Leasing, Finance and Fleet Management Report

A Market Deep Dive 2015

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Acknowledgements

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P.J. McMahon
President of NVLA

Philip J. Clements
CEO & Managing Director
Cathedral Consulting

Mark Thorne
Managing Director
Cathedral Consulting

Steven Toal
Senior Consultant
Cathedral Consulting

Derek Weber
Managing Director
Saxon Weber

P.J. McMahon
President of NVLA

Foreword

The vehicle leasing, finance and fleet management market remains a strong economic engine, outpacing the U.S. national economy in both employment and revenue growth. Small and Mid-market companies in this sector can profit by taking advantage of their industry know-how in order to develop more intelligent and agile businesses. Industry trends are providing independent lessors exciting opportunities and attention-worthy risks.

Many companies have vertically integrated their strategic businesses and diversified their broader financial portfolios; pushing even more deeply into adjacent services in a concerted effort to strengthen sell through and expand the customer experience.

Even after the difficult road of the financial crisis – which proved to be some of our sector's most challenging years – the post crisis rebound has seen tremendous strength and a renewed economy presents us with both opportunities and challenges. This whitepaper looks to shed light on the current state of industry while providing a small window into future trends around the corner.

Enjoy the read!!

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A Market Deep Dive

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A Executive Report

Leasing, Finance & Fleet Management

Loans
The total balance of auto loans at the close of 2014 reached an astonishing $975 billion, which represents 33.2% of all outstanding non-mortgage consumer debt. At close to $1 trillion and 71 million in the number of loans outstanding - these figures are at dual all-time highs with a 9.3% increase and a 6.5% increase, respectively, from the previous quarter and year (Q4 2013).

Analysts forecast automobile production, increased sales, and outstanding loan figures will continue to rise to record setting highs - although their pace is expected to slow from what we say in 2012 - 2014.

Financing and Leasing
Demand for automotive financing expected to remain elevated. Primarily because businesses are expected to spend their cash elsewhere, namely in investments in technology and increased M&A activity. This, tied with higher-cost new model launches indicates opportunity in financing automobiles and equipment.

Electric Vehicles
Electric cars are an increasing residual value risk with gas prices down over 30% year over year – and with buyers cooling to some electric vehicles - the industry is seeing discounts rise and attractive manufacturer programs on electric and plug-in hybrids. Only 4% of companies surveyed in a recent industry poll currently have alternative fuel vehicles in their fleet, but nearly half (48%) have plans on adding AFV's; with 64% planning on adding AFVs within the next two years - and 92% suggest they will add them within the next five years.

Fleet Management
Big Data analytics on the fleet management side will accelerate the optimization of factors such as cost and safety along with other associated industry metrics. Improvements in vehicle fuel efficiency, lower gas prices as reflected by the reset in crude oil prices, technology feature sets and improvements are all in play – although higher recall rates and longer 'up-fitting' lead times may just be the price the industry pays for those benefits.

Ownership to Collaborative Economy
Car ownership is undergoing incremental change in the short term with a fundamental transformation looming over the long run as disruptive business models, such as developments in the sharing economy; specifically as 'car sharing' develops and matures. These macro-trends may profoundly shift the industry over time, providing both threat and opportunity to OEMs, lessors, service providers and financiers.

