



## SIGNIFICANCE OF POINT-OF-SALE-FINANCING IN RETAIL

*ANALYSIS IN AUTOMOTIVE, ELECTRICAL  
GOODS AND FURNITURE RETAIL*

IfH Institut für Handelsforschung GmbH

Cologne, April 2012



Aspect	Central Results
<b>Offer of POS-financing Arrangements</b>	<ul style="list-style-type: none"> <li>■ 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).</li> <li>■ On average, the larger the company, the greater the offer of POS-financing opportunities (page 8).</li> <li>■ 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).</li> </ul>
<b>Significance of POS-financing arrangements</b>	<ul style="list-style-type: none"> <li>■ 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).</li> <li>■ 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).</li> <li>■ 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).</li> <li>■ 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).</li> </ul>
<b>POS-financing arrangements: future prospects</b>	<ul style="list-style-type: none"> <li>■ Consumers actively raise the question of financing arrangements at the POS – this is particularly true of the automotive sector (page 20).</li> <li>■ 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).</li> </ul>

- 1. BACKGROUND, OBJECTIVE, CONTENTS AND METHODOLOGY**
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- 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?

**Step 1:  
Retail survey**

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

**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")

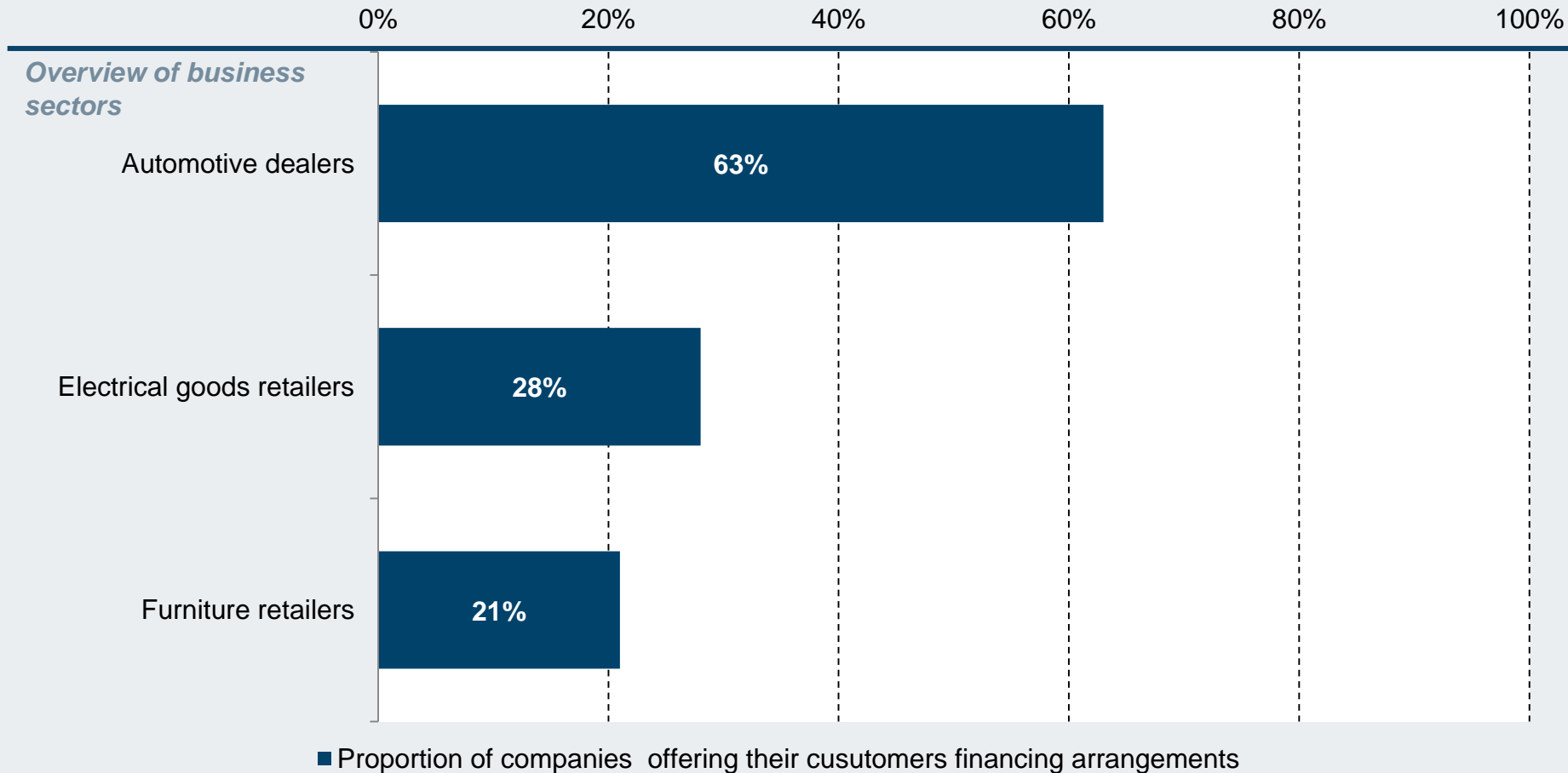
**Segmentation:** According to business sectors and classes of turnover size, according to the definition of a small-to-medium-sized enterprise (SME) used by IfM Bonn (Germany's SME research organisation)

**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).

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# ALMOST TWO THIRDS OF THE AUTOMOTIVE DEALERS OFFER THEIR CUSTOMERS FINANCING ARRANGEMENTS

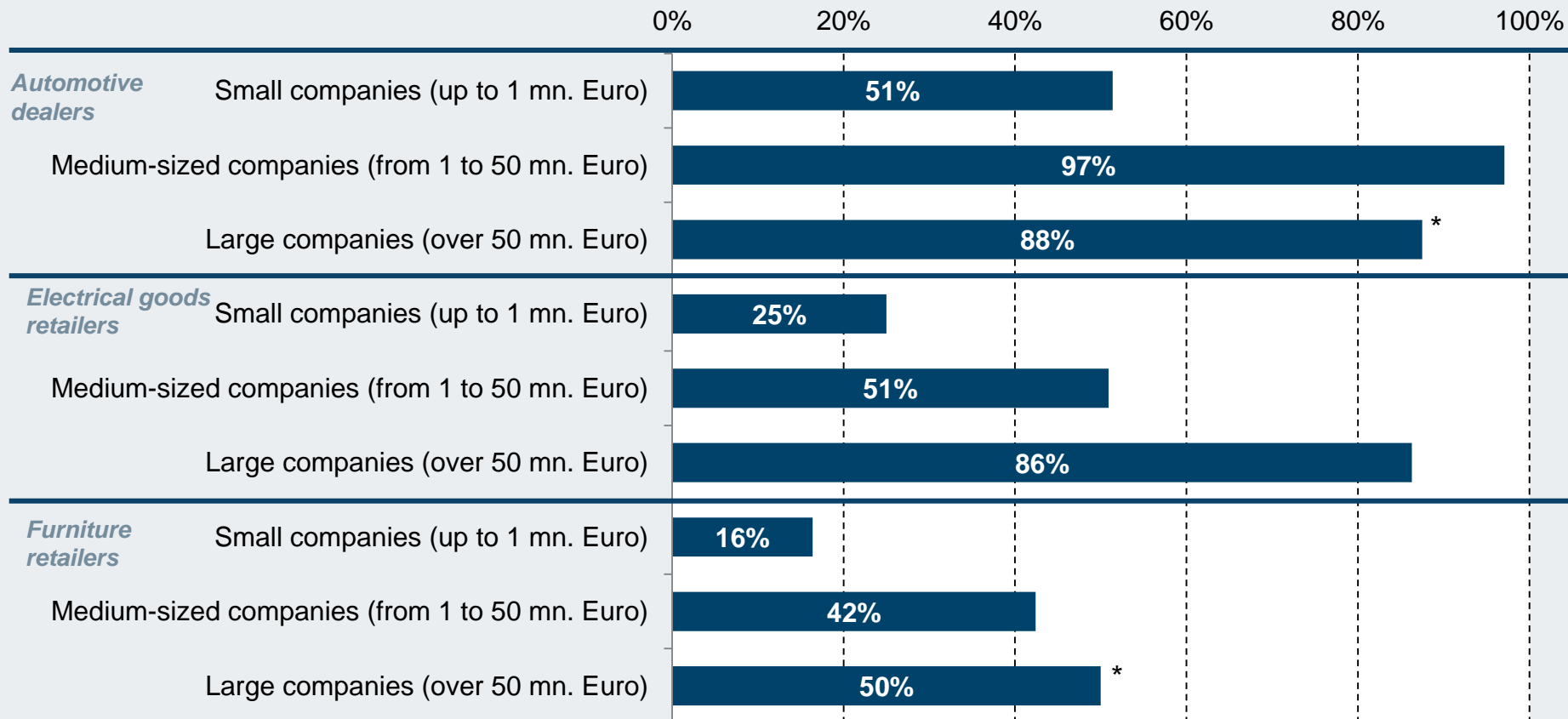
Do you offer financing arrangements or respectively (credit-)financed purchase offers to your customers?



