# MANAGEMENT SUMMARY

## Aspect

<table>
<thead>
<tr>
<th>Offer of POS-financing Arrangements</th>
<th>Central Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>- In German retail, business without POS-financing arrangements is unthinkable by now – almost two thirds of automotive dealers and one quarter each of furniture retailers and electrical goods retailers respectively are offering financing arrangements (page 7).</td>
<td></td>
</tr>
<tr>
<td>- On average, the larger the company, the greater the offer of POS-financing opportunities (page 8).</td>
<td></td>
</tr>
<tr>
<td>- In particular, instalment loans enjoy great popularity – in the automotive sector this also applies to leasing offers and personal contract purchases (pages 9 and 10).</td>
<td></td>
</tr>
</tbody>
</table>

## Significance of POS-financing arrangements

<table>
<thead>
<tr>
<th>POS-financing arrangements: future prospects</th>
<th>Central Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>- POS-financing arrangements constitute a reliable supporting element to turnover in retail – particularly in the automotive sector: here roughly a half of all turnover comes into being through POS-financing arrangements (page 12).</td>
<td></td>
</tr>
<tr>
<td>- Many retailers attribute much significance to POS-financing arrangements for their business success; this is particularly true of the automotive trade (page 13) - POS-financing arrangements are accredited with being responsible for increases in turnover (page 14) and advantages in terms of lessening the burden of credit risk (page 15).</td>
<td></td>
</tr>
<tr>
<td>- POS-financing arrangements serve as important instruments for marketing and for bonding with the customer (page 16) – a figure in excess of every second dealer states that many purchases would not take place without financing arrangements (page 17).</td>
<td></td>
</tr>
<tr>
<td>- Almost three quarters of those automotive dealers providing financing arrangements state that they would have been harder hit by the economic and financial crisis if it were not for financing arrangement (page 18).</td>
<td></td>
</tr>
</tbody>
</table>

| Consumers actively raise the question of financing arrangements at the POS – this is particularly true of the automotive sector (page 20). |
| If there were an increase in the bureaucratic workload involved in credit mediation, every third retail enterprise - indeed in the automotive sector every second one - would restrict its offers of financing or indeed eliminate them altogether (page 21). |
1. BACKGROUND, OBJECTIVE, CONTENTS AND METHODOLOGY

2. RESULTS OF THE RETAIL SURVEY
   2.1 OFFER OF POINT-OF-SALE-FINANCING ARRANGEMENTS
   2.2 SIGNIFICANCE OF POINT-OF-SALE-FINANCING
   2.3 FUTURE PROSPECTS FOR POINT-OF-SALE-FINANCING

3. APPENDIX: STRUCTURE OF THE SAMPLE TAKEN AND WEIGHTING
## Background, objective and contents

- As **representative of the interests** of the credit banks, the *Bankenfachverband* association observes and accompanies the discussions, activities and consequences involved in the development of EU directives relating to credit mediation in particular and, more generally, the significance of sales financing in (retail) commerce.

- The EU is currently planning a further regulation of trade, by means of a **directive on credit mediation**. In Germany around 75,000 automotive dealers and retailers in other sectors would be affected by this.

- The *Bankenfachverband* association representing the banks has thus assigned to the IfH Institut für Handelsforschung GmbH (IFH) the task of conducting a **market research study** of the **significance of Point-of-Sale-financing arrangements (hereafter "POS-financing")** from the viewpoint of retail companies:
  - the sectors surveyed and analysed were those in which POS-financing has a particularly significant role: the automotive trade, furniture and kitchen retail and electrical goods retail (incl. consumer electronics). Almost 60,000 retailers from the corresponding business sectors are represented in it.
  - Central to the survey of businesses are the following **issues**:
    - To what **extent** and in which **forms (types)** are POS-financing arrangements offered in German retail, and how high is the **proportion** of POS-financing - as opposed to card payment or cash payment - in the **total turnover**?
    - What **significance** does POS-financing have in retail and how significant is it evaluated to be with regard to the company's success?
    - What is the evaluation of the **future prospects** of POS-financing in retail?
**METHODOLOGY:**