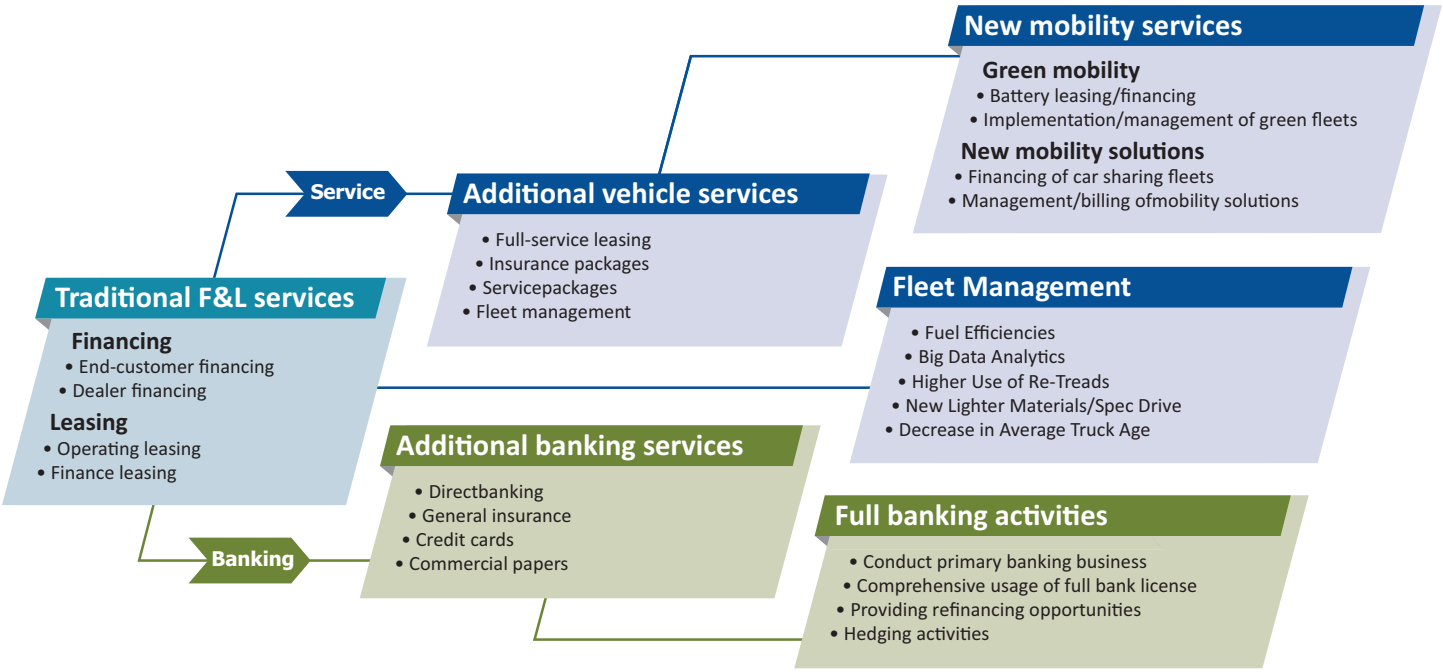
Oil Prices
The transportation sector has been a beneficiary of the precipitous drop in crude oil prices. As a result the industry will not only experience direct savings as an outgrowth of lower fuel prices, but the uptick in consumer spending will provide a positive impact on commerce and trade, and, as a consequence, uplift the automobile and transportation market. But the benefits aren't necessarily being shared equally throughout all modes of transportation. Opportunity as well as risk consideration are the balancing act transportation companies will undoubtedly wrestle with and with good reason.

Executive Report

"The automobile industry had a strong year in 2014, selling more than 16.4 million new cars. Auto lending is at a record high of more than $975 billion, accounting for nearly one third of all non-mortgage consumer debt. Further, while write-offs have increased slightly from last year, delinquency rates remain near record lows. Consumers are excited about both the quality and craftsmanship of the vehicles available today as well as the great financing available. The improving economic situation has finally afforded consumers the opportunity to rekindle their love affair with the automobile."

Dennis Carlson, Deputy Chief Economist
at Equifax

Fleet and Leasing Matrix and Future Growth



Source: KPMG International 2012

1 State of the State in Finance and Leasing

Loans

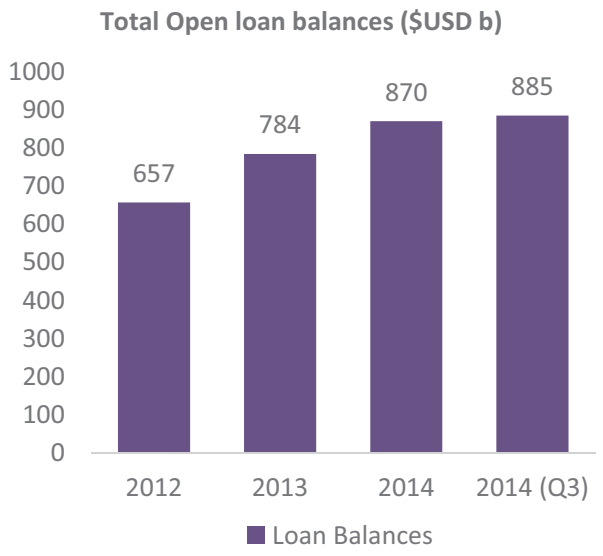
Auto loans ended 2014 in the rarified air approaching $1 trillion in open balances with all lender types experiencing growth over the previous year. The tale of the tape suggests a rising tide lifts all ships as banks were up by $31 billion year on year, credit unions up by $25 billion, finance companies up by $24 billion and captive lenders up by $9 billion.

