



# Fundamental Study on Consumer and Vehicle Financing

October 2011

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# Background to the study

## General

The members of the Bankenfachverband (German Association of Credit Banks) finance private consumer and commercial investments, the larger share being comprised of vehicle financing.

The purpose of this study is to provide information regarding the awareness of various forms of finance, consumer attitudes as well as actual consumer behaviour in relation to the use of consumer credit.

One particular focus of this will be passenger car financing. In order to take account of this, the current questionnaire was modified and adapted for the motor vehicle financing sector. No detailed survey was carried out of the motor home and motorcycle sectors.

Other aspects surveyed included attitudes to loans, awareness and intentions to use as well as detailed results about payment protection insurance.



# Study design

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## Sample

### Survey method:

Written survey, inquiry within the GfK Financial Market Panel

### Target Group:

Representative sample of German population (18 to 75 years old)

### Surveyed area:

Federal Republic of Germany

### Sample:

n=1,364 interviews performed

### Survey period:

11.07.11 to 05.08.11



# Study design

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## Case numbers

**n=501 credit users**

all interviewees who use at least one form of financing

**n=863 non-credit users**

all interviewees who did not use any form of financing

**n=1,169 car owners**

all interviewees who own at least one car

**n=331 car owners  
with financing**

all interviewees who are car owners and who used financing for at least one of their cars

**n=838 vehicle owners  
without financing**

all those surveyed who are car owners but who did not use financing for their cars

**Captive banks:**

manufacturer-affiliated banks

**Non-captive banks:**

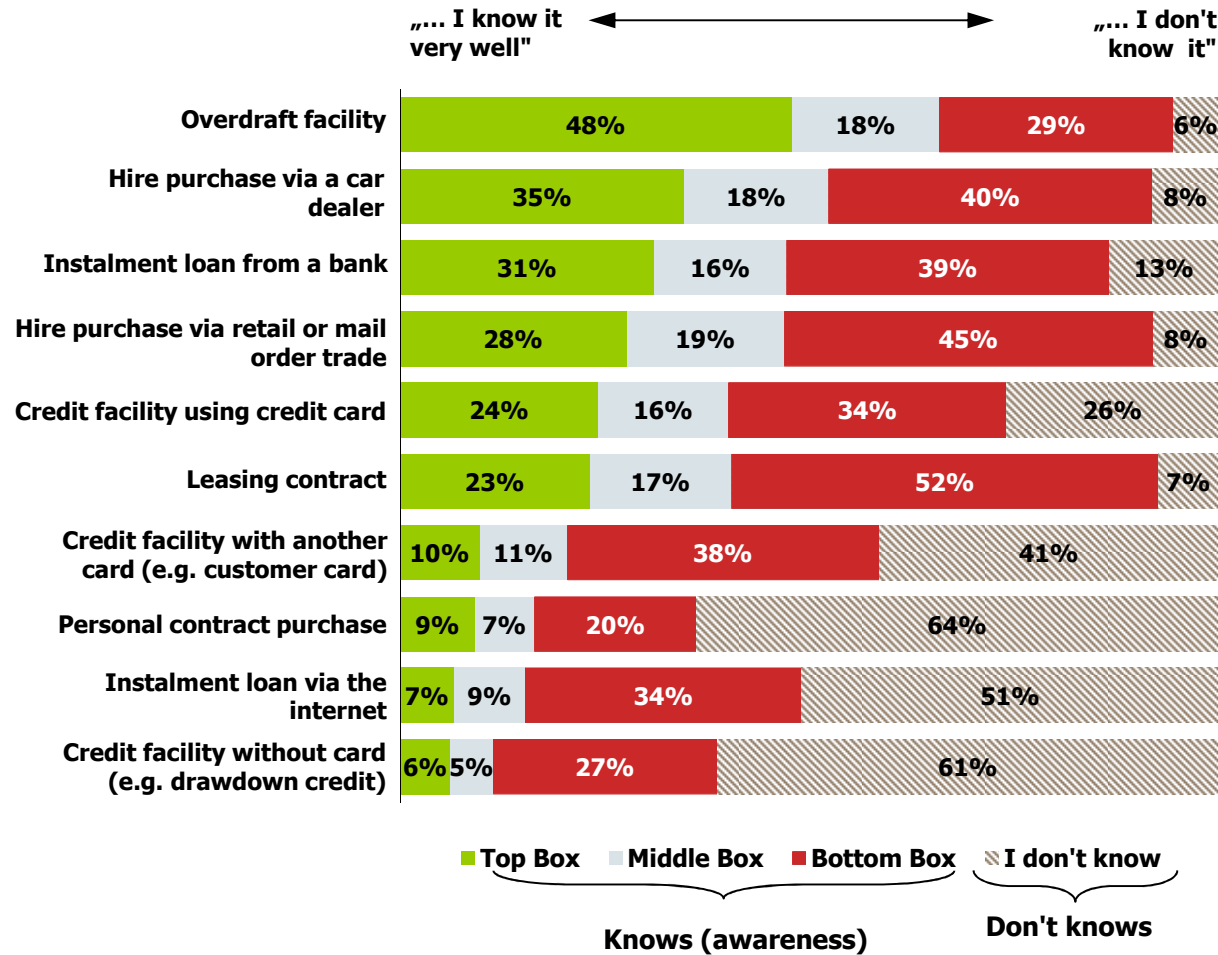
multi-vendor banks

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# Awareness of and familiarity with forms of financing

## All those surveyed



The awareness of specific forms of financing varies very widely.

The more traditional, established products are known by name to most of those surveyed.

**Awareness** = Those surveyed know the form of financing at least by name ("I know it very well" ... "I know it only by name")

**Familiarity** = Those surveyed know the form of financing well or very well (top box values)

**Top Box** (4+5) = I know it well/ I know it very well

**Middle Box** (3) = I've heard of it

**Bottom Box** (1+2) = I know it only by name / I hardly know it

F2: Various forms of financing are available for private purchases. How well do you know the following forms of financing? Basis: all those surveyed, n = 1,319, without no response

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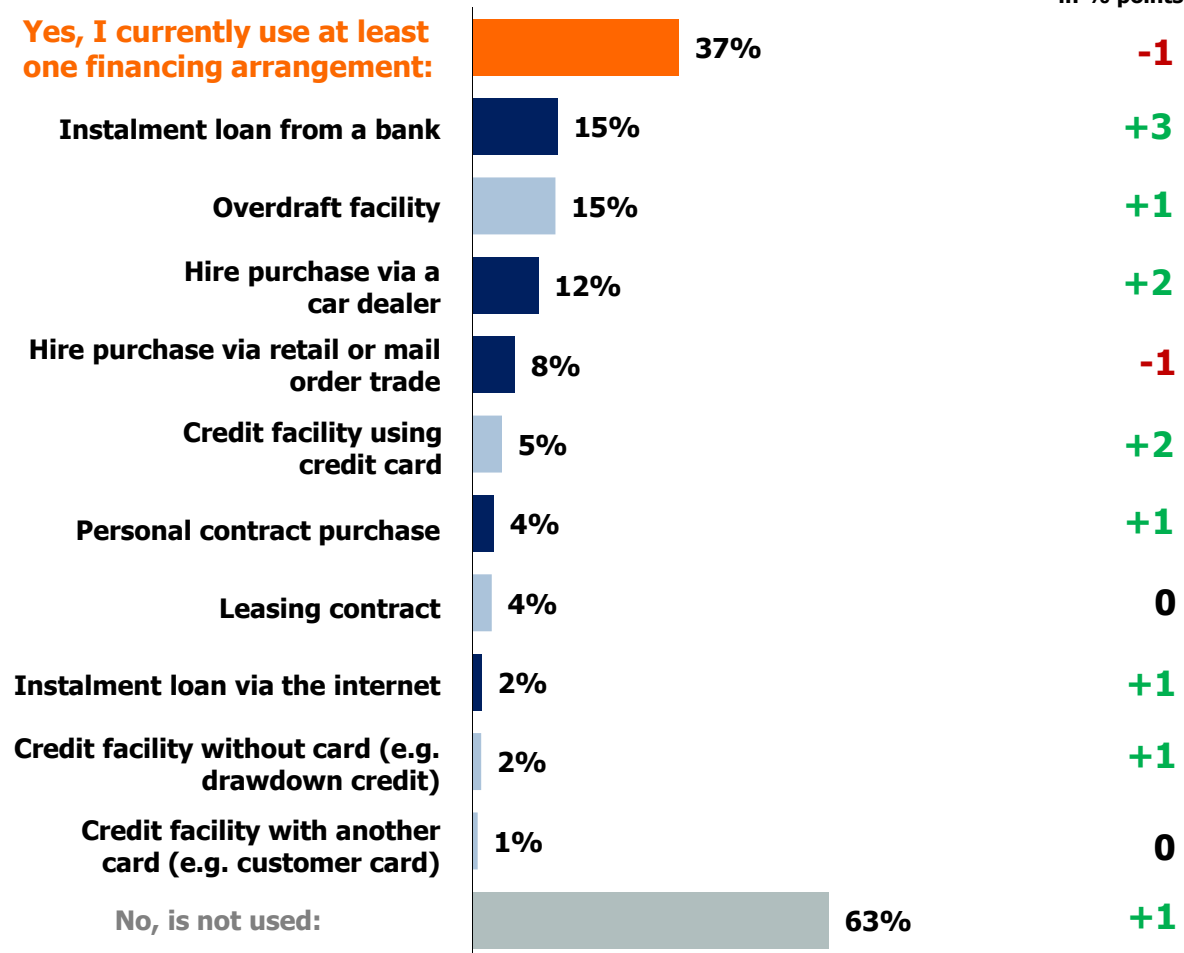


# Credit use

## All those surveyed

9

### Yes, I currently use at least one financing arrangement:



37% of all those surveyed currently use a financing arrangement. This ratio is stable in relation to the previous year.