**Step 1: Retail survey**

- **Contents:** Offer, significance of and future prospects for POS-financing from the viewpoint of retail companies
- **Method:** Telephone interviews (CATI)
- **Participants:** Retailers (owners and branch managers) in automotive, furniture and electrical goods retail (incl. consumer electronics)
- **Time period:** February 2012
- **Sample:** n = 600 (n = 200 interviews each respectively in the segments "automotive", "furniture", and "electrical")
- **Segmentation:** According to business sectors and classes of turnover size, according to the definition of a small-to-medium-sized enterprise (SME) used by IfM Bonn (Germany’s SME research organisation)

**Step 2: Weighting and extrapolation onto business-sector level**

- **Weighting & extrapolation:** Weighting and extrapolation of the knowledge gained from the business-sector survey to the level of the given business sector as a whole, in accordance with the information from Germany's Federal Statistical Office (value-added tax statistics).
1. BACKGROUND, OBJECTIVE, CONTENTS AND METHODOLOGY

2. RESULTS OF THE RETAIL SURVEY

   2.1 OFFER OF POINT-OF-SALE-FINANCING ARRANGEMENTS

   2.2 SIGNIFICANCE OF POINT-OF-SALE-FINANCING

   2.3 FUTURE PROSPECTS FOR POINT-OF-SALE-FINANCING

3. APPENDIX: STRUCTURE OF THE SAMPLE TAKEN AND WEIGHTING
### ALMOST TWO THIRDS OF THE AUTOMOTIVE DEALERS OFFER THEIR CUSTOMERS FINANCING ARRANGEMENTS

Do you offer financing arrangements or respectively (credit-)financed purchase offers to your customers?

<table>
<thead>
<tr>
<th>Overview of business sectors</th>
<th>0%</th>
<th>20%</th>
<th>40%</th>
<th>60%</th>
<th>80%</th>
<th>100%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automotive dealers</td>
<td></td>
<td></td>
<td></td>
<td>63%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electrical goods retailers</td>
<td></td>
<td></td>
<td></td>
<td>28%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Furniture retailers</td>
<td></td>
<td></td>
<td></td>
<td>21%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Proportion of companies offering their customers financing arrangements

*Weighting of the classes in terms of turnover size, according to the proportions of the companies*
<table>
<thead>
<tr>
<th></th>
<th>Small companies (up to 1 mn. Euro)</th>
<th>20%</th>
<th>40%</th>
<th>60%</th>
<th>80%</th>
<th>100%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Automotive dealers</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Small companies</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>51%</td>
<td></td>
</tr>
<tr>
<td>Medium-sized companies</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>97%</td>
<td></td>
</tr>
<tr>
<td>Large companies</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>88%</td>
<td>*</td>
</tr>
<tr>
<td><strong>Electrical goods retailers</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Small companies</td>
<td></td>
<td>25%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medium-sized companies</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>51%</td>
<td></td>
</tr>
<tr>
<td>Large companies</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>86%</td>
<td></td>
</tr>
<tr>
<td><strong>Furniture retailers</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Small companies</td>
<td></td>
<td>16%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medium-sized companies</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>42%</td>
<td></td>
</tr>
<tr>
<td>Large companies</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>50%</td>
<td>*</td>
</tr>
</tbody>
</table>

Proportion of companies offering their customers financing arrangements

* low number of instances
**AUTOMOTIVE DEALERS: INSTALMENT LOANS, LEASING AND PERSONAL CONTRACT PURCHASE PREDOMINATE**

### If financing arrangements are offered: Financing offers in the automotive trade

<table>
<thead>
<tr>
<th>Service</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Instalment loans</td>
<td>100%</td>
</tr>
<tr>
<td>Leasing</td>
<td>86%</td>
</tr>
<tr>
<td>Personal contract purchase</td>
<td>72%</td>
</tr>
<tr>
<td>Loyalty card with credit function</td>
<td>35%</td>
</tr>
<tr>
<td>Other</td>
<td>1%</td>
</tr>
</tbody>
</table>

| Proportion of companies offering their customers the respective financing arrangement

