



Press Release

J.D. Power and Associates Reports: Dealer Financing Satisfaction with Banks in Canada Increases As Captive Share of Auto Financing Business Declines

Mercedes-Benz Financial Services Ranks Highest in Dealer Satisfaction in the Retail Leasing and Prime Retail Credit Segments; Ford Credit Canada Ranks Highest in the Floor Planning Segment

WESTLAKE VILLAGE, Calif.: 24 May 2012 — Banks in Canada are increasing their penetration in the automotive dealer financing marketplace at the same time as Canadian dealers' satisfaction with banks is improving, according to the J.D. Power and Associates 2012 Canadian Dealer Financing Satisfaction StudySM released today.

Dealer financing satisfaction with banks has increased to 872 (on a 1,000-point scale) in 2012, up 25 points from 847 in 2011. Satisfaction with the captive financing companies—finance companies owned by the automotive manufacturers to finance dealers' inventories or to make loans to vehicle buyers—is at 840, a seven-point increase from 2011.

While satisfaction with banks¹ is increasing, so is the volume of business dealers are sending their way. Banks' share of the dealer financing business has increased to 60.5 percent in 2012, up 4.7 percent from 2011. The captive market share has dropped to 36.3 percent, down 1.5 percent from 2011, according to J.D. Power and Associates' Power Information Network® (PIN) data.

“Auto lending is a very competitive market, and we're finding that more dealers this year are using multiple providers, particularly bank providers, than in 2011,” said Lubo Li, senior director and financial services practice leader at J.D. Power and Associates, Toronto. “Banks are continuously improving their offerings and improving the dealer lending experience. This is putting competitive pressure on all automotive lenders to focus on providing outstanding service to dealers in order to maintain or grow their share of the business.”

The study, now in its 14th year, examines dealer satisfaction with finance providers in four segments: prime retail credit; retail leasing; floor planning, and sub-prime retail credit.² Within the prime and sub-prime retail segments, three key factors contribute to satisfaction: finance provider offering; application/approval process; and sales representative relationship. Four factors are measured in the retail leasing segment: finance provider offering; application/approval process; vehicle return process; and sales representative relationship. In addition, four factors are measured in the floor planning segment: finance provider credit line offering; floor plan support; floor plan portfolio management; and sales representative relationship.

The study finds that dealer satisfaction has increased substantially across all four segments. Dealer satisfaction with sub-prime retail credit providers has increased the most, to an index score of 827, up 61 index points from 2011.

¹ Banks refers to an aggregate of Bank of Montreal, RBC Royal Bank, Scotiabank, TD Financing Services.

² No awards are presented in the sub-prime retail credit segment due to insufficient market representation.

Dealer satisfaction with floor planning finance providers has increased to 889, up from 851 in 2011. Dealer satisfaction with prime retail credit finance providers is 859 and satisfaction with retail leasing is at 834 (up 18 and 29 points, respectively, from 2011).

The study finds that across all four segments, satisfaction has increased with the helpfulness of credit staff and their responsiveness to questions.

“Few lenders will be able to sustain, not to mention grow, their vehicle financing business without taking care of the dealers,” said Li. “Simply meeting dealer expectations with product offerings is not enough. Developing a rapport with the dealer, understanding their needs and responding accordingly, is what creates dealer loyalty, which in turn increases revenue potential through increases in future business for the lender.”

Among dealers who work with non captive financing companies, intended future loyalty is notably higher among those dealers working with non-captives who are highly satisfied (satisfaction scores of 800 points and above), compared with dealers with low satisfaction (satisfaction scores of 500 points and below). More than three in five (61%) highly satisfied dealers say they “definitely will” increase the percent of business sent to the lender, compared with just seven percent of dealers who have low satisfaction.

There is a similar pattern among dealers working with captive finance providers. The study finds that 63 percent of highly satisfied dealers indicate they “definitely will” increase the percent of business sent to their captive finance provider, compared with only 10 percent of dealers with low levels of satisfaction.

For dealers, speed in processing a loan or lease application is crucial. Dealers find banks more frequently are able to provide funding in 24 hours or less than are captive providers—84 percent vs. 56 percent, respectively.

“Evaluating credit decisions with a high degree of predictability leads to higher dealer satisfaction,” said Paul Cuevas, director of global automotive finance at J.D. Power and Associates. “In addition, lenders that provide dealers access to the same credit buyer at least 80 percent of the time increase satisfaction by nearly 20 index points compared to those who have more variable interaction.”

Prime Retail Credit Segment Rankings

Mercedes-Benz Financial Services ranks highest in dealer satisfaction with prime retail credit services with a score of 958 and performs particularly well in the finance provider offerings; application/approval process; and sales representative relationship factors. BMW Financial Services ranks second in the segment with a score of 908, and Bank of Montreal ranks third with a 907.