There is likewise little shift within the individual forms of credit; only instalment loans via a bank tend to be used somewhat more.

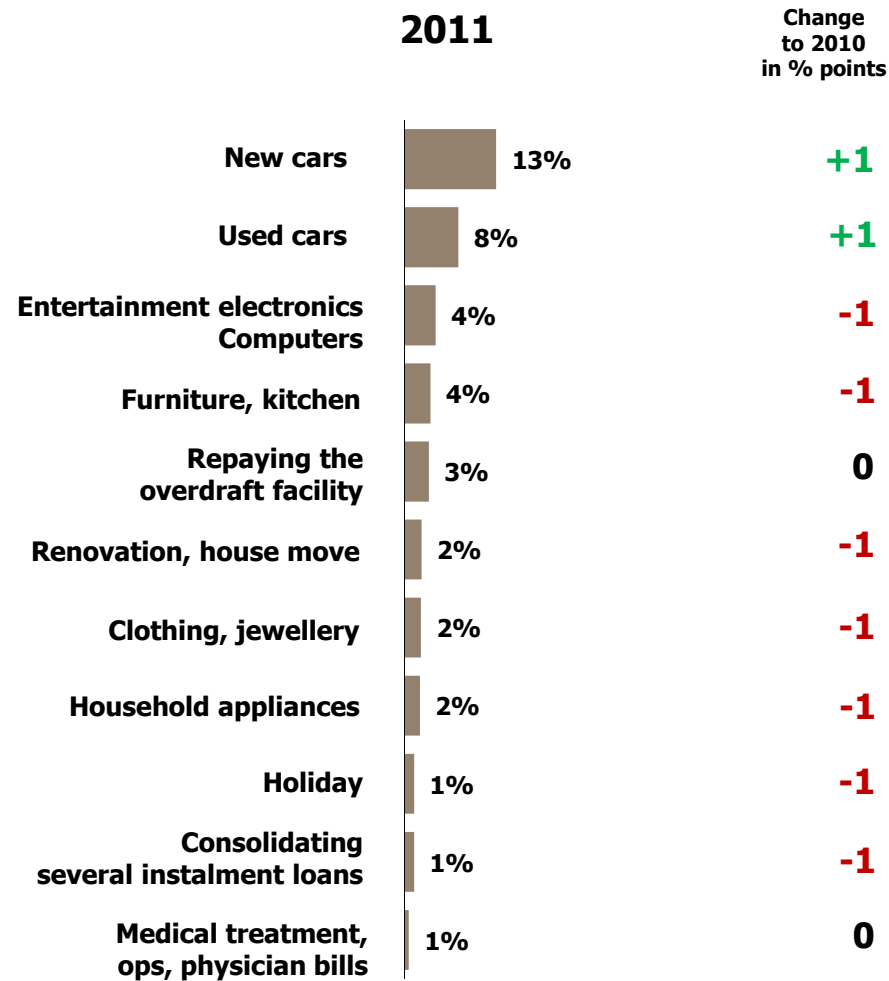
**Instalment loans**  
Total 2011: 28%  
Total 2010: 27%

F3: Are you currently using one of the following forms of credit / financing?  
Basis: all those surveyed, n = 1,364, without no response

## Purpose – general

All those surveyed

10



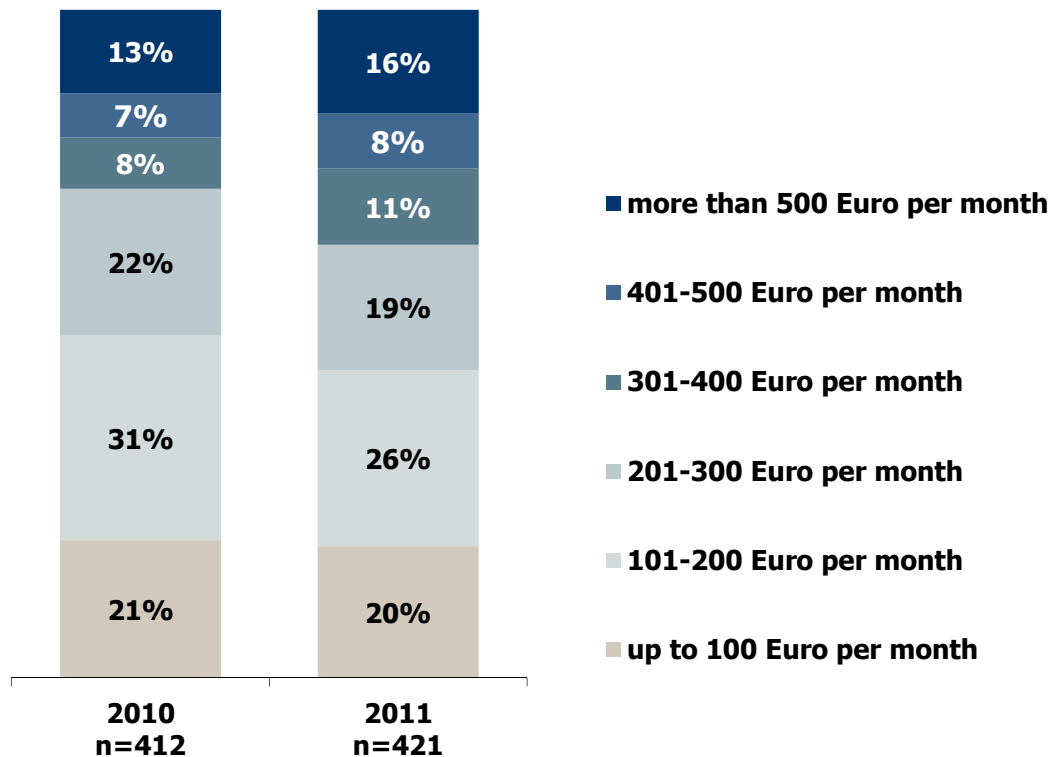
The stability of the market is also apparent from the purpose of the credit arrangement: 13% of all those surveyed use a credit arrangement to finance a new car, 8% use a credit arrangement for a used car.

F3a: Are you currently using one of the following forms of credit / financing? If yes, for what did you use your current credit arrangement / credit arrangements? Basis: all those surveyed n=1,364 without no response

## Credit use – Amount of instalment payments

### Sub-groups of credit users

11



The average monthly instalment amount has increased slightly. On average it is currently 287 Euro per month.

#### Amount of the average instalment payments:

2011: 287 Euro  
2010: 261 Euro

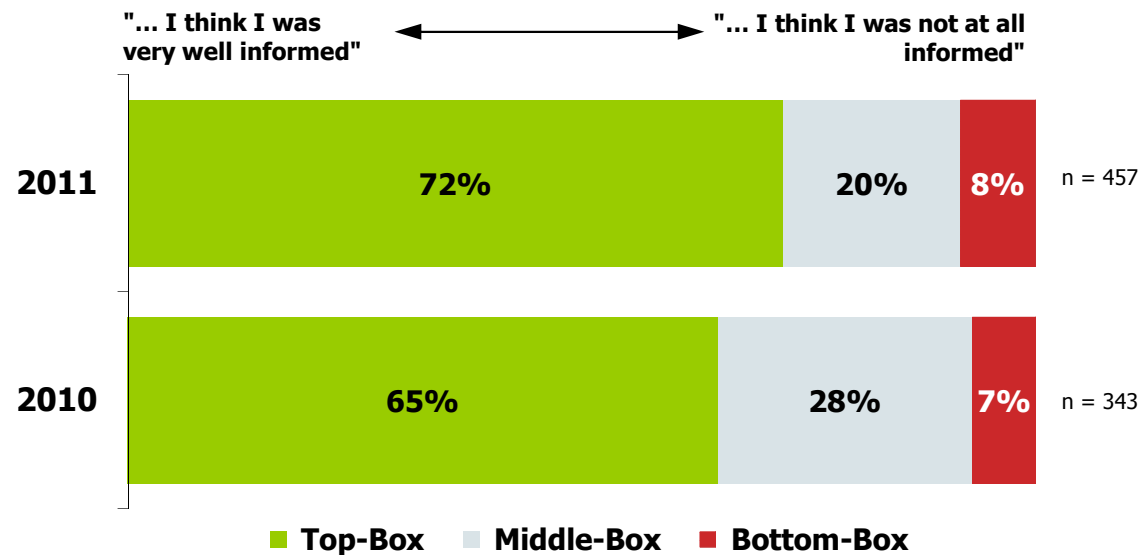
F5: What is the total amount of your monthly instalment payments for all credit arrangements? If you have several credit arrangements, please count all your monthly instalments together. Basis: n=421 (2011) without no response

# Credit terms and conditions

## Sub-groups of credit users

12

**When arranging this credit, how well do you feel you were informed by your bank or savings bank about the terms and conditions of the credit?**



In arranging the credit, 72% of all credit users thought they had been very well or well informed about the terms and conditions of the credit.