*Weighting of the classes in terms of turnover size, according to the proportions of the companies*
ELECTRICAL GOODS AND FURNITURE RETAIL:  
INSTALMENT LOANS ARE THE UNDISPUTED NUMBER ONE

If financing arrangements are offered: Financing offers in the electrical goods and furniture sectors

<table>
<thead>
<tr>
<th></th>
<th>0%</th>
<th>20%</th>
<th>40%</th>
<th>60%</th>
<th>80%</th>
<th>100%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Electrical goods and</strong></td>
<td>100%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>furniture retail</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Instalment loans</td>
<td></td>
<td></td>
<td></td>
<td>100%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loyalty card with credit</td>
<td>21%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>function</td>
<td>17%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>10%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Proportion of electrical goods retailers offering their customers the respective financing arrangement
- Proportion of furniture retailers offering their customers the respective financing arrangement

Weighting of the classes in terms of turnover size, according to the proportions of the companies.
1. BACKGROUND, OBJECTIVE, CONTENTS AND METHODOLOGY

2. RESULTS OF THE RETAIL SURVEY

2.1 OFFER OF POINT-OF-SALE-FINANCING ARRANGEMENTS

2.2 SIGNIFICANCE OF POINT-OF-SALE-FINANCING

2.3 FUTURE PROSPECTS FOR POINT-OF-SALE-FINANCING

3. APPENDIX: STRUCTURE OF THE SAMPLE TAKEN AND WEIGHTING
FINANCING ARRANGEMENTS PROVIDE A SUPPORTING ELEMENT IN RETAIL TURNOVER

Extrapolation: Proportion that financing arrangements account for in the total turnover of the respective business sector (question: "In 2011, what proportion of your company's total turnover came into being through financing arrangements?")

<table>
<thead>
<tr>
<th>Overview of business sectors</th>
<th>0%</th>
<th>20%</th>
<th>40%</th>
<th>60%</th>
<th>80%</th>
<th>100%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automotive dealers</td>
<td></td>
<td></td>
<td>48%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electrical goods retailers</td>
<td></td>
<td>12%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Furniture retailers</td>
<td>6%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Total turnover 2011: proportion accounted for by financing arrangements

April 2012 | Significance of Point-of-Sale-Financing in Retail
HIGH DEGREE OF SIGNIFICANCE OF POS-FINANCING FOR BUSINESS SUCCESS

If financing arrangements are offered: How important does it appear to you to be, with regard to the business success of your company, that you offer your customers financing arrangements?

<table>
<thead>
<tr>
<th>Overview of business sectors</th>
<th>0%</th>
<th>20%</th>
<th>40%</th>
<th>60%</th>
<th>80%</th>
<th>100%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automotive dealers</td>
<td></td>
<td></td>
<td></td>
<td>92%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electrical goods retailers</td>
<td></td>
<td></td>
<td></td>
<td>58%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Furniture retailers</td>
<td></td>
<td></td>
<td></td>
<td>76%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Proportion of the companies for the business success of which financing arrangements are important.

Weighting of the classes in terms of turnover size, according to the proportions of the companies.
If financing arrangements are offered: “Through providing financing arrangements we have significantly increased our turnover.”

<table>
<thead>
<tr>
<th>Overview of business sectors</th>
<th>0%</th>
<th>20%</th>
<th>40%</th>
<th>60%</th>
<th>80%</th>
<th>100%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automotive dealers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>66%</td>
</tr>
<tr>
<td>Electrical goods retailers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>32%</td>
</tr>
<tr>
<td>Furniture retailers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>29%</td>
</tr>
</tbody>
</table>

Proportion of companies agreeing with the statement

*Weighting of the classes in terms of turnover size, according to the proportions of the companies*
DEALERS/RETAILERS BENEFIT FROM THE SHIFTING OF THE CREDIT RISK

If financing arrangements are offered: “Through the cooperation with financial partners or banks respectively, our company benefits from not itself having to bear the financial risks of a customer's payment default on a credit-based transaction".

