

Benefits of Retail Finance and Lease Transactions

Retail finance and lease transactions benefit both dealers and manufacturers more than straight cash transactions, as a substantial proportion of both types of deals include the sale of service contracts and/or insurance. These additional products and their gross profits are in addition to the finance reserve income dealers earn on loans.

More than 1 of every 4 retail finance transactions includes the sale of a service contract, while about 1 of every 8 includes a life insurance contract and 1 of every 10 is sold with accident and health insurance to cover loan payments if the owner is unable to do so.

Almost 1 of every 4 lease customers purchases a service contract, and almost 7% of lease transactions also include life or accident/health insurance.

In contrast, cash transactions include no income from insurance, since there are no loan payments to insure. And just 1 of every 8 cash customers purchases a service contract, a far lower penetration than for finance

or lease transactions. The contract penetration level is much lower because cash customers do not always go through the Finance and Insurance Department.



	Total Industry—New Vehicle Transactions		
	Type of Sale		
	Cash	Finance	Lease
Service Contract Penetration	12.1%	28.5%	23.6%
Life Insurance Penetration	n/a	12.1%	6.5%
AH Insurance Penetration	n/a	10.8%	6.4%

Source: Power Information Network (PIN) September-December 14, 2008

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Redesigned 2009 Mazda6 Appeals to Young Buyers

The 2009 Mazda6, completely restyled with a more aggressive appearance, went on sale in Canada in September. Since then, it has been attracting younger buyers than the buyers of all competitor models except the Accord. Mazda6 buyers are, on average, 7 years younger than the typical buyers of midsize non-premium conventional sedans.

About 3 of every 10 transactions for the 2009 Mazda6 have included a trade, and about 16% of these trades have been “upside down,” which is almost twice the segment average. This mix of upside down trades is higher than that for any competitor except the Fusion.

The percentage of Mazda6 trades coming from competitive brands (58%) is higher than that for any competitor except the Altima, and more than twice as high as for the Sebring and Accord.



2009 Mazda6

Only about 1 of every 6 Mazda6 buyers has paid with cash, less than half the subsegment average and the third-lowest cash mix after the Malibu and Fusion. Mazda6 buyers have been much more likely than typical midsize sedan buyers to either take out a loan or lease their vehicles, due in part to Mazda’s current 0% APR program (on 36-month loans). This incentive program will soften the impact of the Mazda6 transaction price, which is currently higher than that of all competitors except the Accord, and more than \$3,000 above segment average.

Lastly, the new Mazda6 has been sitting on dealer lots an average of just 16 days before being sold, which is the lowest turn rate in its competitive set and 10 days lower than the segment average. Since the initial retail turn rate for most new or redesigned models is low, it will take a few more months before the Mazda6’s natural, ongoing turn rate will be evident. ■

Models	Model Year	Customer (Buyer) Age	Female (Buyer) (%)	Trade In (%)	Percent Negative Equity	Trade-In Same Nameplate (%)	Type of Sale			Vehicle Price Less Customer Cash Rebate	Retail Turn Rate
							Cash (%)	Finance (%)	Lease (%)		
Midsize Conventional Seg.	2009	54	36.6%	32.7%	8.4%	47.3%	34.0%	46.6%	19.4%	\$26,144	26
Mazda6	2009	47	39.7%	30.8%	16.0%	42.0%	15.7%	57.5%	26.9%	\$29,442	16
Chrysler Sebring	2009	59	53.7%	16.6%	0.0%	77.6%	47.4%	48.8%	3.8%	\$23,895	22
Chevrolet Malibu	2009	53	37.8%	34.7%	11.8%	42.6%	8.3%	90.4%	1.3%	\$24,841	21
Ford Fusion	2009	54	28.4%	22.9%	18.6%	55.9%	14.5%	69.6%	15.8%	\$24,040	27
Honda Accord	2009	47	45.5%	30.9%	1.4%	74.7%	52.1%	20.9%	27.0%	\$30,756	24
Hyundai Sonata	2009	59	36.3%	36.7%	13.0%	47.0%	39.2%	33.4%	27.4%	\$23,973	35
Nissan Altima	2009	50	40.3%	25.6%	9.3%	32.0%	19.9%	62.1%	18.0%	\$28,690	19
Toyota Camry	2009	55	38.9%	35.4%	4.8%	45.7%	42.1%	33.2%	24.6%	\$24,733	30

Source: Power Information Network (PIN), January–December 7, 2008
 Note: If a unit is dealer-traded, the retail turn rate returns to zero at the time of the trade

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