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The Italians continue their love affair with the car

Silvia Alviti examines the state of one of Europe's most competitive vehicle finance markets

THERE is no doubt, that in a country where 50,000 people will turn out in any weather to see the F1 Ferrari team test a new tyre, Italians love their cars. In the last 20 years car ownership has grown by almost 60 per cent and it now has ownership levels of 1.7 people per car, one of the highest levels in the world, with 90 per cent of the adult population owning a car. The Automotive Club Italia yearbook lists 34 million cars in Italy in 2005 for the population of only 58 million, with Italians still preferring Italian-made cars. Fiat is the market leader, although it achieved a market share of only 28 per cent in 2004, far below its historical high of 60 per cent.

Exceeded only by Germany and the UK, Italy is Western Europe's third largest new-car market with sales of 2.2 million new vehicles in 2004. 34 per cent of Italians plan to buy a new car in 2005¹. However, this year has shown a slowdown of

six per cent in new car sales, with dealers blaming the European and national economy, higher business costs and the rising price of fuel. There is also a clear divide between the thriving economy of the North and the less industrial areas in the South, with more new cars being bought in the North and a higher number of ownership transfers (sales of used cars) in the South.

Italians still like to use cash, but over the last ten years, like much of Europe, credit finance has increased and now accounts for 54 per cent of all sales. The average spend of each purchaser has risen to over €7,000.²

Correspondingly, the financing choices have increased and consumers can now choose between banks, finance houses, automotive finance companies tied to dealers and the fast-growing leasing market. Strong competition has driven down interest rates, giving consumers a wider choice of options.

Banks and finance companies offer the traditional personal loan, not tied to the car purchase, but the finance companies also target consumers and businesses through dealers and branch networks. Automotive finance companies are captive to the dealer network and sell both through direct channels and indirectly through concessions and dealer franchises. The fastest growing area of car finance is the leasing and rental market and, with over 500,000 new contracts in the last three years (about 1.7 per cent of all cars registered in the country), it is rapidly increasing, especially in the business sector as the costs of car ownership rise. Many finance organisations are also starting to offer leasing packages as well as installment loans and in this market the biggest brands are Mercedes, BMW, VW and Fiat, although there is a significant proportion of luxury marques, including Ferrari and Porsche.

While the market is buoyant and credit granters are keen to acquire more customers, there is the ever-present threat of both fraud and emerging bad debt. To help address these issues, many organisations use credit scoring and automated decisioning solutions supplemented with credit bureau data. Whilst this technology has traditionally been associated with the banks and finance houses, the automotive credit grantors and, more recently, the leasing companies, have started to use these techniques. In this highly competitive market, lenders are using an iron hand in a velvet glove, offering new types of contracts and tempting terms and conditions, but together with strict risk control.

1. ACNielsen Global Car

Ownership Ranking and survey

2. Assofin Observatory