative. When a salesperson provides the service most expected by dealers, overall satisfaction increases by 29 points.
- Applying credit promptly impacts overall satisfaction with floor planning providers. In 2015, only 70 percent of finance providers ensure that once the payment is sent, the credit appears automatically or on the same day on the dealer's floor plan account, compared with 84 percent in 2014.
- Dealers desire a deeper relationship and more advanced services from finance providers. The study finds that 68 percent of floor planning lenders provide portfolio performance reviews for dealers. However, dealers expect additional services including facilitation of a credit line or additional borrowing and inventory management consulting. When a lender provides these two services, overall satisfaction with floor planning increases by 47 and 49 points, respectively.
- Mass market brand captives perform better than premium brand captives; and the performance of domestic brand captives show an increasing gap in satisfaction.

The study is based on responses from 2,056 dealers, representing 48 vehicle brands across 78 cities throughout China, who were surveyed on their business performance between January 2015 and March 2015.

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