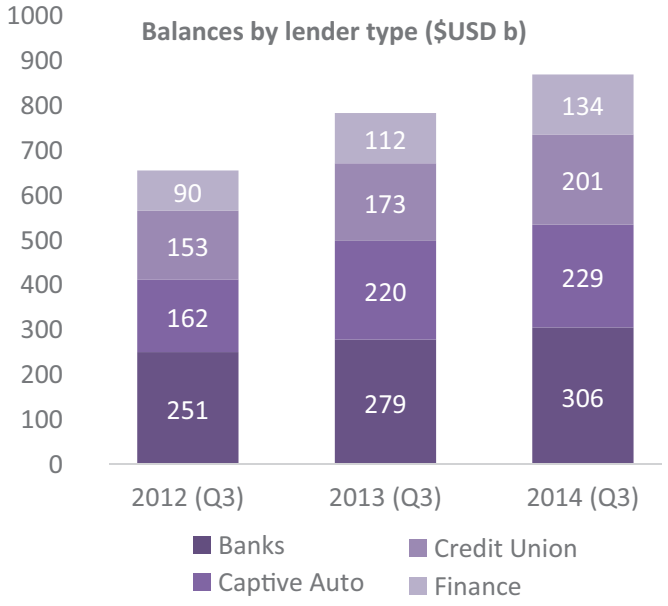
On market share through the end of the year, banks held the single biggest share at 34.9%; followed by captives at 27.21%, credit unions 16.69%, finance companies 14.46% and 'buy-here, pay-here' dealers at 7.58%.

The industry saw credit unions posting the largest gain, growing their overall share 9.1%, followed closely behind by captives clocking in at 7.8%. On the flip side, BHPH dealers, finance companies and banks witnessed their shares of the automotive finance market drop 9.6%, -8.8% and 3.4%, respectively.

> ***"The reality is we are looking at a remarkably stable automotive-loan market, in part because consumers are continuing to stay on top of their payments. With that said, keeping an eye on consumer payment behavior and the lending community's appetite for risk is important because these types of insights help the industry make better decisions that may affect loan terms or interest rates in the future."***
>
> Melinda Zabritski,
> Experian's director of automotive finance

Outstanding Automotive Loan Balances





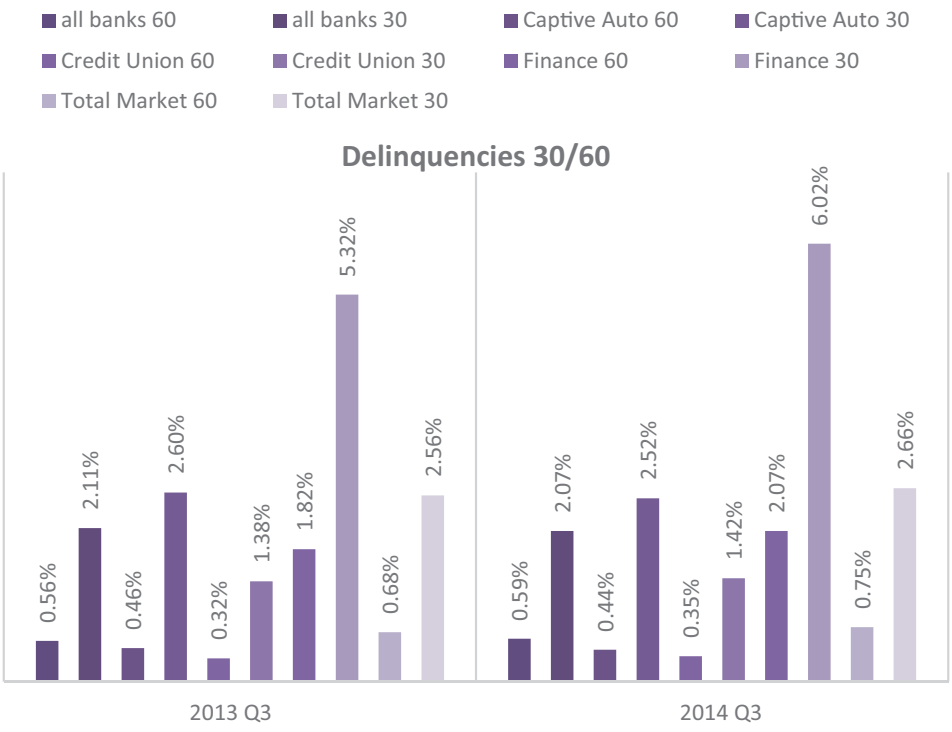
Sources: KPMG International 2012, Experian 2104, GE Capital 2014, Edmunds 2014; F&I and Showroom 2014.

State of the State in Finance and Leasing

Delinquencies – 30/60

Delinquency levels for subprime borrowers has seen growth across three years 4.2% in Q3 2012; 4.5% in Q3 2013; and 5.3% Q3 2014. However, the contribution of this particular segment to the overall delinquency rate has been tempered due to the respective share remaining between 14% and 15% during the same timeframe; down from Subprime's balance share of 22% in 2009.