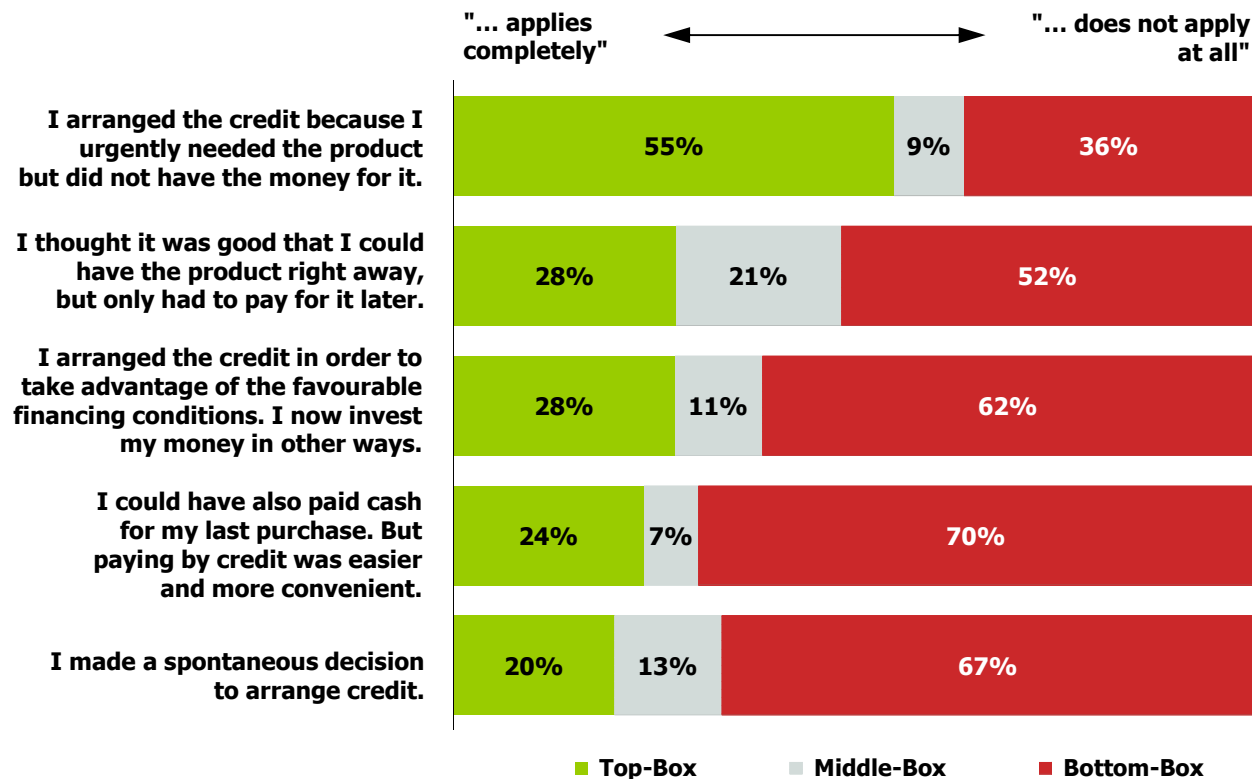
This ratio is higher compared to the previous year.

F7: When arranging this credit, how well do you feel you were informed by your bank or savings bank about the terms and conditions of the credit? Basis 2011: n=457 credit users, without no response

## Credit use – statements concerning the most recently arranged credit

### Sub-group of credit users

13



55% of all credit users arranged the credit, because they urgently needed the product but did not have the money for it.

One quarter (28%) first and foremost took advantage of the favourable conditions.

Only one-fifth of those surveyed entered into a credit arrangement spontaneously.

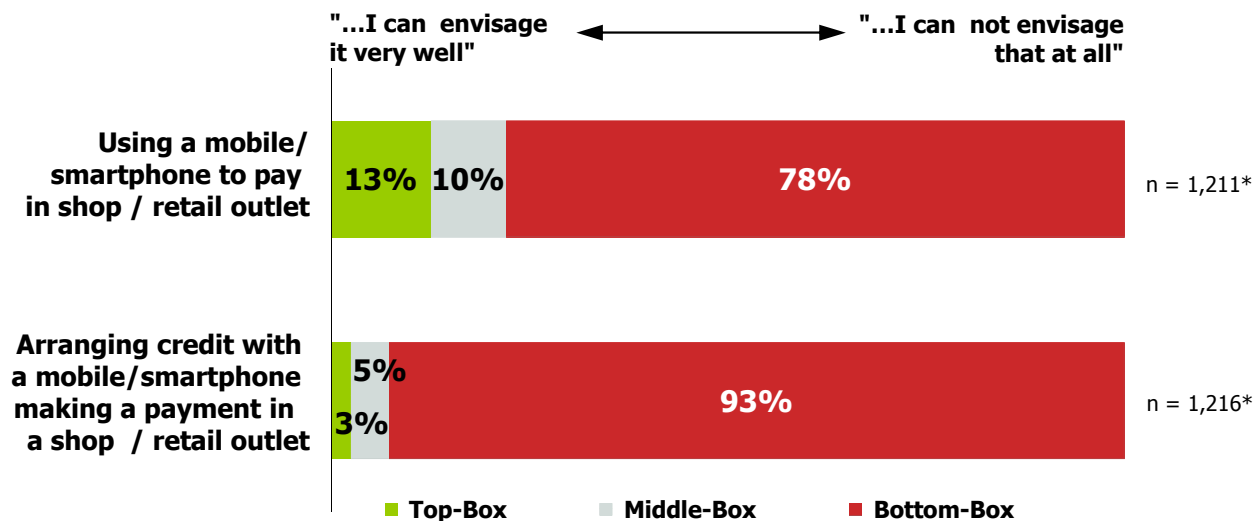
F9: Considering the credit you most recently arranged: how accurate are the following statements to you? Basis: n=507 credit users, without no response

## Payment using mobile/smartphone

All those surveyed

14

**In some shops/retail outlets it is already possible to pay using a mobile phone /smartphone. To what extent could you envisage using the following options?**



More than one in ten persons (13%) currently can envisage using a mobile phone or smartphone to make a payment in a shop, the tendency is increasing here (2010 comparison: 8%).

Only a few persons could envisage arranging credit via mobile or smartphone in 2011, but the reluctance towards this is also declining.

F13: In some shops/retail outlets it is already possible to pay using a mobile phone /smartphone. To what extent could you envisage using the following options? Basis: without no response; \*without "do not know"

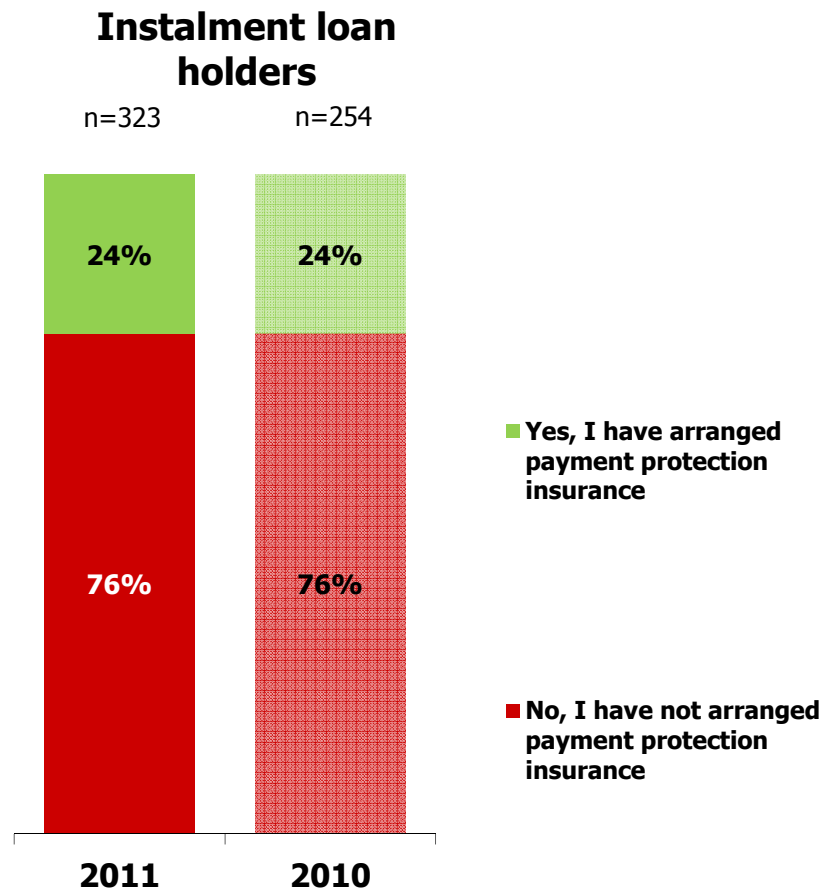
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# Arrangement of payment protection insurance

## Instalment loan holders

16



24% of Instalment loan holders arranged payment protection insurance for their credit.

The level has remained very steady over time – the number was the same in 2010.