*Weighting of the classes in terms of turnover size, according to the proportions of the companies*

# THE LARGER THE COMPANY, THE GREATER THE OFFER OF FINANCING OPPORTUNITIES

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

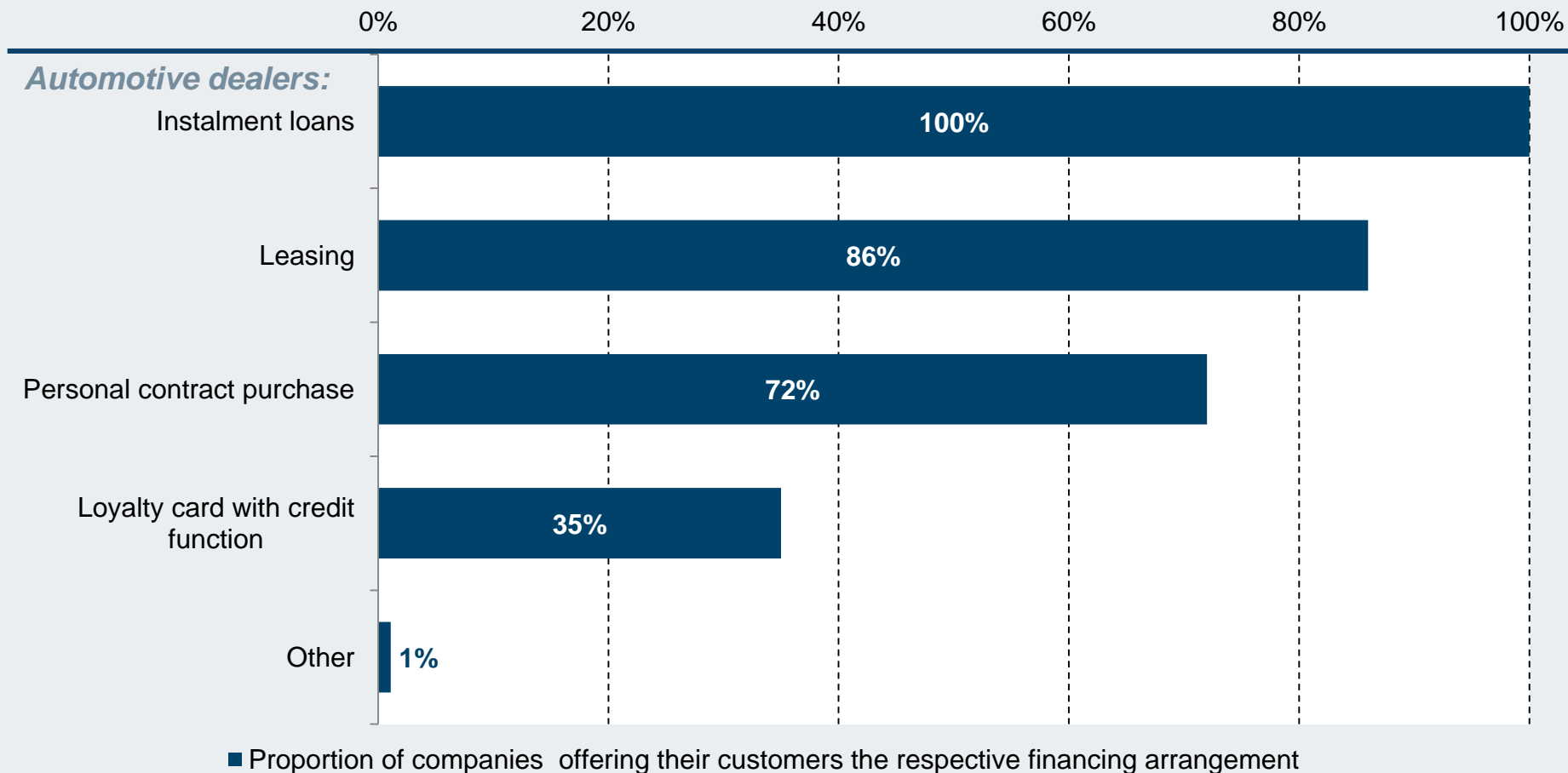


■ Proportion of companies offering their customers financing arrangements

\* low number of instances



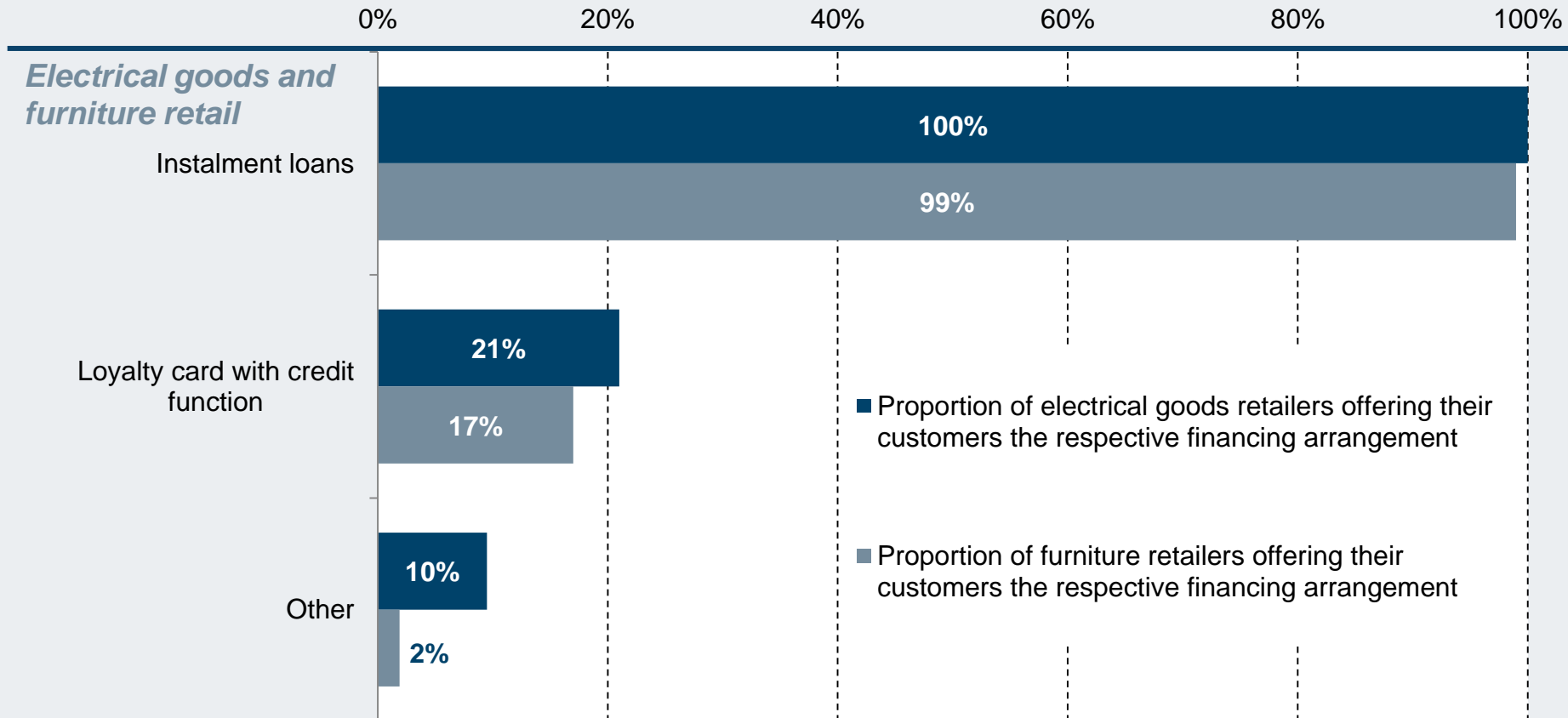
## If financing arrangements are offered: Financing offers in the automotive trade



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# 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