The total balance of loans 60 days delinquent increased by $859 million from the year-ago period, while the balance of 30-day delinquent loans increased by $2.8 billion from a year earlier.

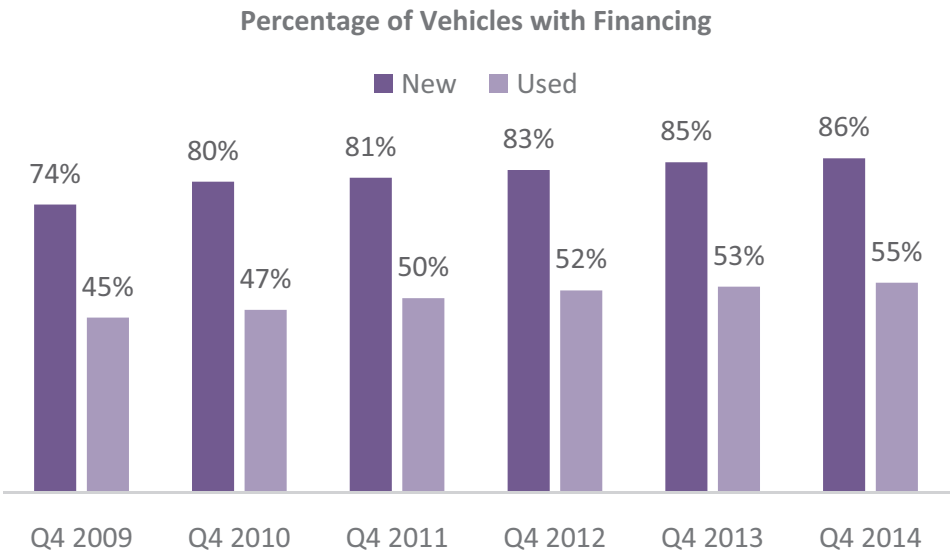


Sources: KPMG International 2012, Experian 2014, GE Capital

New & Used Vehicle Financing

Consumers are relying more on financing than ever before to buy new and used vehicles; with the percentage of new vehicles financed in the fourth quarter of 2014 increasing year over year to reach 85.8%; and used vehicles purchases hitting a record high of 55.2%.

The impact made by the price of gasoline dropping by 61% from a summer 2014 high to a January 2015 low was a contributing factor driving car sales. As were low interest rates – where rates for new vehicles moved up 19 basis points in the fourth quarter 2014 from the previous year to 4.56% - still considered relatively low by historical standards.

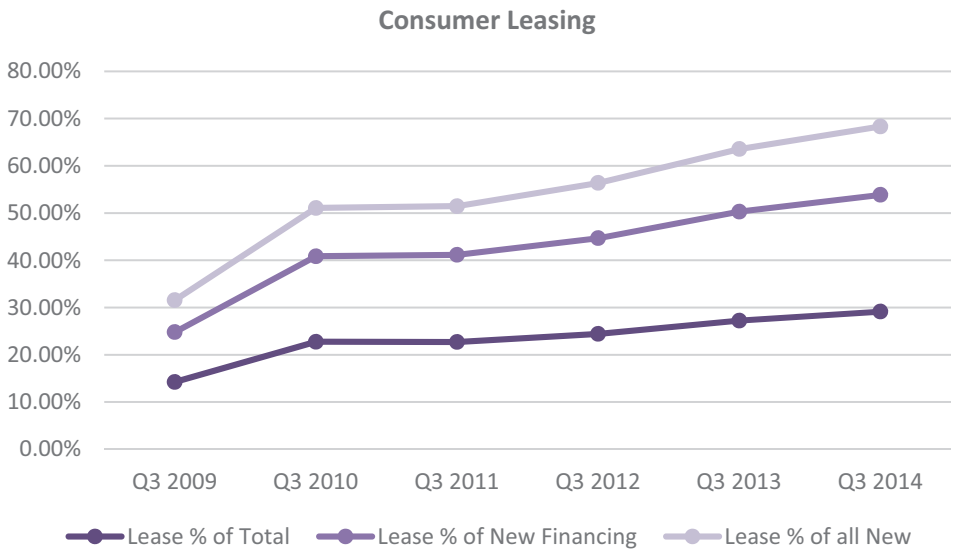


Sources: KPMG International 2012, Experian 2014, GE Capital

Lease Financing

Industry analysis also shows that leasing continued to dominate and gain additional momentum; jumping 3.6% from the previous year reaching close to 30% financed on all new vehicles in the fourth quarter 2014. More than simply a rise in the number of leases which occurred in 2014 was the affordably and obtainability of said leases.