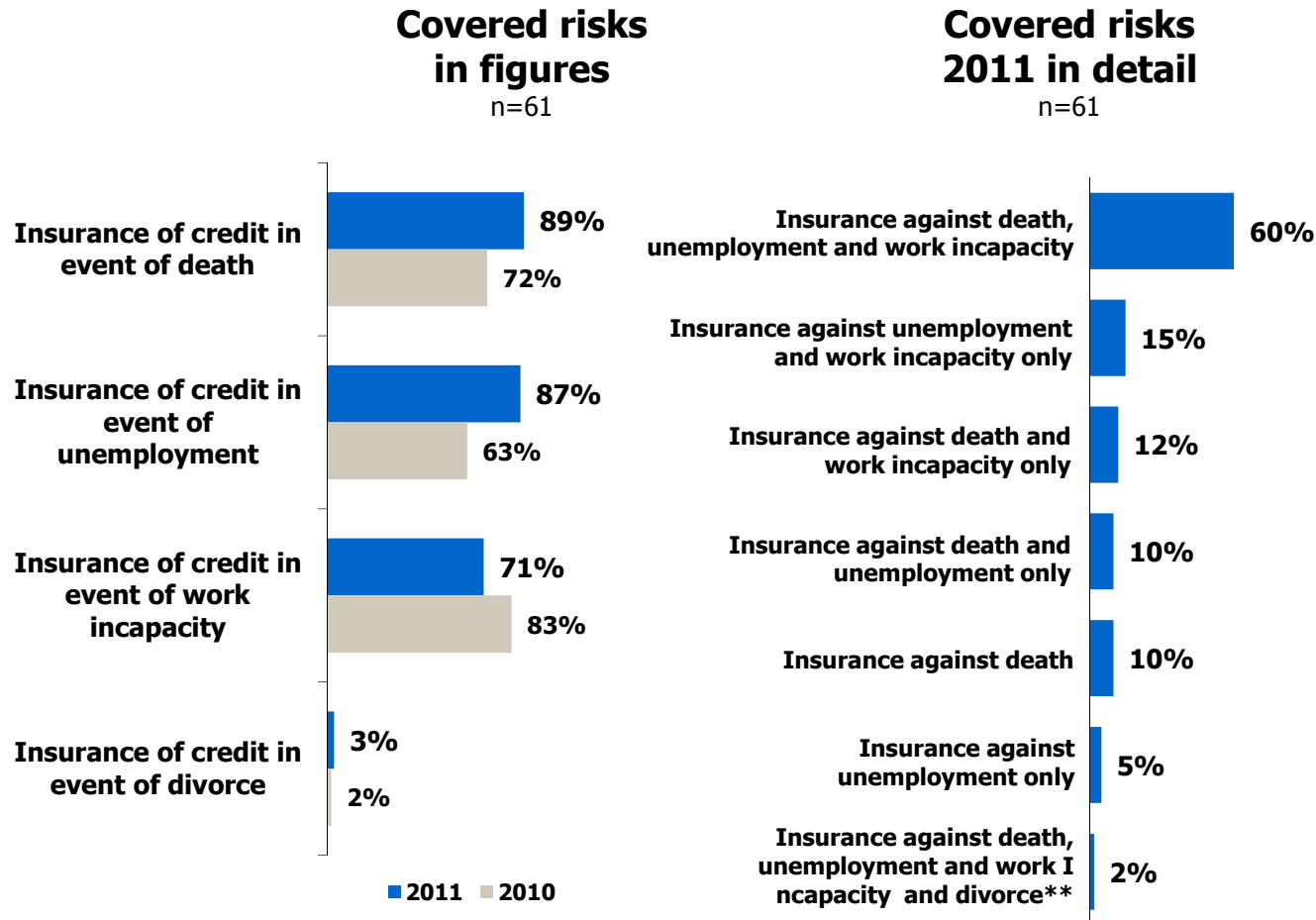
F14: Have you arranged payment protection insurance in respect of your current instalment loan?  
Basis: without no response



# Arrangement of payment protection insurance

## Holders of payment protection insurance

17



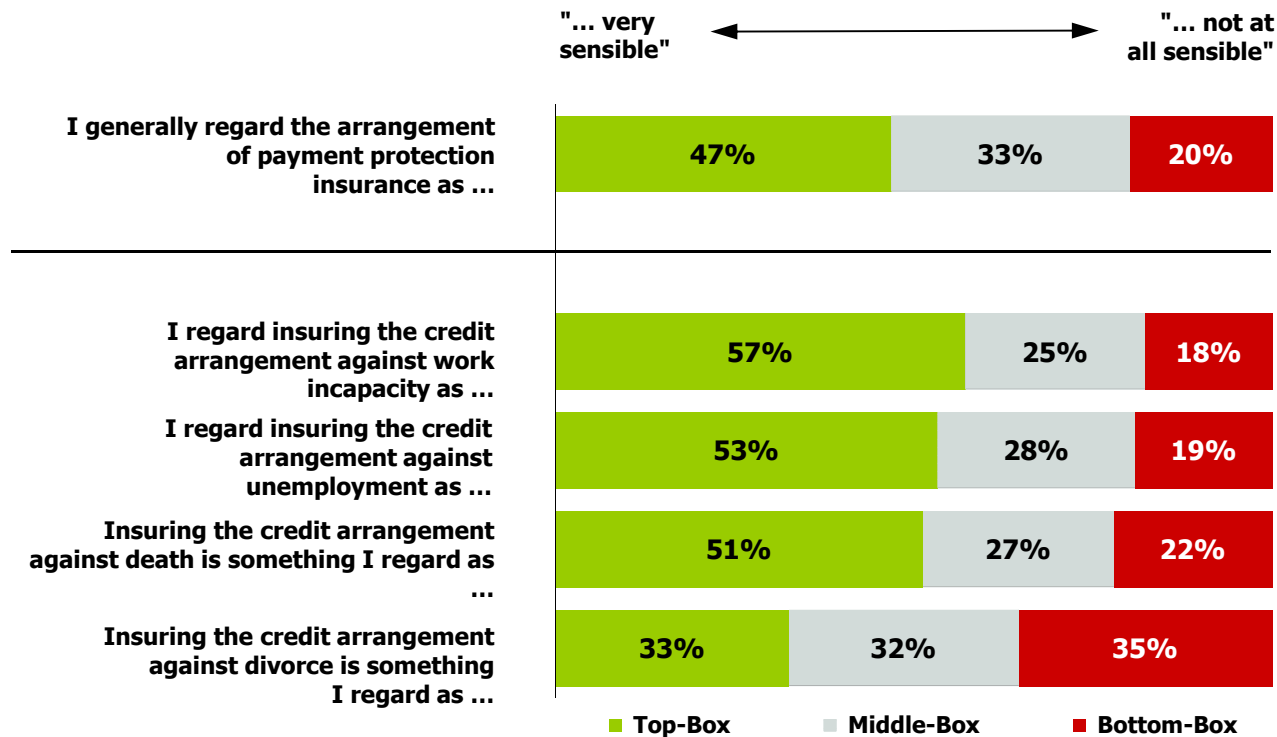
The majority of payment protection insurance policies contain a combination of the risks "death, work incapacity and unemployment".

F16: What risks does your payment protection insurance cover?  
Basis: without no response; multiple responses possible, some tendency statements

# Arrangement of payment protection insurance

## All those surveyed

18



Almost one half of all those surveyed (47%) regard the arrangement of payment protection insurance as very sensible.

The coverage of the death, occupational incapacity and unemployment risks, in particular, is important for (potential) customers.

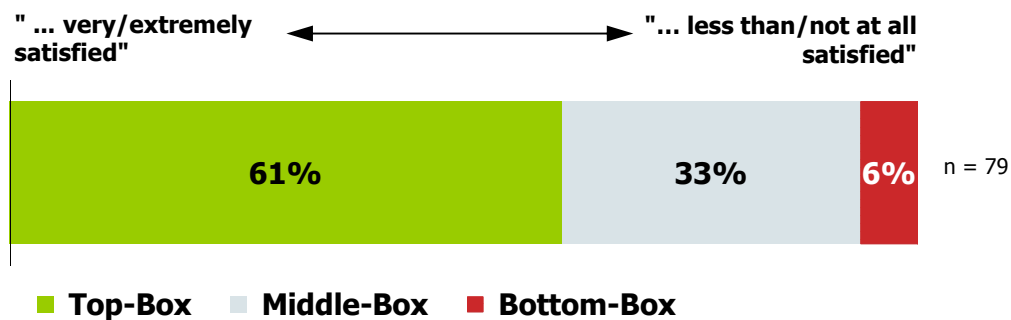
F17: How sensible do you think it is to arrange payment protection insurance and how sensible do you regard the coverage of specific risks within the payment protection insurance policy? Basis: n = 1,221 without no response

# Credit terms and conditions

## Sub-groups of credit users

19

### Satisfaction with the arrangement of payment protection insurance



In all, some 61% of all holders of payment protection insurance are very or even extremely satisfied with the product.

F18 b: If you have arranged payment protection insurance: how satisfied are you overall with your payment protection insurance?  
Basis n=79

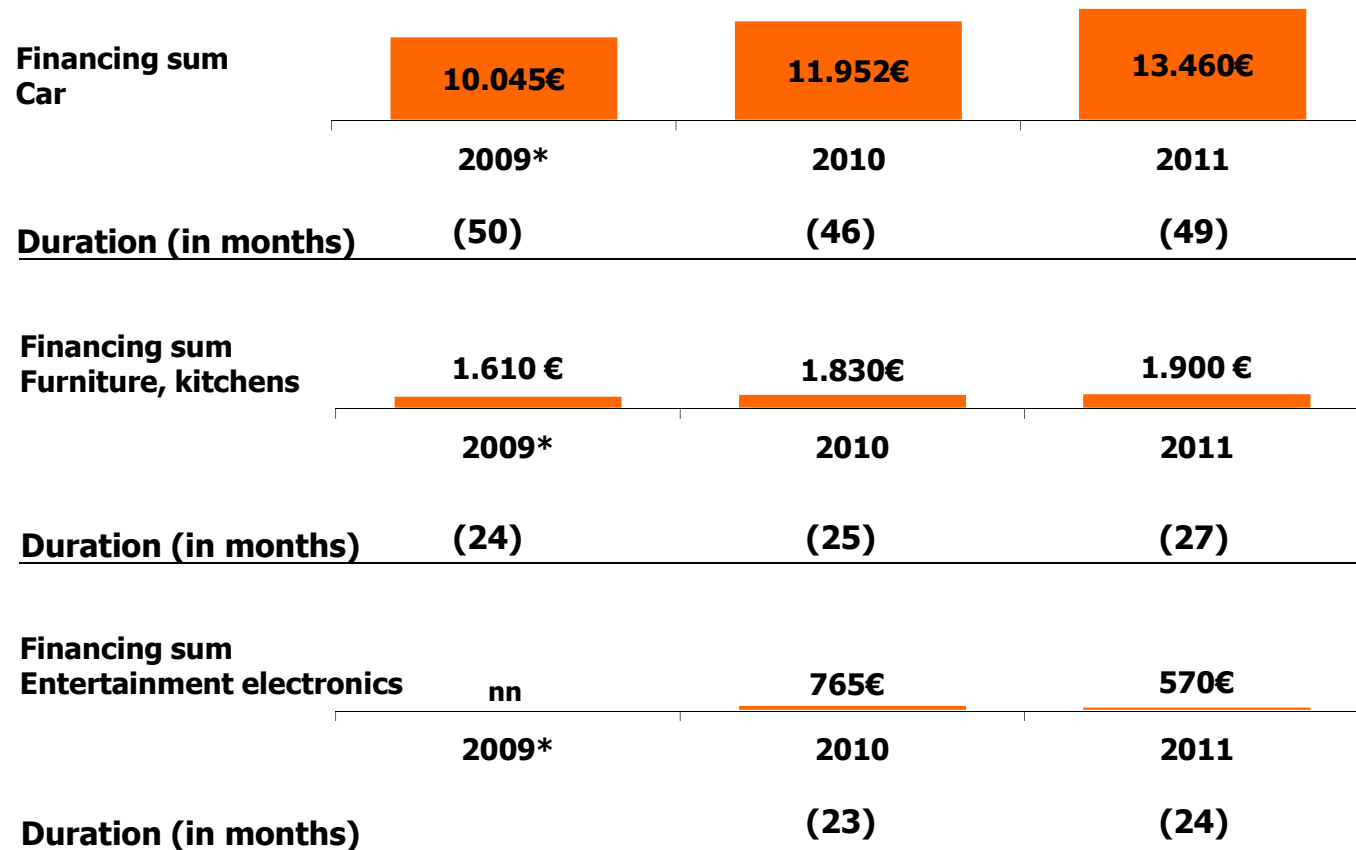
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## Financing in the retail trade – amounts and lengths of term

All those surveyed

21



The need for financing is currently increasing in many branches. This is also reflected by the longer periods of financing.