<table>
<thead>
<tr>
<th>Overview of business sectors</th>
<th>0%</th>
<th>20%</th>
<th>40%</th>
<th>60%</th>
<th>80%</th>
<th>100%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automotive dealers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>89%</td>
<td></td>
</tr>
<tr>
<td>Electrical goods retailers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>64%</td>
<td></td>
</tr>
<tr>
<td>Furniture retailers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>81%</td>
<td></td>
</tr>
</tbody>
</table>

Proportion of companies agreeing with the statement

Weighting of the classes in terms of turnover size, according to the proportions of the companies
POS-FINANCING ARRANGEMENTS
ARE A MUCH-FAVoured MARKETING INSTRUMENT

If financing arrangements are offered: “In our company, financing arrangements act as an important instrument for marketing or for (establishing/developing) the customer bond.”

Overview of business sectors

<table>
<thead>
<tr>
<th>Automotive dealers</th>
<th>Electrical goods retailers</th>
<th>Furniture retailers</th>
</tr>
</thead>
<tbody>
<tr>
<td>86%</td>
<td>34%</td>
<td>42%</td>
</tr>
</tbody>
</table>

Proportion of companies agreeing with the statement

Weighting of the classes in terms of turnover size, according to the proportions of the companies
More than every second dealer states that without financing arrangements many purchases would not take place.

If financing arrangements are offered: “Many customers who make use of financing arrangements would not make the corresponding purchases if we would not offer them financing arrangements.”

Overview of business sectors:

- **Automotive dealers**: 85%
- **Electrical goods retailers**: 63%
- **Furniture retailers**: 56%

*Proportion of companies agreeing with the statement*

*Weighting of the classes in terms of turnover size, according to the proportions of the companies*
If financing arrangements are offered: “Without the possibility of mediation of financing arrangements, the economic and financial crisis would have hit us harder than it in fact did.”

Overview of business sectors

- Automotive dealers: 71%
- Electrical goods retailers: 12%
- Furniture retailers: 25%

Proportion of companies agreeing with the statement

Weighting of the classes in terms of turnover size, according to the proportions of the companies
1. BACKGROUND, OBJECTIVE, CONTENTS AND METHODOLOGY

2. RESULTS OF THE RETAIL SURVEY

   2.1 OFFER OF POINT-OF-SALE-FINANCING ARRANGEMENTS

   2.2 SIGNIFICANCE OF POINT-OF-SALE-FINANCING

   2.3 FUTURE PROSPECTS FOR POINT-OF-SALE-FINANCING

3. APPENDIX: STRUCTURE OF THE SAMPLE TAKEN AND WEIGHTING
CONSUMERS ACTIVELY RAISE THE QUESTION OF POS-FINANCING ARRANGEMENTS

If financing arrangements are offered: “Our customers raise the question of financing possibilities themselves in the sales discussion.”

<table>
<thead>
<tr>
<th>Overview of business sectors</th>
<th>Proportion of companies agreeing with the statement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automotive dealers</td>
<td>90%</td>
</tr>
<tr>
<td>Electrical goods retailers</td>
<td>44%</td>
</tr>
<tr>
<td>Furniture retailers</td>
<td>67%</td>
</tr>
</tbody>
</table>

- Proportion of companies agreeing with the statement

*Weighting of the classes in terms of turnover size, according to the proportions of the companies*
If financing arrangements are offered: “If the bureaucratic workload involved in the mediation of financing arrangements were to increase, we envisage that we would have to restrict our financing offers or indeed eliminate them altogether.”