Retail Leasing Segment Rankings

Mercedes-Benz Financial Services ranks highest in dealer satisfaction with retail leasing with a score of 950 and performs particularly well across all four factors: application/approval process, finance provider offerings, sales representative relationship and vehicle return process. Mercedes-Benz Financial Services is followed in the rankings by BMW Financial Services (906) and Canadian Dealer Lease Services (866).

Having a fast and efficient approval process remains the most important aspect of the leasing experience. Slightly more than one-half (54%) of dealers indicate retail lessors approve applications automatically. Satisfaction is significantly higher among dealers whose finance provider funds lease deals in one day or less than among dealers who have to wait longer than one day (871 vs. 776, respectively).

Floor Planning Segment Rankings

Ford Credit Canada ranks highest in dealer satisfaction with floor planning, achieving a score of 933, and performs particularly well in the sales representative relationship and floor plan portfolio management factors.

VW Credit Canada ranks second (927) and performs particularly well in the floor plan support, floor plan portfolio and management factors. Scotiabank ranks third with an index score of 926.

The 2012 Canadian Dealer Financing Satisfaction Study is based on responses from more than 1,450 new-vehicle dealers. The study was fielded between February and March 2012.

About J.D. Power and Associates

Headquartered in Westlake Village, Calif., J.D. Power and Associates is a global marketing information services company providing forecasting, performance improvement, social media and customer satisfaction insights and solutions. The company's quality and satisfaction measurements are based on responses from millions of consumers annually. For more information on car reviews and ratings, car insurance, health insurance, cell phone ratings, and more, please visit JDPower.com. J.D. Power and Associates is a business unit of The McGraw-Hill Companies.

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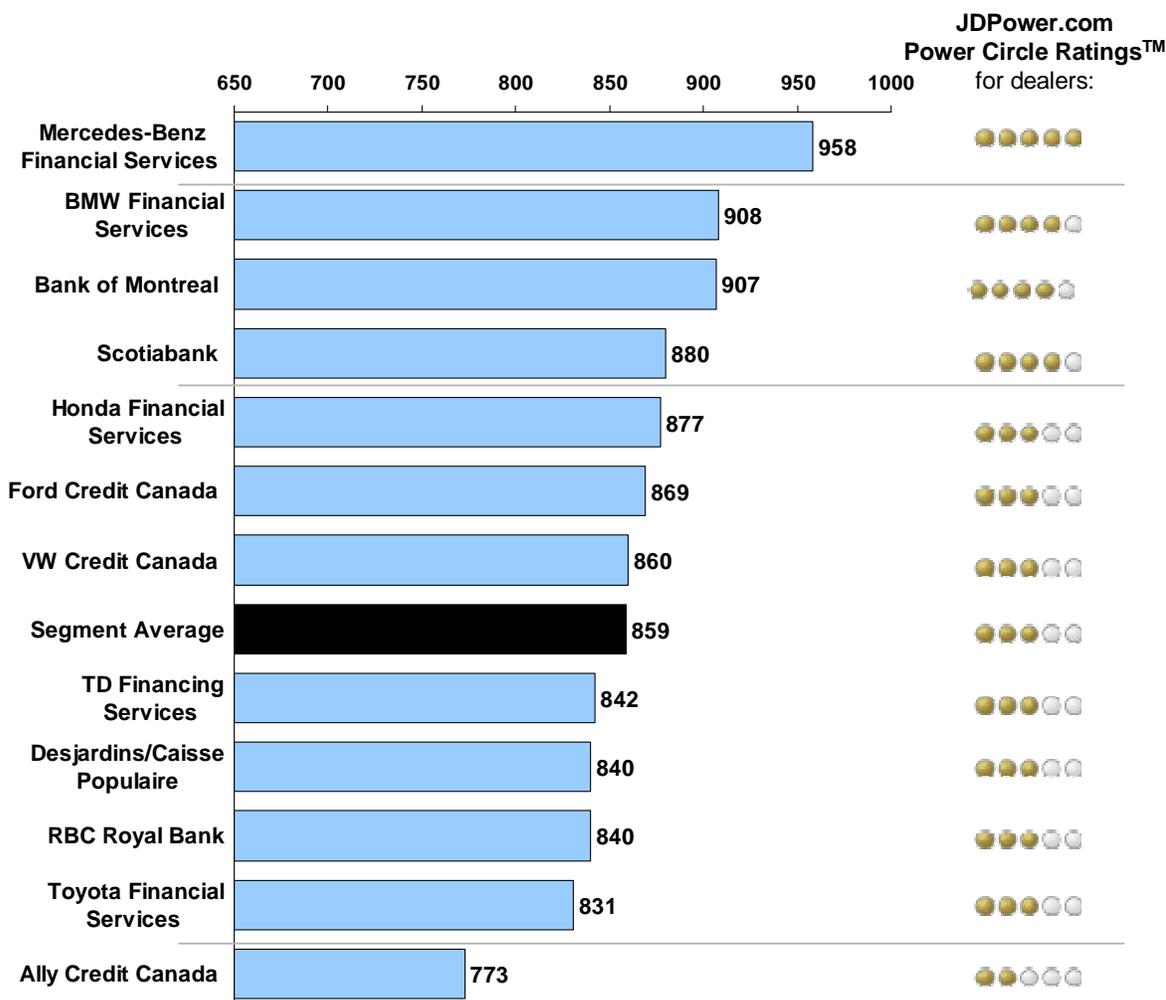
NOTE: Three charts follow.