F20. a. Do you currently have financing for one or more purchases via mail order or from retail outlets (see Question 9. a.)? Please state, which of the following purchases you made using financing. F20. b. If yes, what was the financed sum in each case? If you have made several purchases in one category (e.g. entertainment electronics, computer), please state the amount for the most recent purchase in each case. F20. c. And over how many months is the financing arranged? Basis n=1,212 without no response, presentation excludes "other"

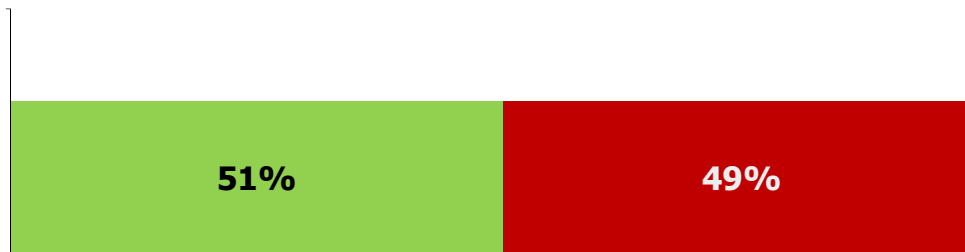
\*Funds from new and used cars

## Financing in the retail trade

### Purchase decision through financing, sub-group: Financers in retail trade

22

#### Did the option of financing influence your purchase decision?



- Yes, otherwise I would not have made purchase
- No, the financing option did not influence the purchase

Without the financing option in the retail outlet, 51% of financed purchases would not have been made.

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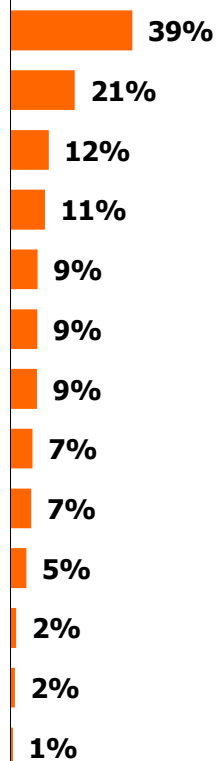
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## Planned purchases / outlays in the next 24 months as well credit arrangements within the next 24 months - planners of the purchase in question

24

### Planned purchases

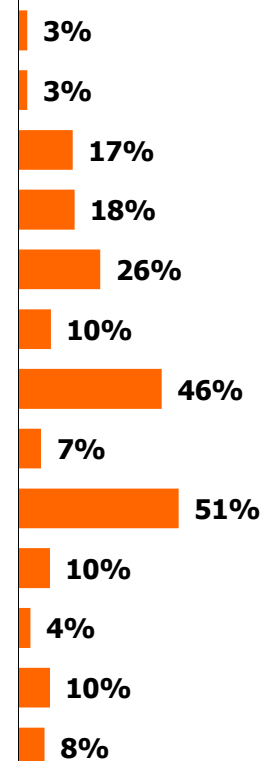
All those surveyed  
n=1,364



of these:

**Holiday**  
**Clothing, jewellery**  
**Renovation, house move**  
**Entertainment electronics**  
**Furniture, kitchen**  
**Household appliances**  
**Used cars**  
**Medical treatment**  
**New cars**  
**Initial and further training**  
**Driving licence**  
**Motorbike, moped, scooter**  
**Other vehicles\***

### Planned credit arrangements



Every second customer intending to purchase a new car within the next 24 months can already envisage using a loan in order to do so.

F25a: Are you planning one or more of the following named acquisitions or outlays in the next 24 months? F 25 b: If you are planning a purchase: Can you, in principle, envisage arranging credit for this (e.g. an instalment loan or credit facility, overdraft facility)?  
Basis: all those surveyed in the respective group without no response, \* tendency statements due to low basis

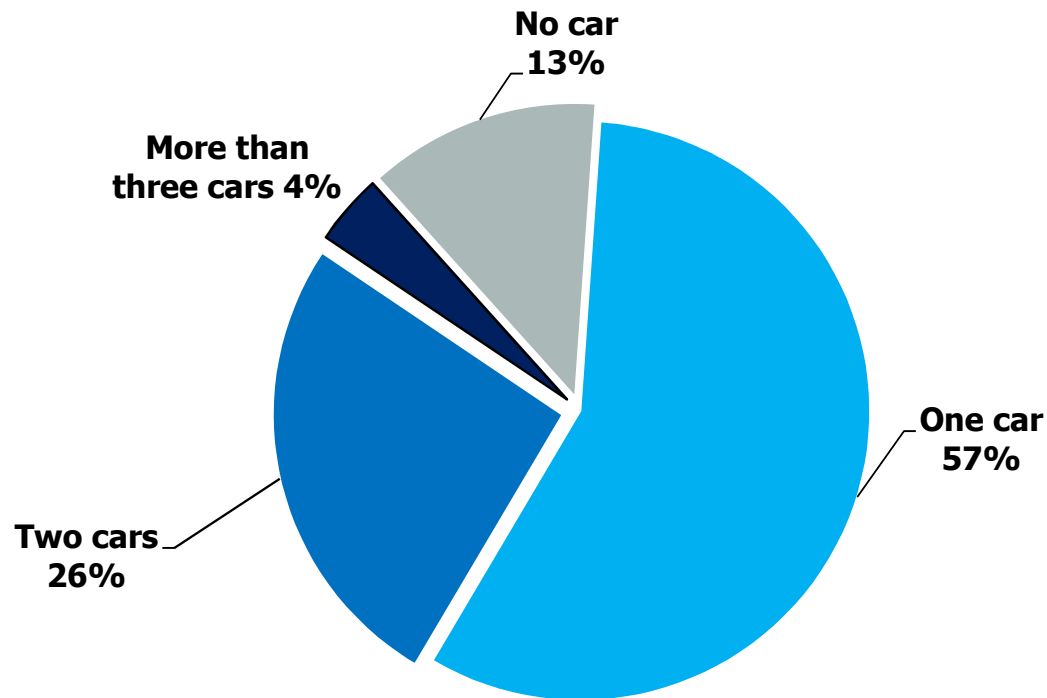


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## Car ownership All those surveyed

26



The large majority of households own one car - one quarter (26%) actually have two.

A household on average currently owns 1,2 cars.

But: 13% of all households do not own (private) cars.

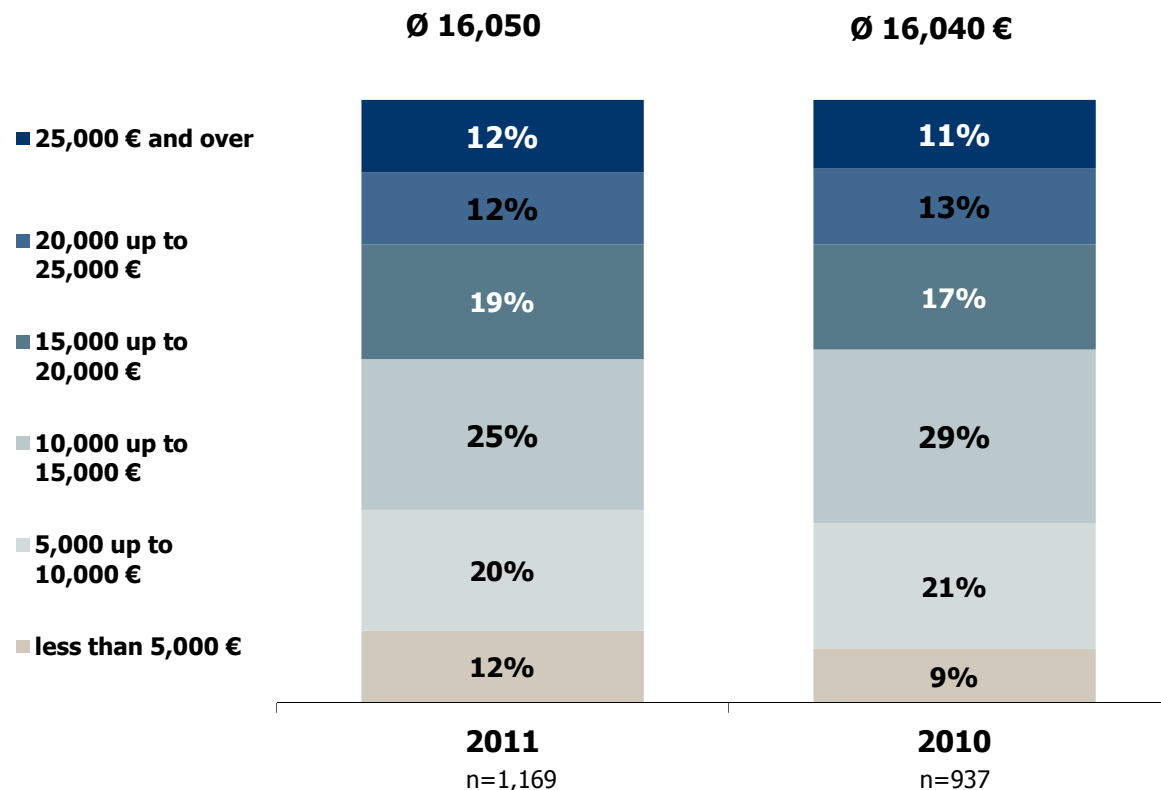
F27. How many cars do you own in your household?  
Basis: all those surveyed, n= 1,339

# Purchase costs - total

## Car owners

27

### Purchasing costs



The acquisition costs for new and used cars are very similar to those recorded for 2010.