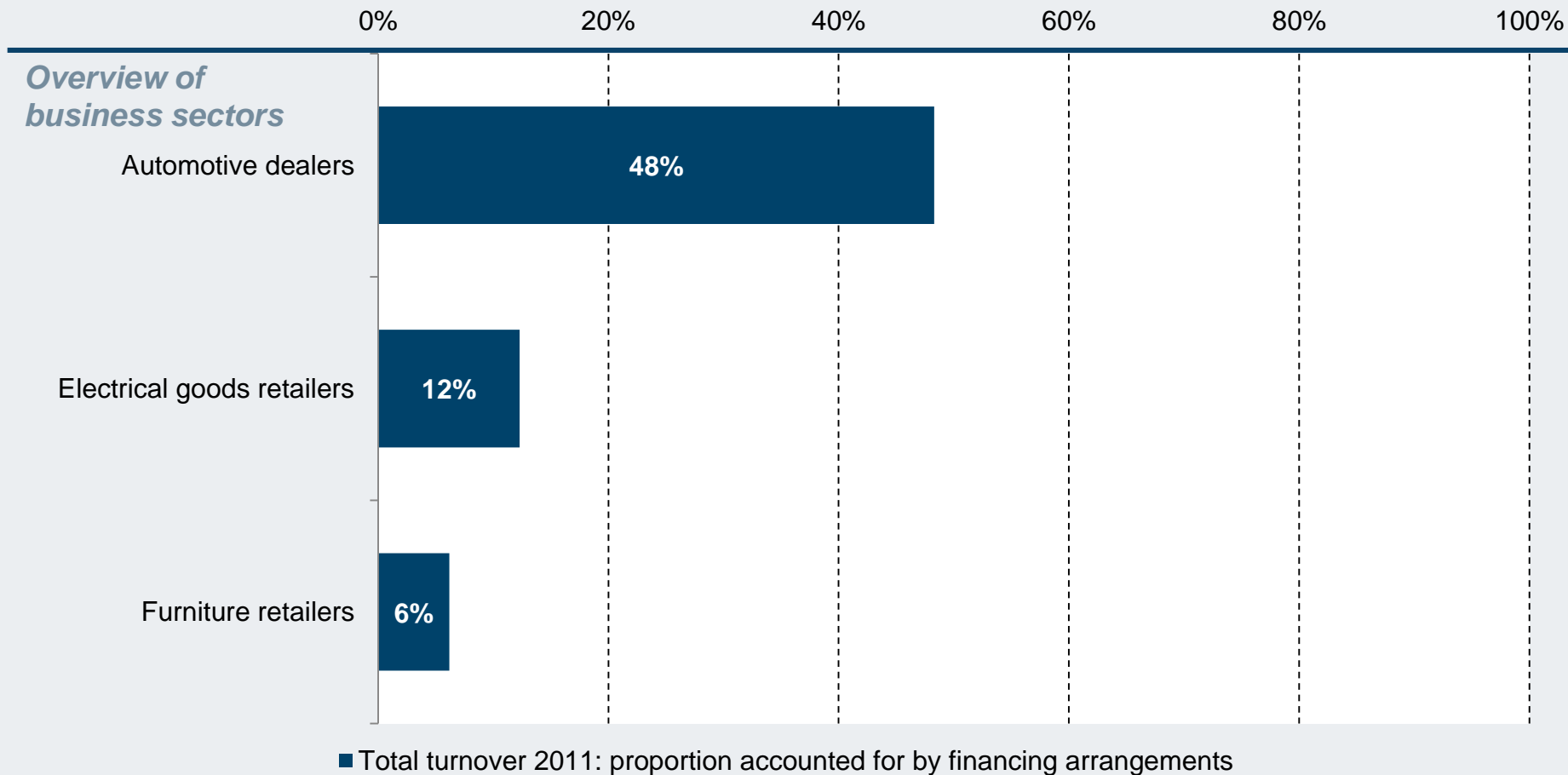


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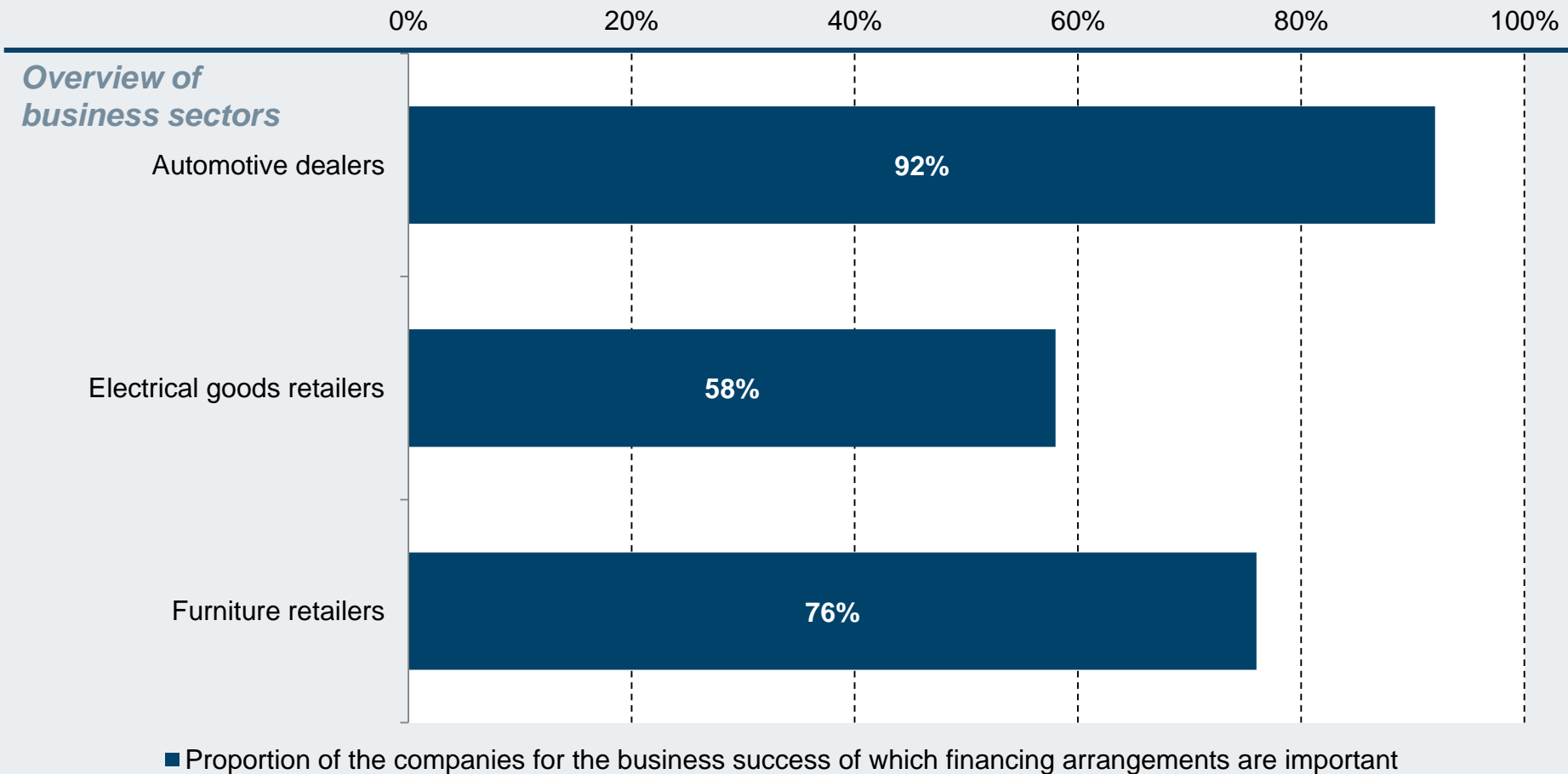
# FINANCING ARRANGEMENTS PROVIDE A SUPPORTING ELEMENT IN RETAIL TURNOVER

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?")