J.D. Power and Associates 2012 Canadian Dealer Financing Satisfaction StudySM

Dealer Satisfaction Index Ranking

Prime Retail Credit

(Based on a 1,000-point scale)



NOTE: Included in the study but not ranked due to small sample size is Nissan Canada Finance.

Source: J.D. Power and Associates 2012 Canadian Dealer Financing Satisfaction StudySM

Power Circle Ratings Legend

- Among the best
- Better than most
- About average
- The rest

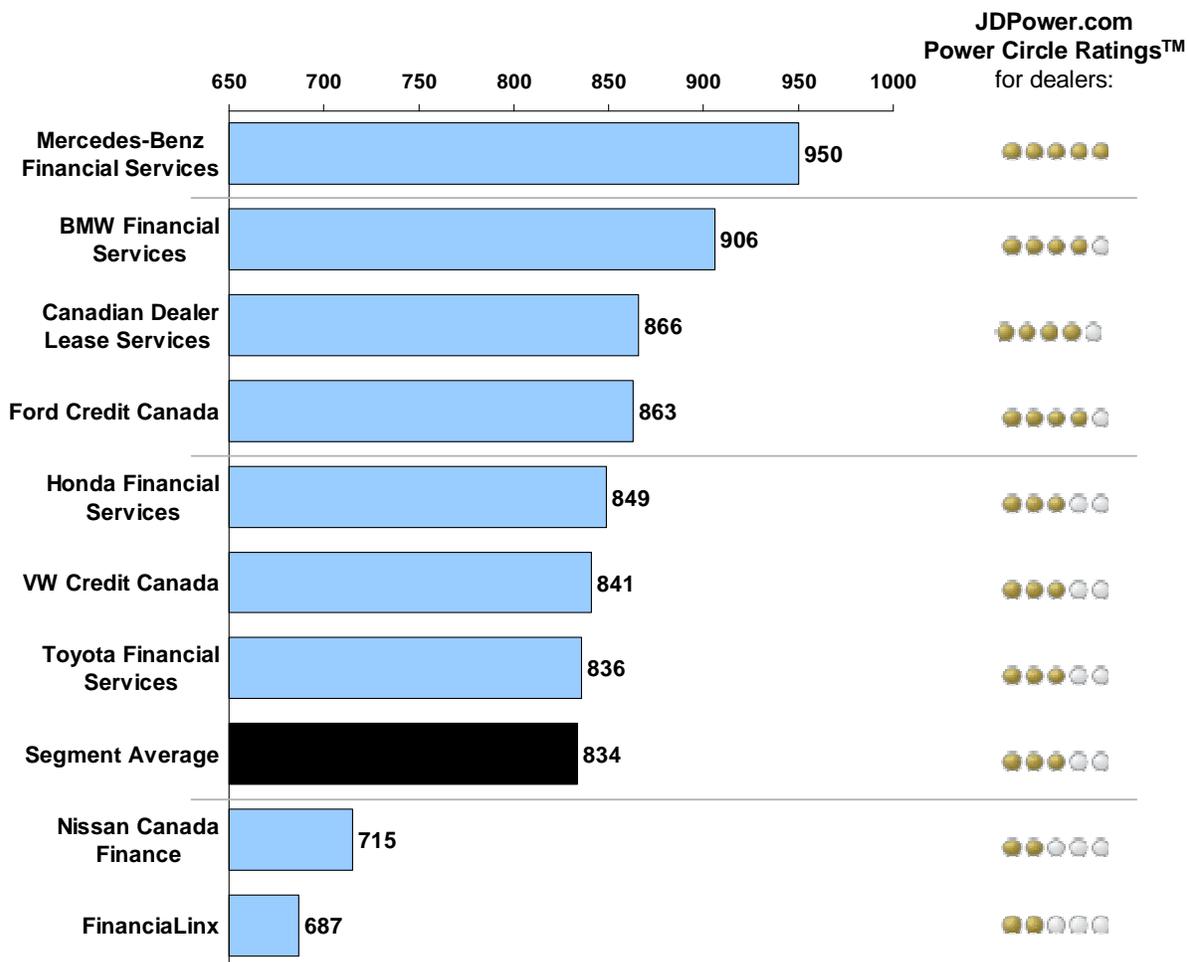
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J.D. Power and Associates 2012 Canadian Dealer Financing Satisfaction StudySM

Dealer Satisfaction Index Ranking

Retail Leasing

(Based on a 1,000-point scale)



NOTE: Included in the study but not ranked due to small sample size is Ally Credit Canada.