<table>
<thead>
<tr>
<th>Overview of business sectors</th>
<th>0%</th>
<th>20%</th>
<th>40%</th>
<th>60%</th>
<th>80%</th>
<th>100%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automotive dealers</td>
<td></td>
<td></td>
<td>50%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electrical goods retailers</td>
<td></td>
<td></td>
<td>38%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Furniture retailers</td>
<td></td>
<td></td>
<td>37%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Proportion of companies agreeing with the statement

Weighting of the classes in terms of turnover size, according to the proportions of the companies
EXAMPLE - AUTOMOTIVE DEALERS: IN PARTICULAR, SMALLER COMPANIES FEAR AN INCREASE IN BUREAUCRACY

If financing arrangements are offered: “If the bureaucratic workload involved in the mediation of financing arrangements were to increase, we envisage that we would have to restrict our financing offers or indeed eliminate them altogether.”

<table>
<thead>
<tr>
<th>Automotive dealers</th>
<th>Proportion of companies agreeing with the statement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small companies (up to 1 mn. Euro)</td>
<td>59%</td>
</tr>
<tr>
<td>Medium-sized companies (from 1 to 50 mn. Euro)</td>
<td>24%</td>
</tr>
<tr>
<td>Large companies (over 50 mn. Euro)</td>
<td>14%</td>
</tr>
</tbody>
</table>

* low number of instances
1. BACKGROUND, OBJECTIVE, CONTENTS AND METHODOLOGY

2. RESULTS OF THE RETAIL SURVEY
   2.1 OFFER OF POINT-OF-SALE-FINANCING ARRANGEMENTS
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   2.3 FUTURE PROSPECTS FOR POINT-OF-SALE-FINANCING

3. APPENDIX: STRUCTURE OF THE SAMPLE TAKEN AND WEIGHTING
### SAMPLE STRUCTURE AND WEIGHTING

<table>
<thead>
<tr>
<th>Business sector</th>
<th>Size class in terms of net turnover, in accordance with IfM Bonn's definition of an SME (IfM: an institute active in researching SMEs).</th>
<th>Sample (according to business sector, related to n = 200)</th>
<th>Distribution according to value-added tax statistics 2009 (weighting factors in the process of calculating the business sectors' averages)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automotive dealers</td>
<td>Small companies (up to 1 mn. Euro)</td>
<td>19.3 %</td>
<td>Proportion of the companies</td>
</tr>
<tr>
<td>(business sector code WZ 45.11)</td>
<td></td>
<td></td>
<td>73.7 %</td>
</tr>
<tr>
<td></td>
<td>Medium-sized companies (from 1 to 50 mn. Euro)</td>
<td>76.2 %</td>
<td>25.6 %</td>
</tr>
<tr>
<td></td>
<td>Large companies (over 50 mn. Euro)</td>
<td>4.4 %*</td>
<td>0.7 %</td>
</tr>
<tr>
<td>Electrical goods sector</td>
<td>Small companies (up to 1 mn. Euro)</td>
<td>42.2 %</td>
<td>90.4 %</td>
</tr>
<tr>
<td>(business sector code WZ 47.43)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Medium-sized companies (from 1 to 50 mn. Euro)</td>
<td>29.4 %</td>
<td>9.5 %</td>
</tr>
<tr>
<td></td>
<td>Large companies (over 50 mn. Euro)</td>
<td>28.3 %</td>
<td>0.1 %</td>
</tr>
<tr>
<td>Furniture retail</td>
<td>Small companies (up to 1 mn. Euro)</td>
<td>64.3 %</td>
<td>80.9 %</td>
</tr>
<tr>
<td>(business sector code WZ 47.59.1)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Medium-sized companies (from 1 to 50 mn. Euro)</td>
<td>34.5 %</td>
<td>18.5 %</td>
</tr>
<tr>
<td></td>
<td>Large companies (over 50 mn. Euro)</td>
<td>1.2 %*</td>
<td>0.6 %</td>
</tr>
</tbody>
</table>

* low number of instances
Dr. Markus Preissner
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