Just over 16,000 Euro is currently invested in a car.

But one in every twelve car owners actually invests more than 25,000 Euro in his/her car.

F30. Please tell us approximately how much your car cost you?  
 Basis: Car owners n=1,169, without no response

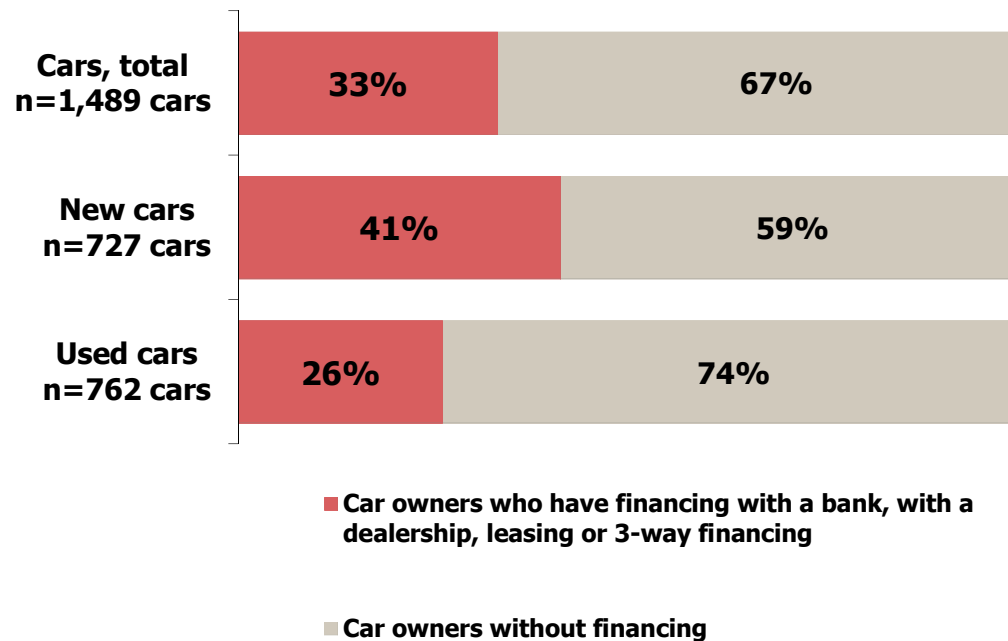
# Ratio of financed vehicles

## Car owners

28

### Proportion of financed cars (incl. leasing or personal contract purchase)

41% of all new cars are financed, while 26% of used cars are financed.

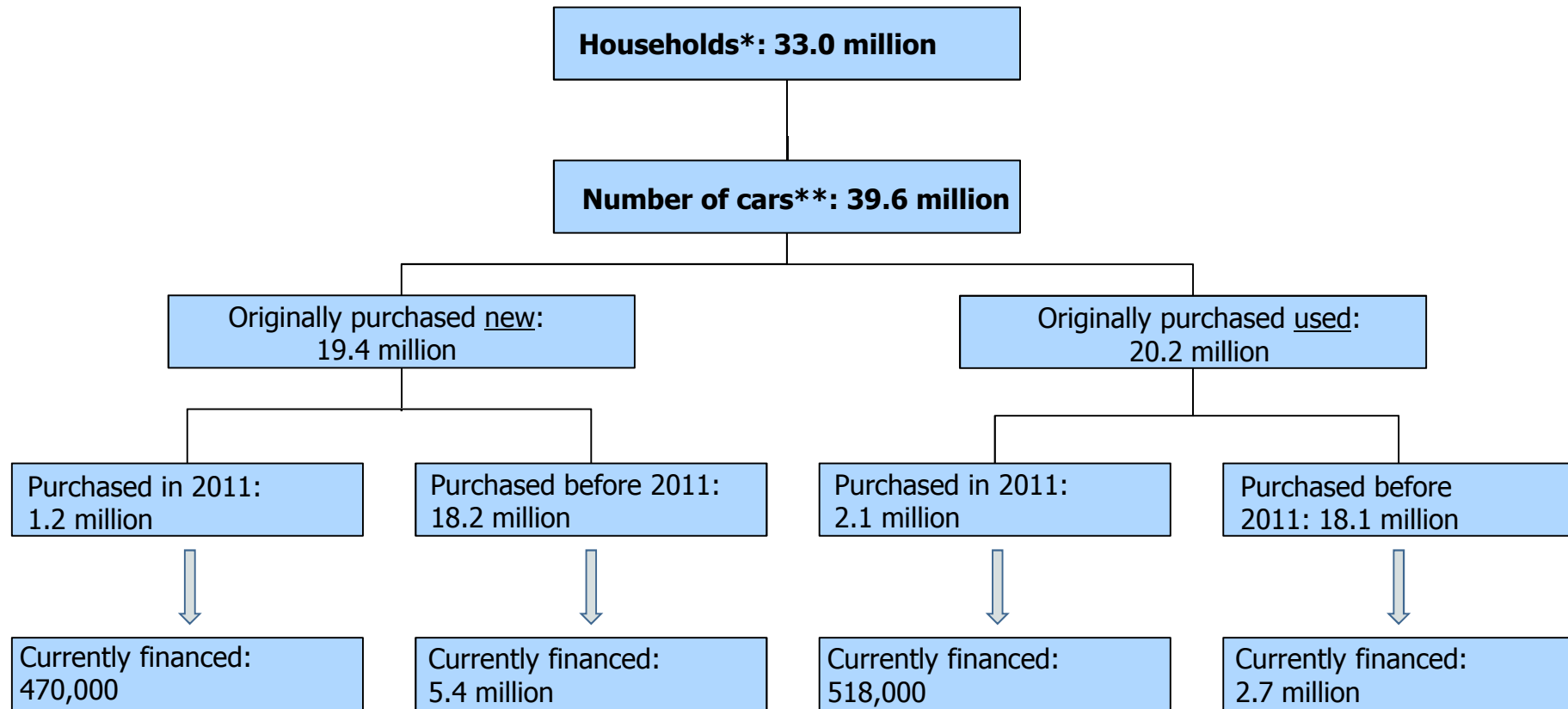


F32a: Did you pay for this car in cash or was it (partially) financed?  
Basis: without no response

# Market sizes in the car segment

## Extrapolation

29



\*private, independently financing, German households with head of household between 18 and 75 years old  
\*\* private cars

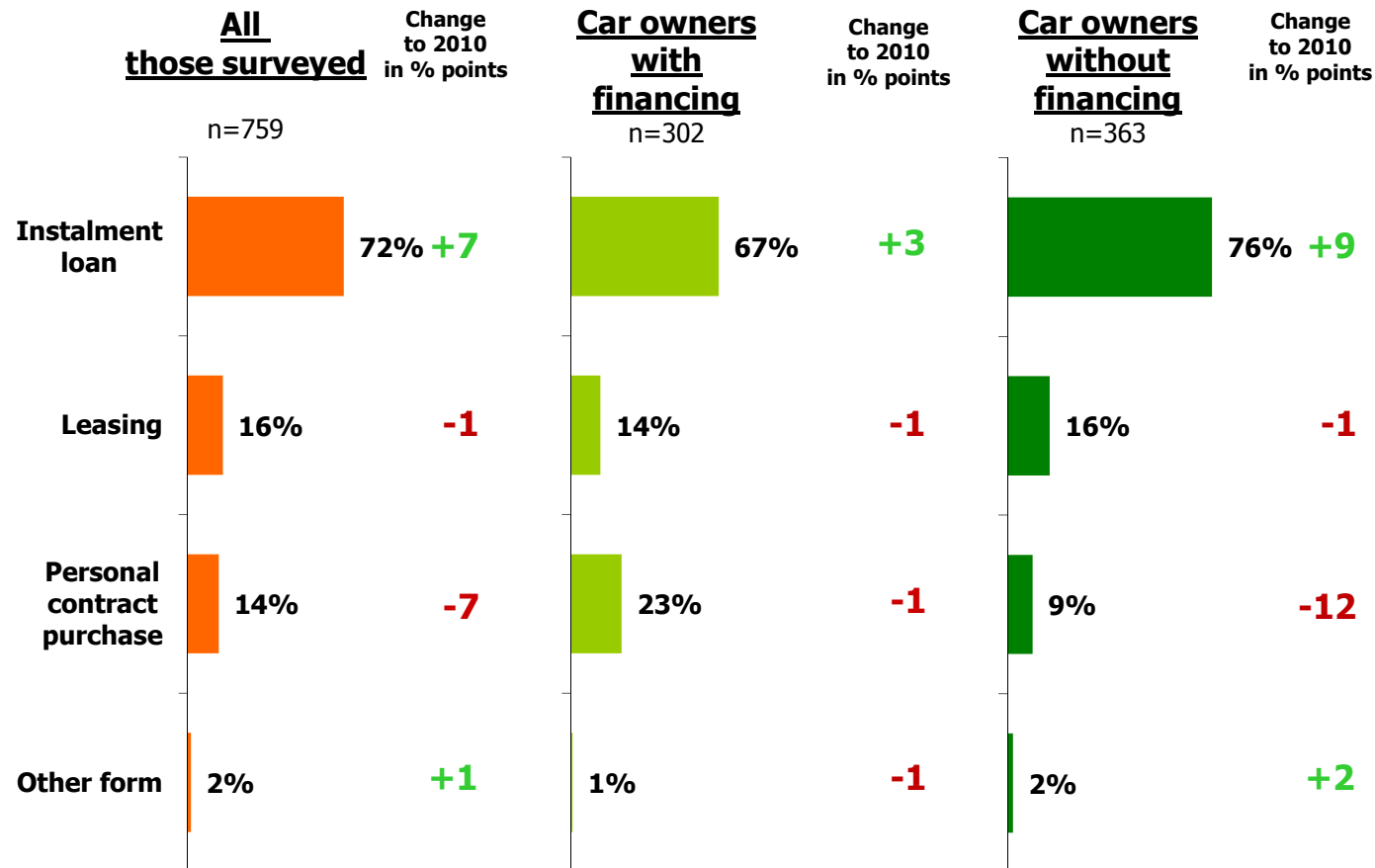
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## Preferred forms of financing for new cars

Selected sub-groups: without persons declining credit

31



It remains the case that an instalment loan is the preferred form of financing for a new car.