# HIGH DEGREE OF SIGNIFICANCE OF POS-FINANCING FOR BUSINESS SUCCESS

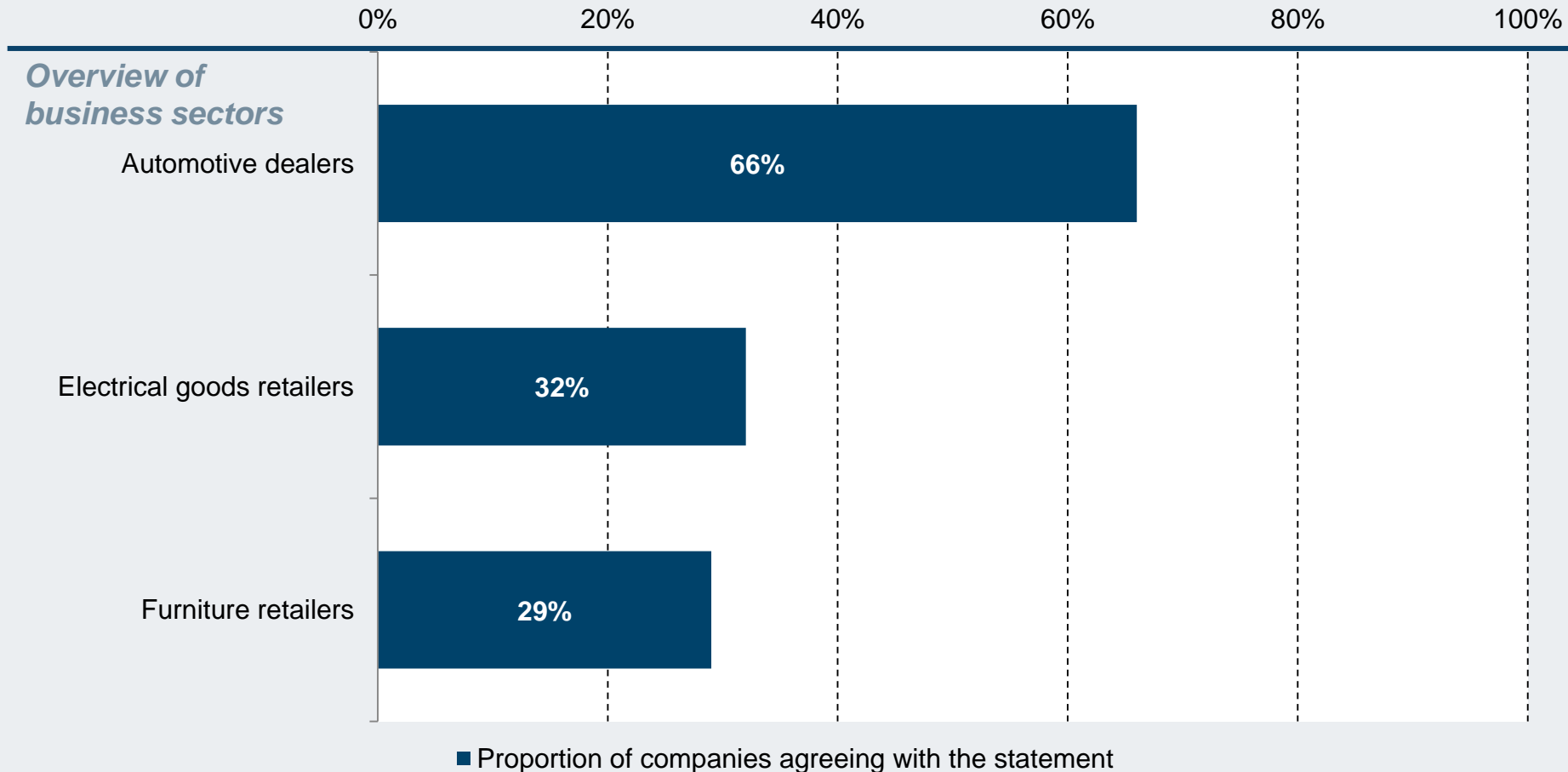
If financing arrangements are offered: How important does it appear to you to be, with regard to the business success of your company, that you offer your customers financing arrangements?



