

Auto Dealers in China Expect More Assistance from Lenders to Improve New-Vehicle Sales, J.D. Power Finds

SHANGHAI: 28 May 2020 – As dealers' profitability in new-vehicle sales and other business sectors continue to shrink, the standard financial offerings and services provided by lenders no longer meet dealers' needs. According to the J.D. Power 2020 China Dealer Financing Satisfaction (DFS) Study,SM released today, dealers expect more customized financing products and actionable business suggestions from auto finance providers to enhance their new-vehicle sales and profitability to get through the current difficult time.

The study, now in its sixth year, examines dealer satisfaction with finance providers in two segments: retail credit and floor planning. Retail credit is defined as the credit granted by auto financial providers to buyers for the purchase of their new vehicles. Floor planning allows dealers to obtain loans from auto finance companies or banks to finance their inventory.

The study finds that the auto finance penetration rate in China has increased slightly to 52%, from 50% in 2019. Auto finance accounts for only 10% of dealers' profit, and shows no growth during the past four years.

"Although discount loan products have been implemented for several years, their impact on auto finance growth is much weaker at this point. Meanwhile, a lower commission fee has also affected dealers' revenue and profit in auto finance, although it does not mean that the importance of auto finance diminishes," said **Eileen Ren, vice president of digital customer experience at J.D. Power China**. "According to the J.D. Power 2019 China Sales Satisfaction Index (SSI) Study,SM 31% of new-vehicle owners say they would postpone the purchase if auto finance service is unavailable, which means that as one of the sales tactics, auto finance could help reduce consumers' budget pressure to some extent and boost new-vehicle sales."

With the increasing pressure in new-vehicle sales, dealers have increased requirements for auto financing offerings. The study finds that overall dealer satisfaction scores for offerings/products (817, on a 1,000-point scale) is lower than for the application/approval process (832) and relationship (830) in the retail credit segment. In the floor planning segment, the dealer satisfaction score for portfolio management (826) is lower than for support (843), credit line (830) and relationship (828).

In addition to ordinary support such as coordination and training, dealers also expect lenders to provide more consulting on their overall business, especially on measures of improving new-vehicle sales and profitability. The study shows that in the retail credit segment, only 58% of auto finance companies, 52% of financial leasing companies and 30% of banks offer consulting services, while in the floor planning segment, 54% of auto finance companies and 42% of banks offer consulting services.

"Nowadays, dealers need special financial products and feasible operation suggestions to improve their sales capability, which requires lenders to deepen their perception and understanding of dealers' business. It is not only key to improving dealer satisfaction, but also critical to driving new-vehicle sales," Ren said.

Following are additional findings of the 2020 study:

- **In the retail credit segment, auto finance companies perform better than other providers:** Overall dealer satisfaction with retail credit providers is 828 in 2020. Auto finance companies (851) have the highest satisfaction score while the financial leasing companies (819), banks (813) and online financial companies (798) are all below the industry average level.

- **In the floor planning segment, auto finance companies and banks score closely on dealer satisfaction:** Dealer satisfaction with floor planning providers is 831 in 2020. Auto finance companies (832) and banks (831) have similar scores on all factors. The advantage of auto finance companies lies in the support and training for salespersons, as well as the synchronization between the floor plan management system and dealers' systems. By comparison, banks perform better in responsiveness and guaranteed credit limit.
- **As for used vehicles, dealer satisfaction with online financial companies is higher than for auto finance companies and banks:** Auto finance companies and banks focus on the new-vehicle market, while the online finance companies and financial leasing companies attach more importance to the used-vehicle market. Online financial companies have the highest satisfaction on the retail credit application/approval process and offerings/products of used vehicles. Moreover, both online financial companies and financial leasing companies are more efficient in the approval process and fund release.

Study Rankings

Genius Auto Finance ranks highest in the retail credit segment with a score of 883, followed by **Dongfeng Nissan Auto Finance** (878) and **GAC-SOFINCO Automobile Finance** (850). In the floor planning segment, **GAC-SOFINCO Automobile Finance** (852) ranks highest, followed by **China CITIC Bank** (849) and **SAIC Finance** (844).

The study is based on responses from 2,125 dealers, covering 46 vehicle brands and 80 finance providers across 85 cities in China. The study was fielded between December 2019 and March 2020, examining dealer satisfaction with finance providers in two segments: retail credit and floor planning. In the retail credit segment, satisfaction is measured in finance provider offerings/products; application/approval process; and sales representative relationship. In the floor planning segment, satisfaction is measured in finance provider credit line; floor plan portfolio management; floor plan support; and salesperson representative relationship.

For more information about the J.D. Power China Dealer Financing Satisfaction Study, visit [HERE](#).

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Media Relations Contacts

Damon Liu; J.D. Power; China; +86 21 8026 5721; damon.liu@jdpa.com

Geno Effler; J.D. Power; Costa Mesa, California, USA; 001-714-621-6224; media.relations@jdpa.com

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