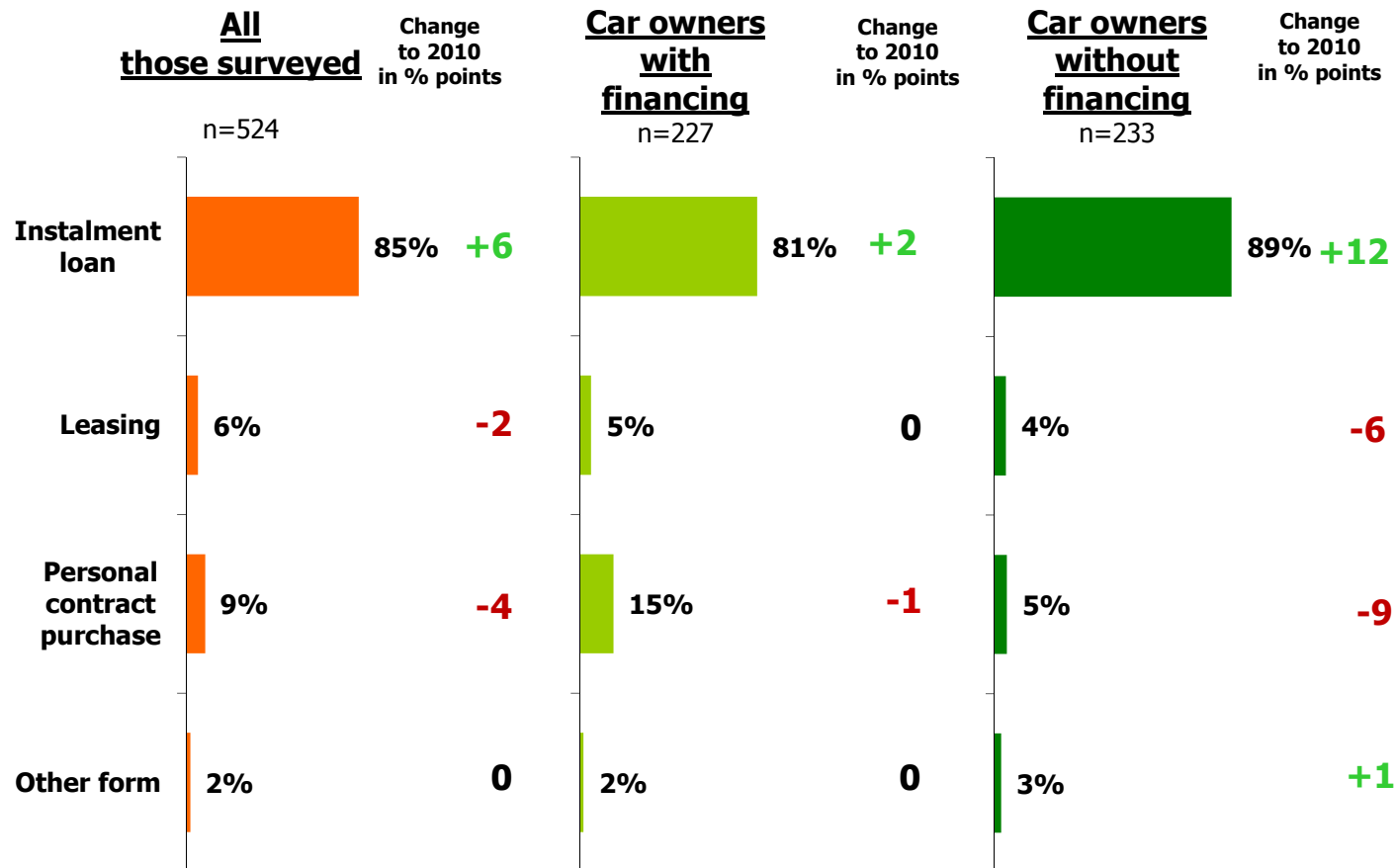
This trend grew even more during the previous year.

F38: Consider for a moment that you are planning to purchase a new car. What form of financing would you prefer in this case?  
Basis: without no response

## Preferred forms of financing for used cars

Selected sub-groups: without persons declining credit

32



For used cars, instalment loans are by far the most preferred form of financing (85%), with an increasing tendency.

Other forms of financing remain largely insignificant in this sub-market.

F39: And what form of financing would you prefer when purchasing a used car?  
Basis: without no response



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# Zusammenfassung

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## The Awareness of various forms of finance

- The awareness of specific forms of financing varies very widely. The more traditional, established products are known by name to most of those surveyed (page 7).



## Current use of various forms of finance

- 37% of all those surveyed currently use a financing arrangement. This ratio is stable in relation to the previous year. There is likewise little shift within the individual forms of credit; only instalment loans via a bank tend to be used somewhat more (page 9).
  - The stability of the market is also apparent from the purpose of the credit arrangement: 13% of all those surveyed use a credit arrangement to finance a new car, 8% use a credit arrangement for a used car (page 10).
  - The average monthly instalment amount has increased slightly. On average it is currently 287 Euro per month (page 11).
- 



# Zusammenfassung

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## Payment protection insurance

- 24% of Instalment loan holders arranged payment protection insurance for their credit. The level has remained very steady over time – the number was the same in 2010 (page 16).
- Almost one half of all those surveyed (47%) regard the arrangement of payment protection insurance as very sensible (page 18). The coverage of the death, occupational incapacity and unemployment risks, in particular, is important for (potential) customers.



## Financing in the retail trade

- The need for financing is currently increasing in many branches. This is also reflected by the longer periods of financing (page 21).
- Without the financing option in the retail outlet, 51% of financed purchases would not have been made (page 22).



# Zusammenfassung

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## Future use of various forms of finance

- Every second customer intending to purchase a new car within the next 24 months can already envisage using a loan in order to do so (page 24).



## Financing of current vehicles

- The large majority of households own one car - one quarter (26%) actually have two (page 26).
- 41% of all new cars are financed, while 26% of used cars are financed (page 28).



## Attitudes to financing of a car

- It remains the case that an instalment loan is the preferred form of financing for a new car. This trend grew even more during the previous year (page 31).
- For used cars. instalment loans are by far the most preferred form of financing (85%), with an increasing tendency. Other forms of financing remain largely insignificant in this sub-market (page 32).

## Summary – overview of the key values

Extrapolated based on 33 million households\* with 55.8 million persons

37

### Use of credit arrangements in general

- Users of at least one credit arrangement: 20.6 million
- Instalment loan with a bank: 8.5 million
- Overdraft facility (users): 8.3 million
- Hire purchase via retail trade: 4.2 million
- Credit facility via a credit card: 3.0 million

### Car financing arrangements

- Total current car financing arrangements in 2011: 9.1 million
- Newly arranged car financing arrangements in 2011: 1.0 million
  - of which, new car financings: 0.5 million
  - of which, used car financings: 0.5 million

\*private, independently financing, German households with head of household between 18 and 75 years old

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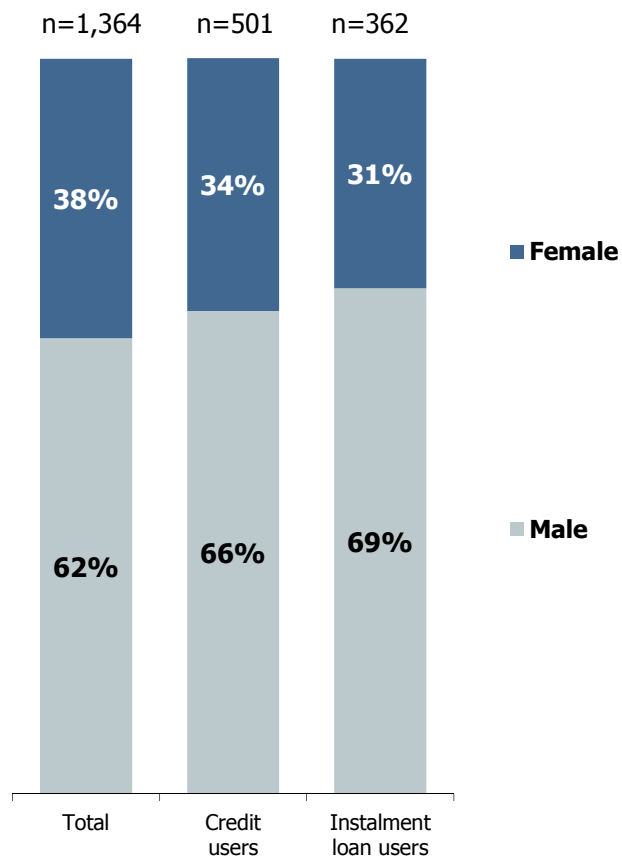
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# Statistics - gender and marital status