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# INCREASES IN TURNOVER THROUGH POS-FINANCING ARRANGEMENTS

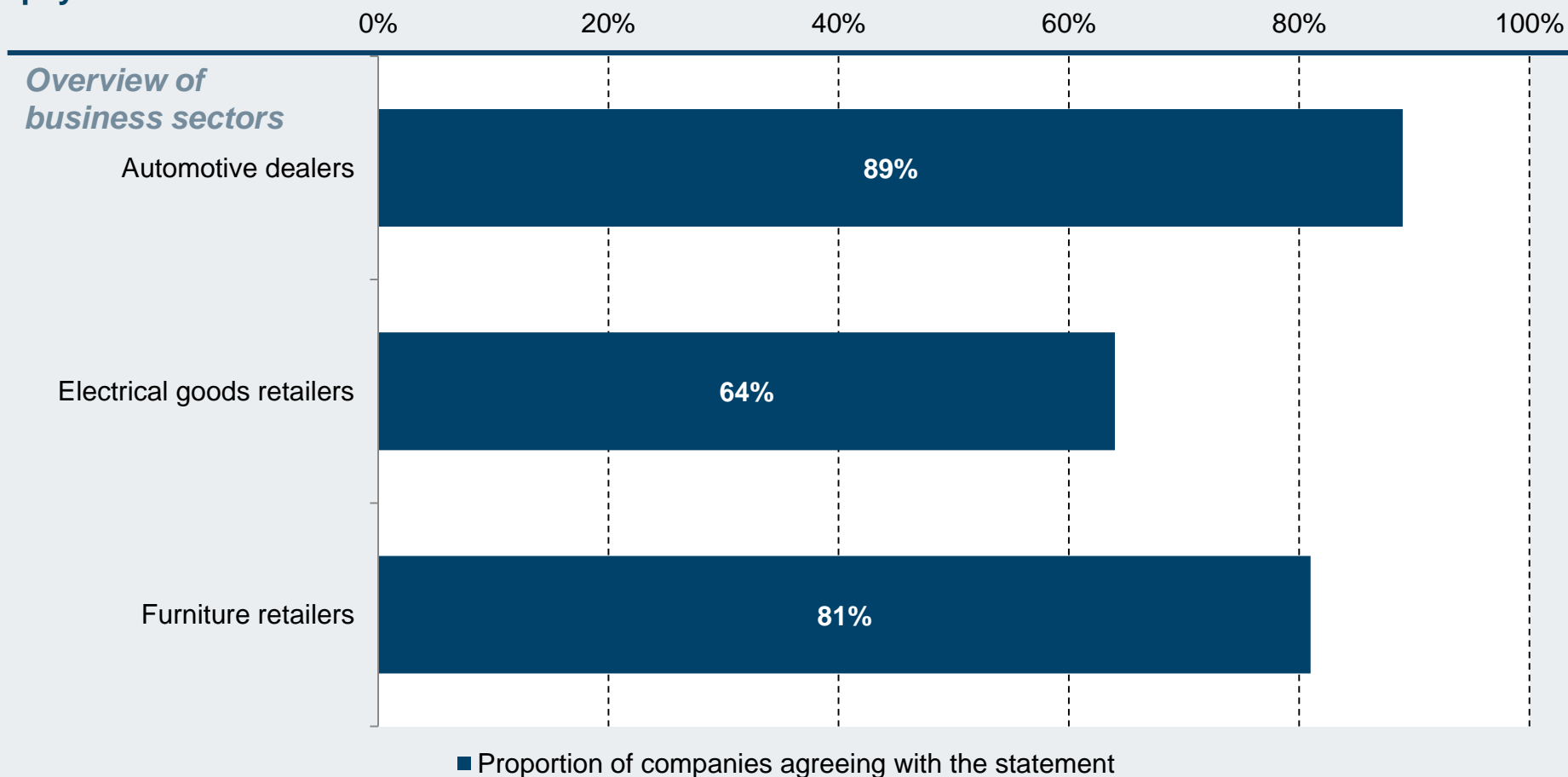
If financing arrangements are offered: "Through providing financing arrangements we have significantly increased our turnover."



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# DEALERS/RETAILERS BENEFIT FROM THE SHIFTING OF THE CREDIT RISK

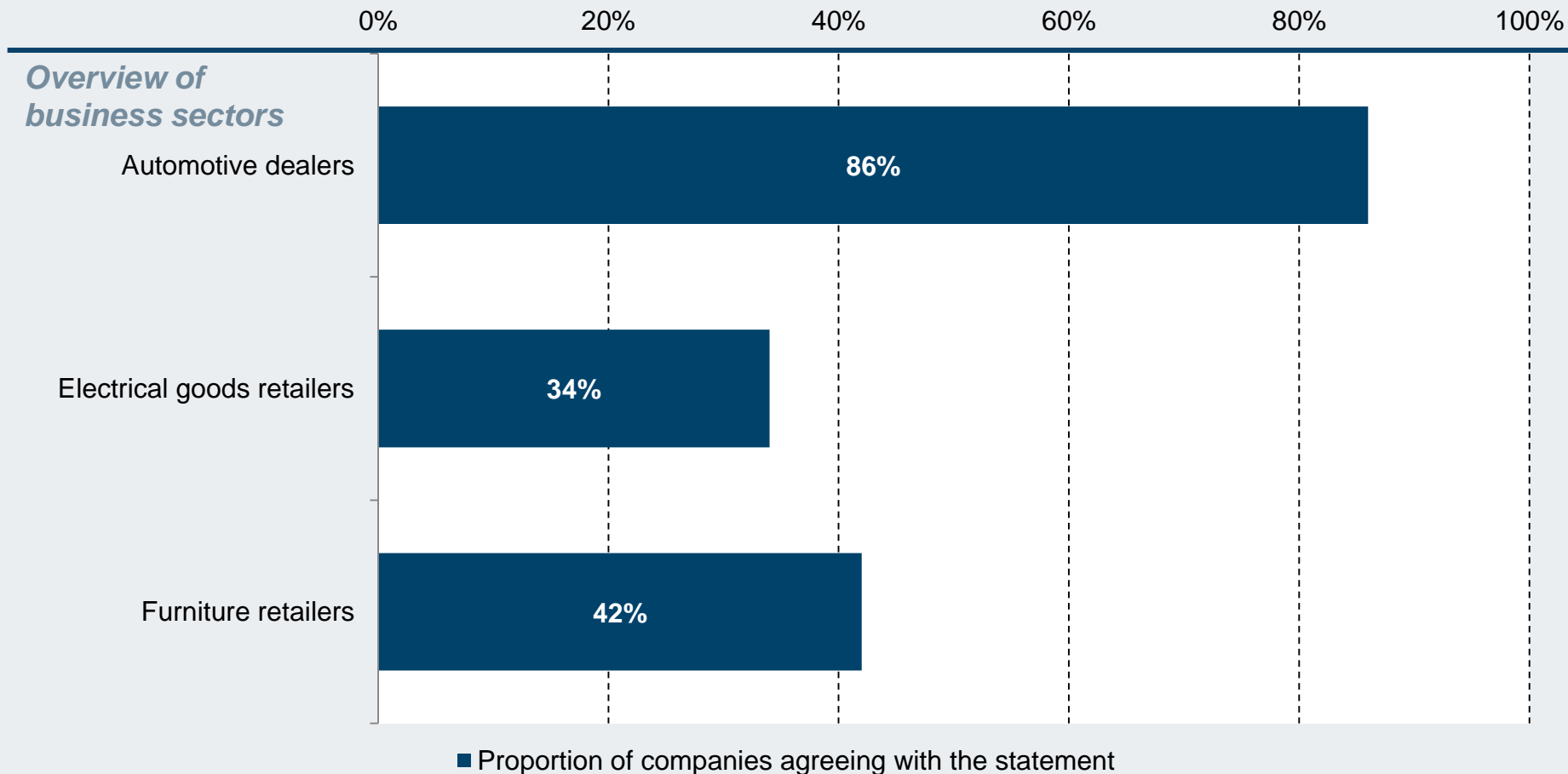
If financing arrangements are offered: “Through the cooperation with financial partners or banks respectively, our company benefits from not itself having to bear the financial risks of a customer's payment default on a credit-based transaction”.