Source: J.D. Power and Associates 2012 Canadian Dealer Financing Satisfaction StudySM



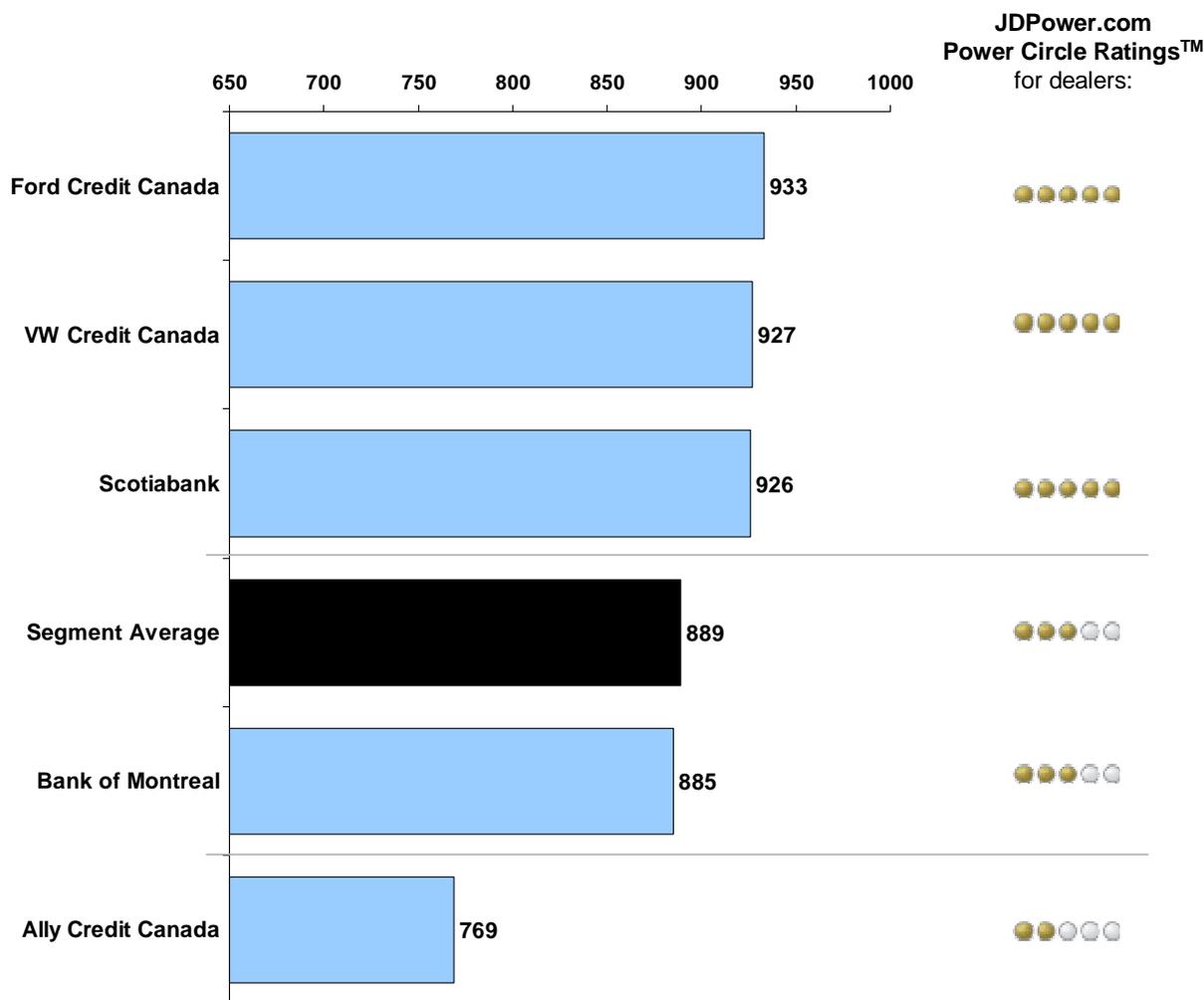
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J.D. Power and Associates 2012 Canadian Dealer Financing Satisfaction StudySM

Dealer Satisfaction Index Ranking

Floor Planning

(Based on a 1,000-point scale)



NOTE: Included in the study but not ranked due to small sample size is RBC Royal Bank.

Source: J.D. Power and Associates 2012 Canadian Dealer Financing Satisfaction StudySM



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