The leasing of new vehicles continues to rule the landscape - as it has historically – closing out the year at 96.7% of the contracts completed with new models while the remaining 3.3% was made up of used-vehicle leasing.



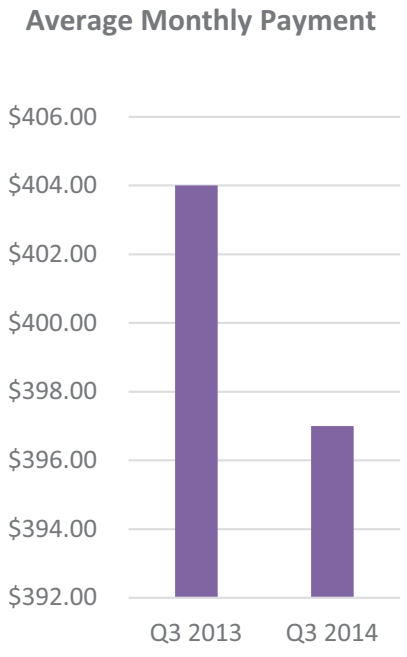
Sources: KPMG International 2012, Experian 2104, GE Capital 2014, Edmunds 2014; F&I and Showroom 2014.

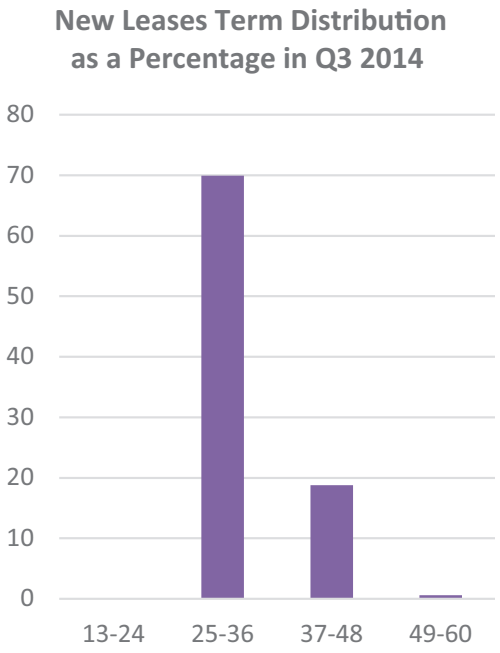
Term and Distribution

In addition to the number of leases increasing in the quarter, the study shows that it was slightly more affordable and easier to obtain one.

The average monthly lease payment decreased $12 from a year ago to reach $408 in Q4 2014. What's more, the average new-vehicle lessee had an average credit score of 717 in Q4 2014, down two points over the same time period.

The average term clocked in at 35 months as 69.94% of new leases and contained terms ranging from 25 to 36 months. The average payment dipped below $400, settling at $397 in Q3 2014.





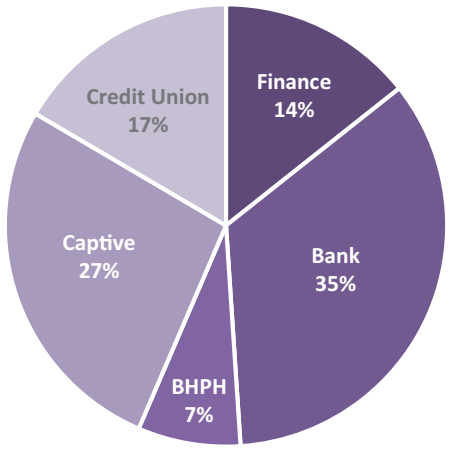
Sources: KPMG International 2012, Experian 2104, GE Capital 2014, Edmunds 2014; F&I and Showroom 2014.

Market Share - Lenders

Captive lending market share surged ahead in 2014 as consumer banks scaled back lending in the subprime market with captives responsible for 27.21% of loans while banks were only slightly ahead at 34.9%.

As the US job market continues to rally, OEM's have been eager to capture a larger percentage of the loan market; with some increasing their lending to additional sets of lower credit scoring borrowers or subprime borrowers.