*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."

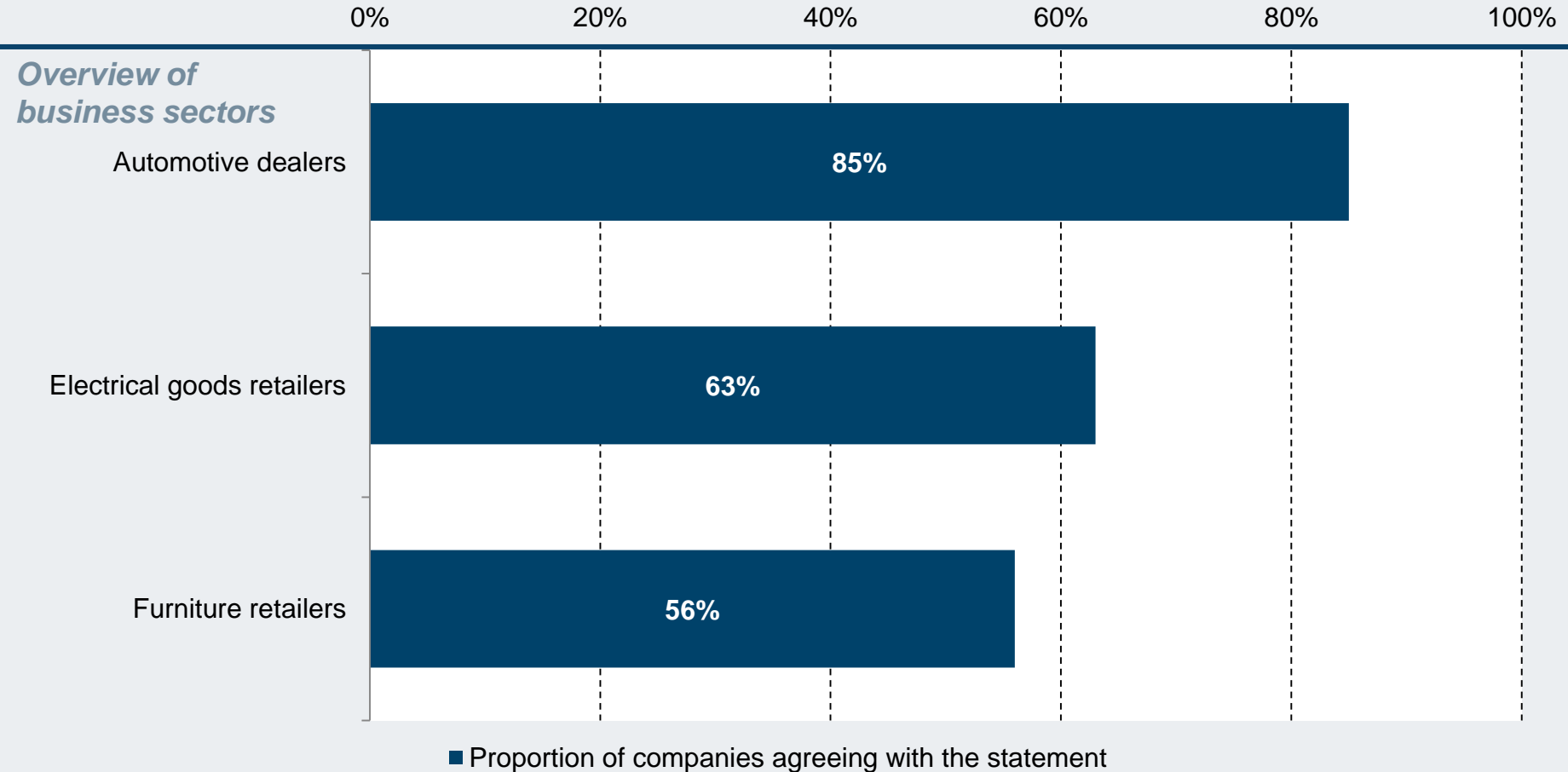


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# MORE THAN EVERY SECOND DEALER STATES THAT WITHOUT FINANCING ARRANGEMENTS MANY PURCHASES WOULD NOT TAKE PLACE

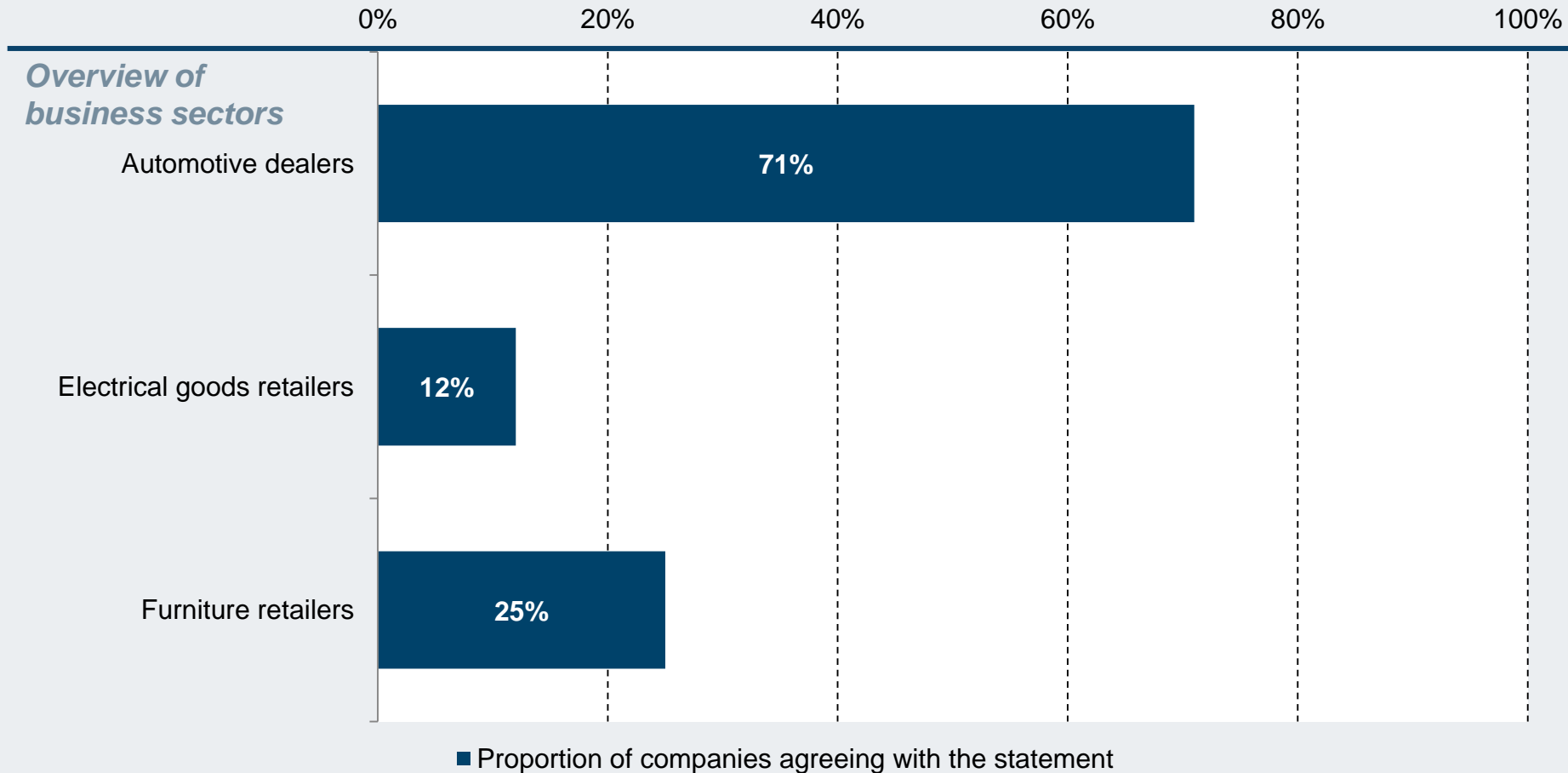
If financing arrangements are offered: “Many customers who make use of financing arrangements would not make the corresponding purchases if we would not offer them financing arrangements.”