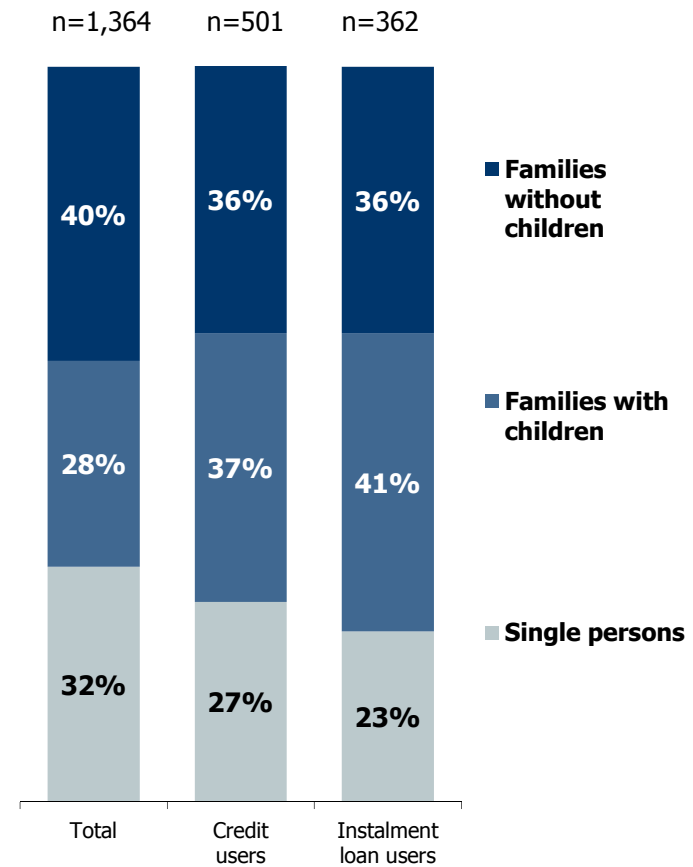
## Credit users, total, instalment loan users

39

### Gender of the head of household

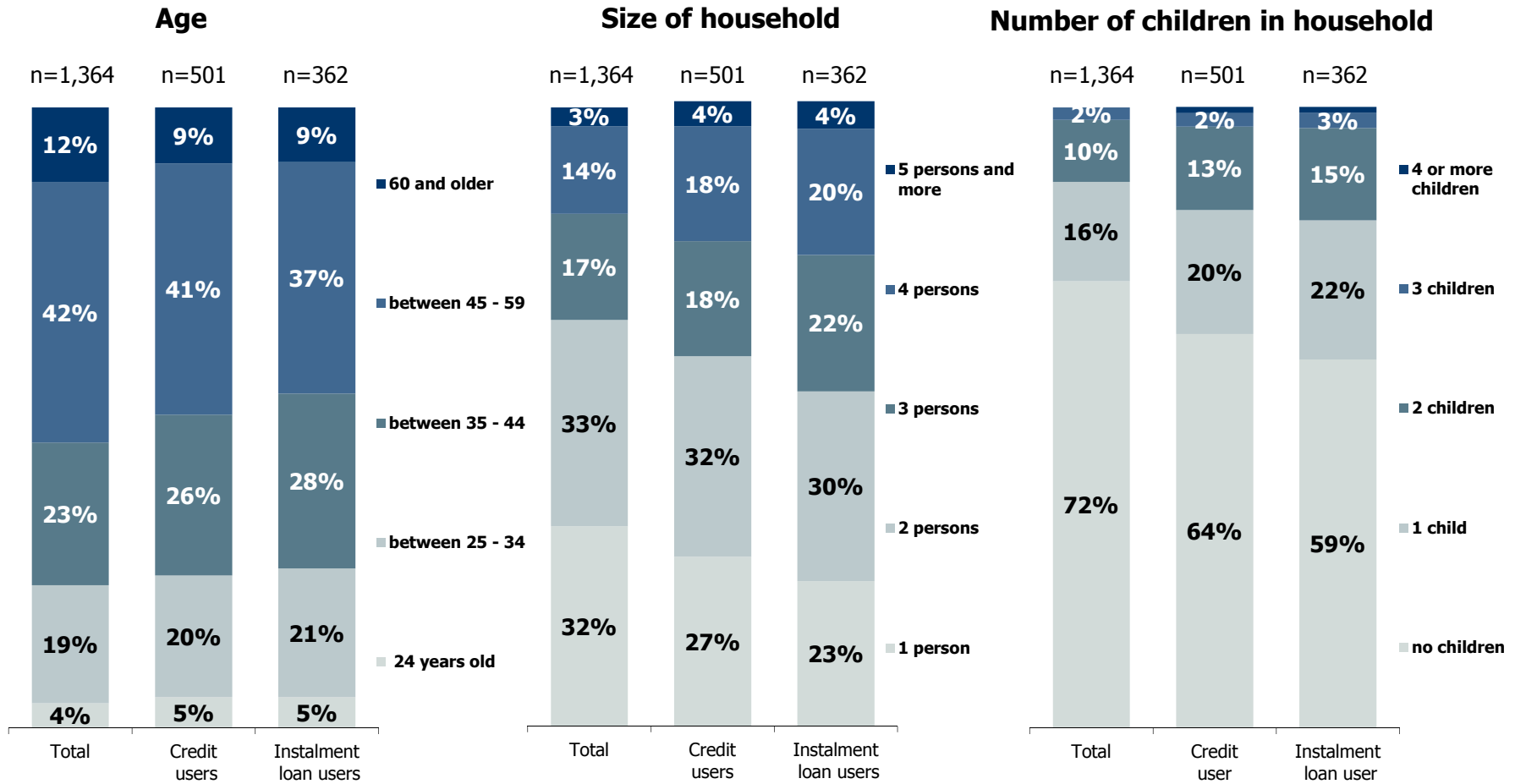


### Life cycle type



# Statistics - Age, size of household, number of children in household

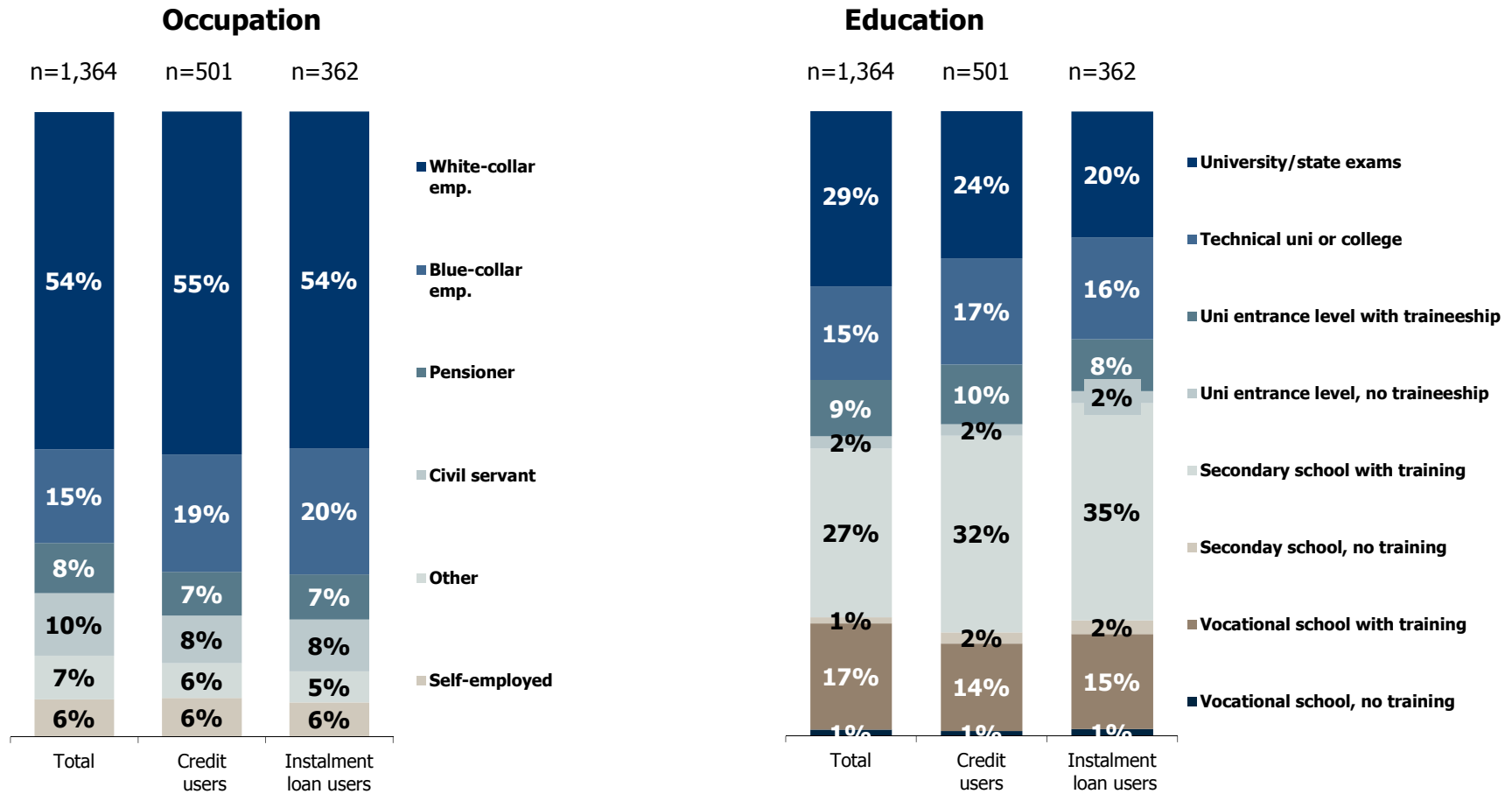
Credit users, total, instalment loan users





# Statistics - occupation and education

## Credit users, total, instalment loan users



# Statistics - net household income

## Credit users, total, instalment loan users

42