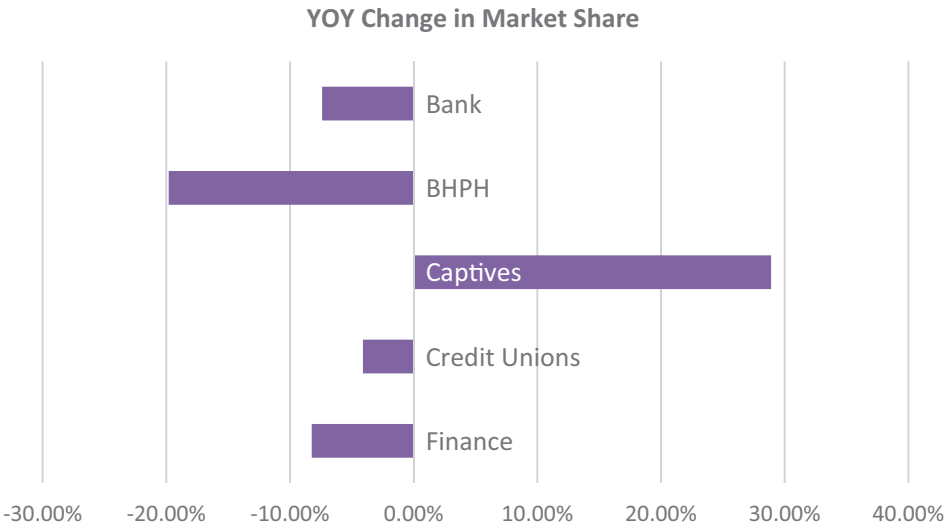
Some banks are pulling back from riskier borrowers. According to multiple reports, Wells Fargo Co., bank is looking to cap its subprime auto lending at 10% of its total auto loan portfolio.



Sources: KPMG International 2012, Experian 2104, GE Capital 2014, Edmunds 2014; F&I and Showroom 2014.

YoY Change in Market Share - Lenders

While banks hold the lions share of market share at 35%, the biggest YoY share increase was from the captives with a 28.9% increase at the end of the third quarter 2014. Led by the finance arms of GM, Ford and Chrysler (as well as Chrysler JV Chrysler Financial) these entities had significantly increased market share. Even after GM had spun out Ally Financial, the OEM moved forward to re-launch its own captive vehicle lending business — GM Financial — which is in part driving up the number of subprime auto loans in the market.



	Finance	Credit Unions	Captives	BHPH	Bank
YOY Change in Market Share	-8.24%	-4.10%	28.90%	-19.80%	-7.40%

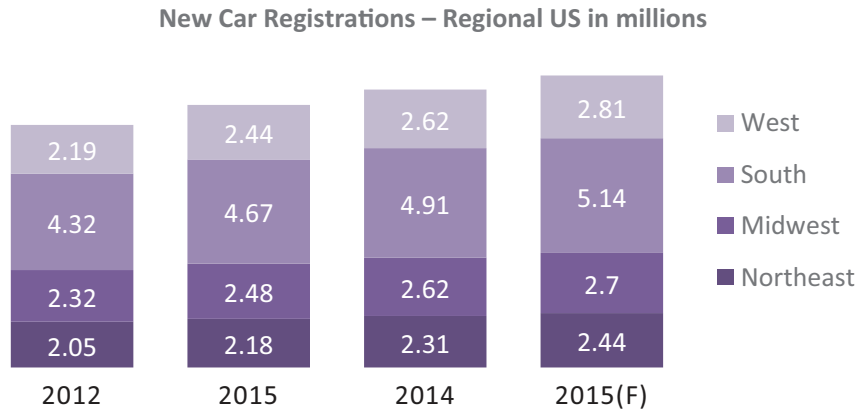
Sources: KPMG International 2012, Experian 2104, GE Capital 2014, Edmunds 2014; F&I and Showroom 2014.

The game of auto loan musical chairs on market share will continue to evolve, as all eyes are on Federal Reserve President Janet Yellen moving ahead with an interest rate hike.

Regional Registrations

> *Auto companies have been seeing the benefits from consumers coming back to market due to pent-up demand following the recession. However, it's clear that more and more consumers continue to drive older-model vehicles. While the growth in early model vehicles on the road is slowing, getting the most out of the vehicle they purchase still appears to be top of mind for consumers.*