*Weighting of the classes in terms of turnover size, according to the proportions of the companies*

# ECONOMIC AND FINANCIAL CRISIS: RESCUED BY POS-FINANCING ARRANGEMENTS

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.”**

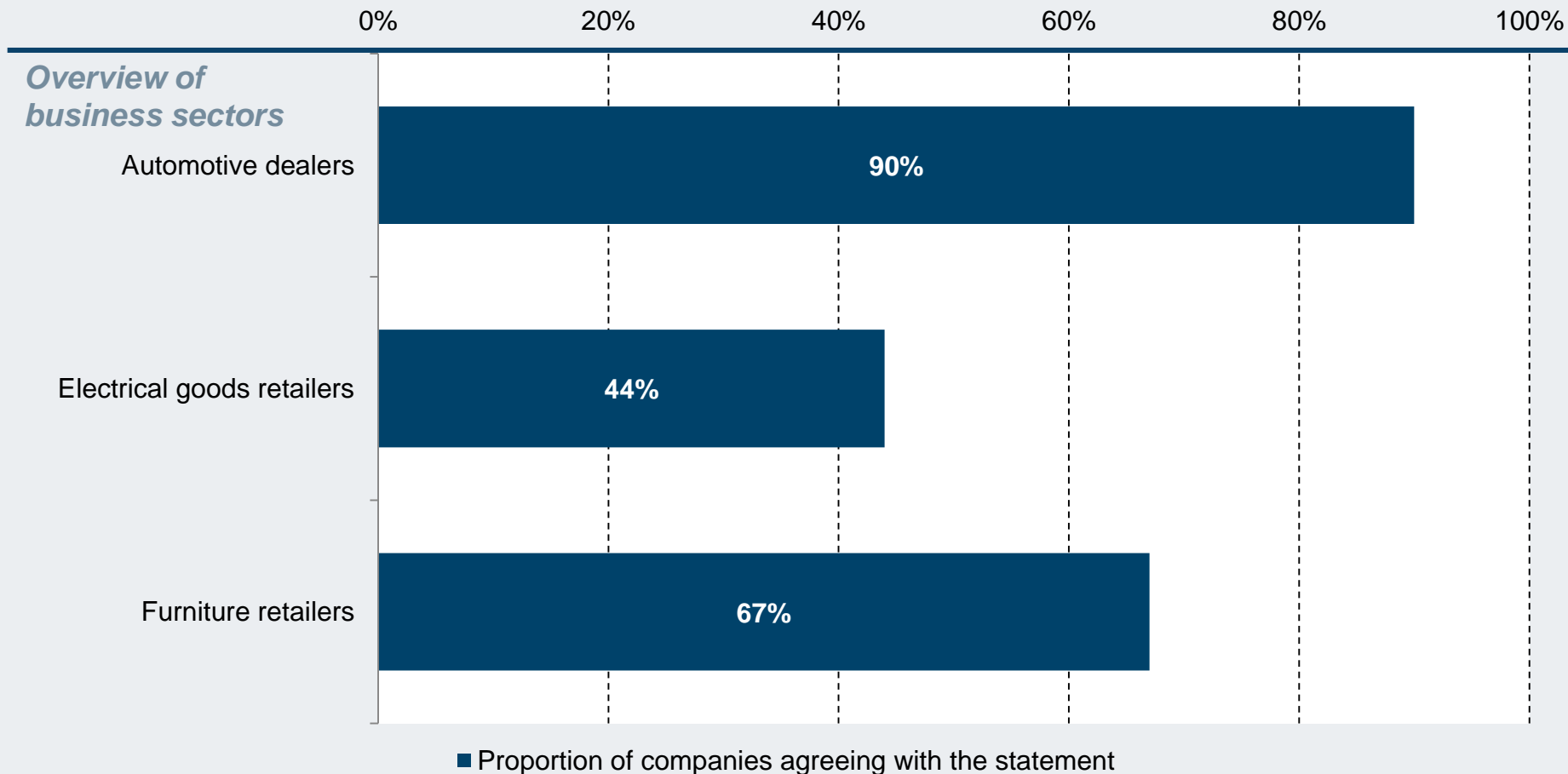


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# CONSUMERS ACTIVELY RAISE THE QUESTION OF POS-FINANCING ARRANGEMENTS

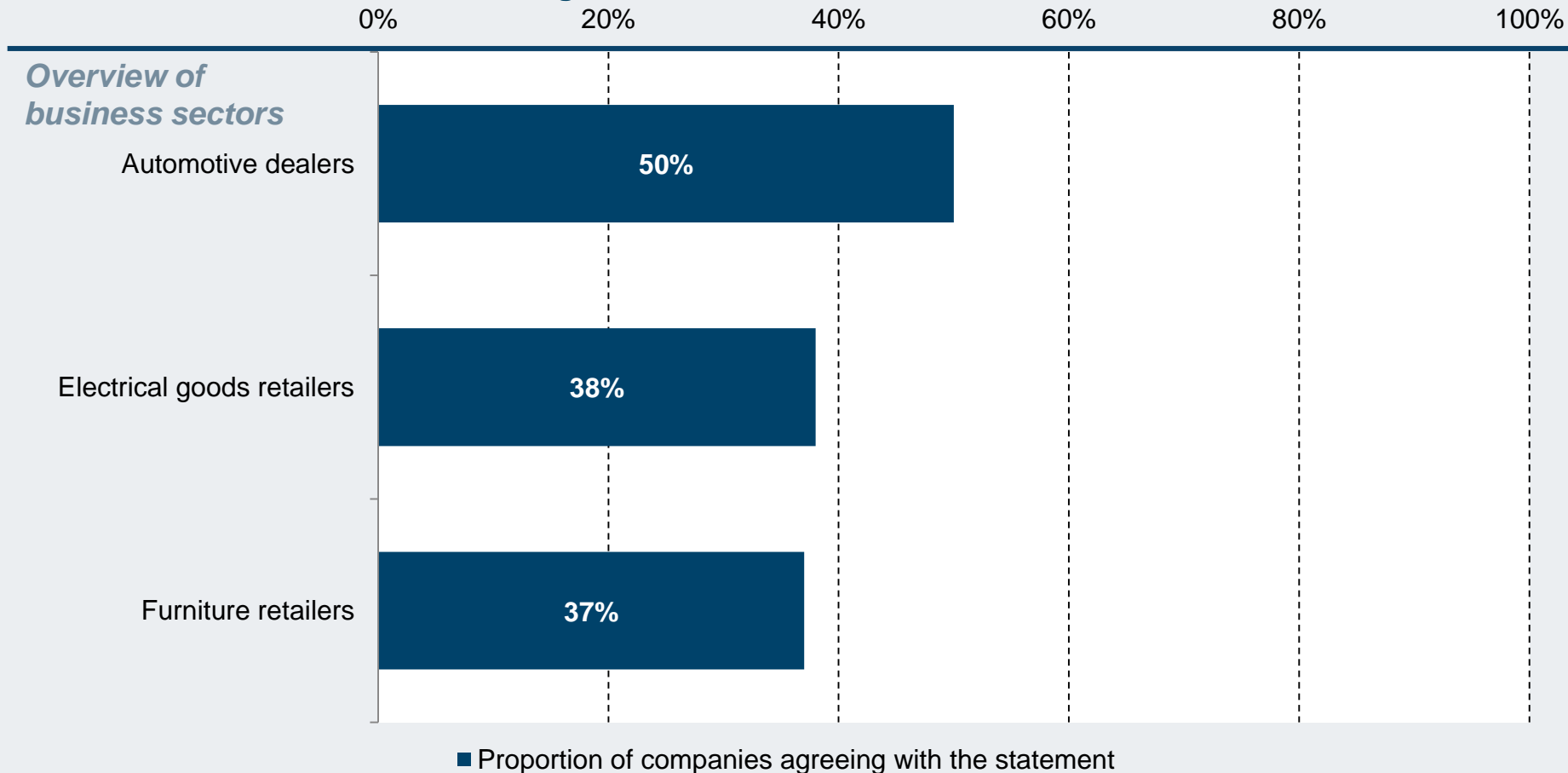
If financing arrangements are offered: "Our customers raise the question of financing possibilities themselves in the sales discussion."