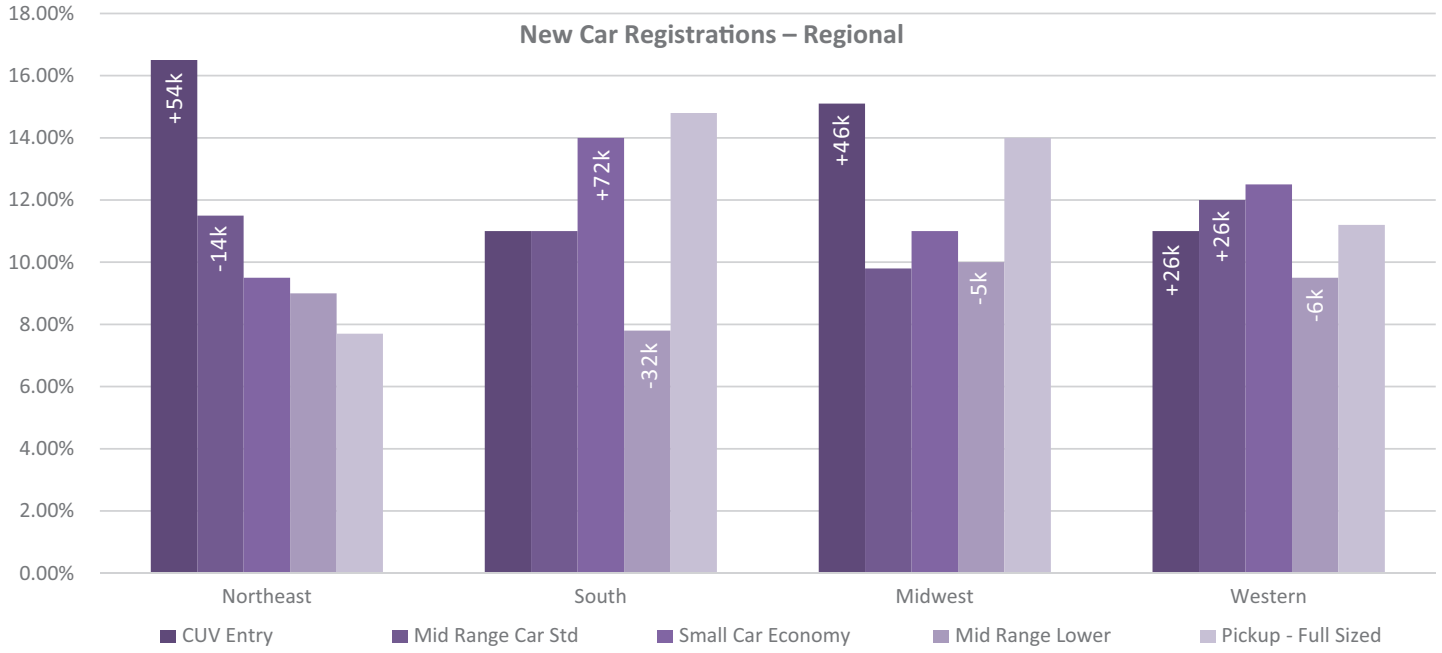
Melinda Zabritski, Experian's director of automotive finance



Sources: KPMG International 2012, Experian 2104, GE Capital 2014, Edmunds 2014; F&I and Showroom 2014.

Regional Breakdown

From a regional viewpoint, in new vehicle registration analysis, the Midwest and South regions followed closely with similar trends – where full-sized pickup trucks were the top or second largest new vehicle segment in each region at 14.1% and 14.8%, respectively. However, trends occurring in the Western and Northeast regions were markedly different. There Full-sized pickup truck registration reach settled lower; placing in the third-ranked new vehicle segment in the West at 11.6% and the fifth and least most popular in the Northeast 7.8&. Small-economy cars at 12.5% were first in the West, with entry-level crossover utility vehicles topping the segment in the Northeast region.



Sources: KPMG International 2012, Experian 2104, GE Capital 2014, Edmunds 2014; F&I and Showroom 2014.