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# INCREASING BUREAUCRATISATION IS AN OBSTACLE TO THE OFFER OF POS-FINANCING ARRANGEMENTS

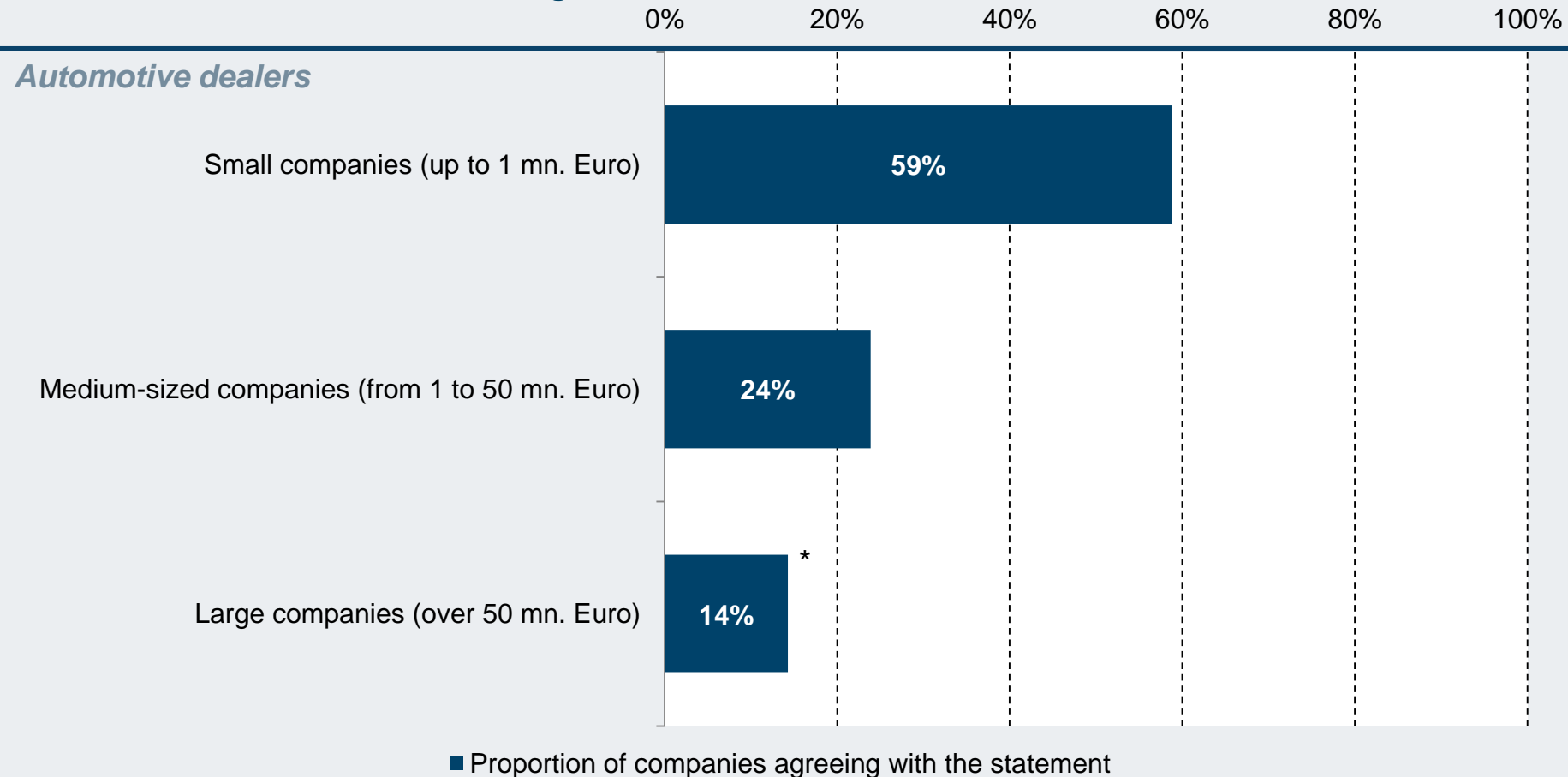
If financing arrangements are offered: “If the bureaucratic workload involved in the mediation of financing arrangements were to increase, we envisage that we would have to restrict our financing offers or indeed eliminate them altogether.”



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## 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.”



\* low number of instances

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Business sector	Size class in terms of net turnover, in accordance with IfM Bonn's definition of an SME (IfM: an institute active in researching SMEs).	Sample (according to business sector, related to n = 200)	Distribution according to value-added tax statistics 2009 (□ weighting factors in the process of calculating the business sectors' averages)	
			Proportion of the companies	Proportion of turnover
Automotive dealers (business sector code WZ 45.11)	Small companies (up to 1 mn. Euro)	19.3 %	73.7 %	5.0 %
	Medium-sized companies (from 1 to 50 mn. Euro)	76.2 %	25.6 %	50.0 %
	Large companies (over 50 mn. Euro)	4.4 %*	0.7 %	45.0 %
Electrical goods sector (business sector code WZ 47.43)	Small companies (up to 1 mn. Euro)	42.2 %	90.4 %	9.9 %
	Medium-sized companies (from 1 to 50 mn. Euro)	29.4 %	9.5 %	20.1 %
	Large companies (over 50 mn. Euro)	28.3 %	0.1 %	70.0 %
Furniture retail (business sector code WZ 47.59.1)	Small companies (up to 1 mn. Euro)	64.3 %	80.9 %	8.0 %
	Medium-sized companies (from 1 to 50 mn. Euro)	34.5 %	18.5 %	33.6 %
	Large companies (over 50 mn. Euro)	1.2 %*	0.6 %	58.4 %

\* low number of instances





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