Retail Loan – Top 20

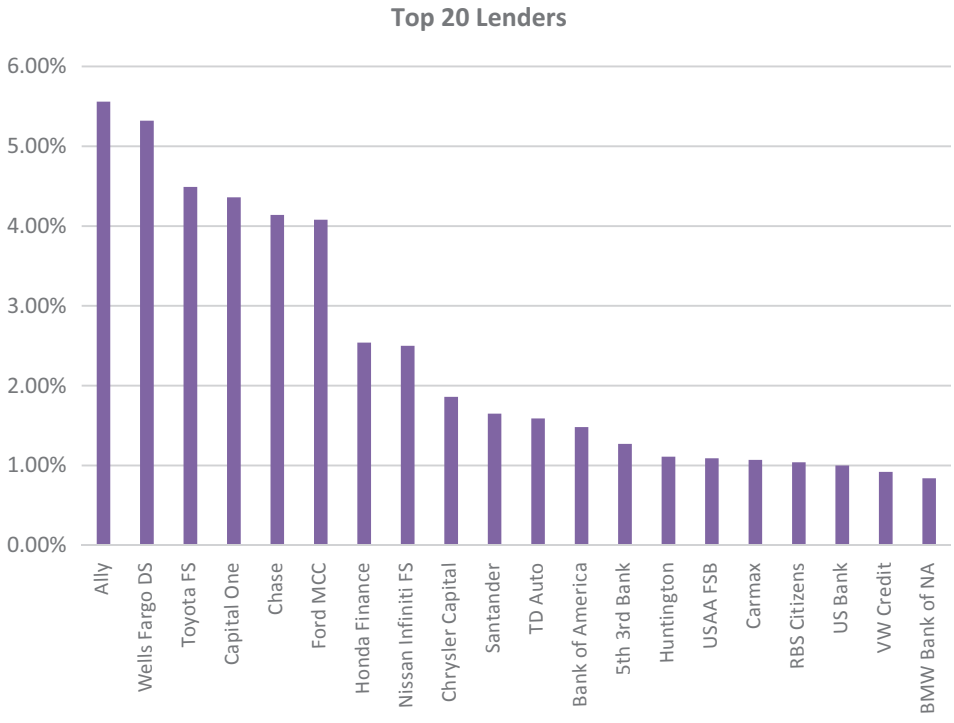
Retail Loans

The Top 20 list represent 47.9% of all retail loans according to a 2014 Experian report on automotive market trends.

Ally Financial became the largest U.S. retail auto lender in 2014, an ascension which displaced Wells Fargo for the first time since the beginning of 2013. A good deal of the precipitating activity that Ally created came from financing used car sales, a space where the former in-house financing arm of GM has been aggressively marketing on.

Ally extended a record amount of used car loans during the third quarter.

Both companies led in segments and ended 2014 splitting the market – with Ally in first place in combined new- and used-vehicle loan originations and Wells Fargo in first place for used-vehicle financing.

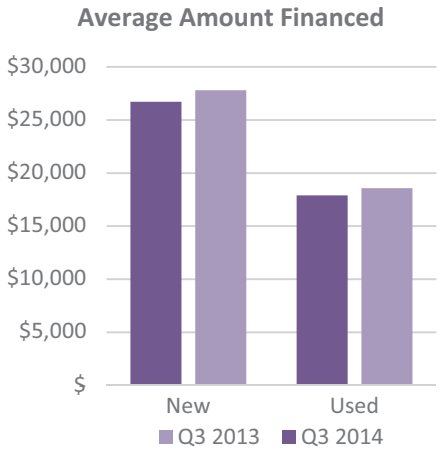


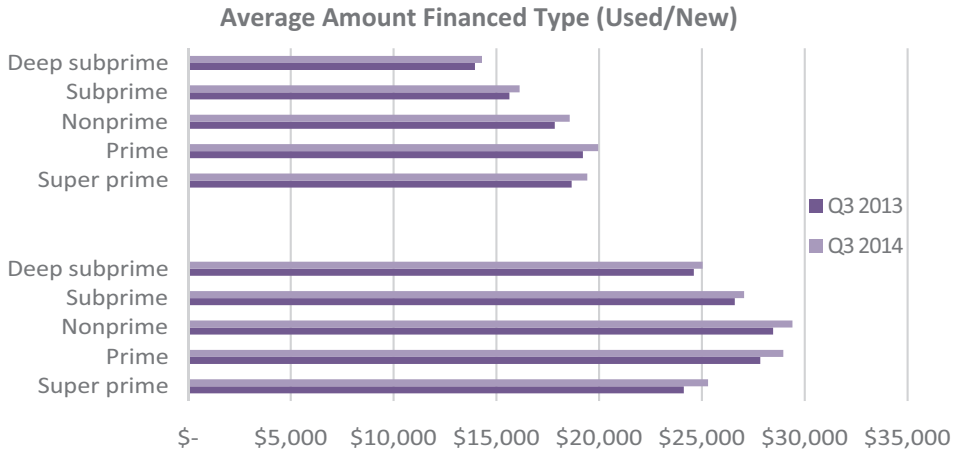
Sources: KPMG International 2012, Experian 2104, GE Capital 2014, Edmunds 2014; F&I and Showroom 2014.

Amounts and Tier

Analysis conducted at the end of fourth quarter 2014 highlighted average loan amounts for a new vehicle hitting its highest levels to date, reaching the $28,381 mark; representing close to a $1,000 increase from in year over year comparison and a $582 increase from the third quarter. In terms of used vehicles, the average loan amount as recorded increased $437 from the previous year to reach $18,411.

In addition, open balances reached their highs as well with the majority of loans/balances in prime.



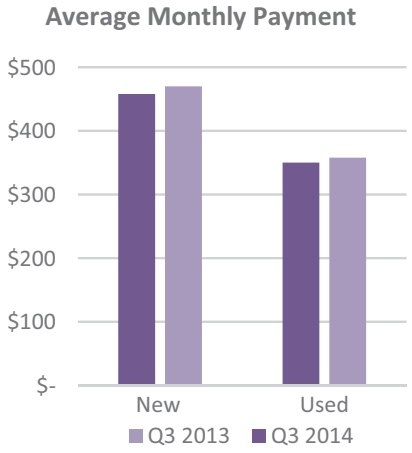


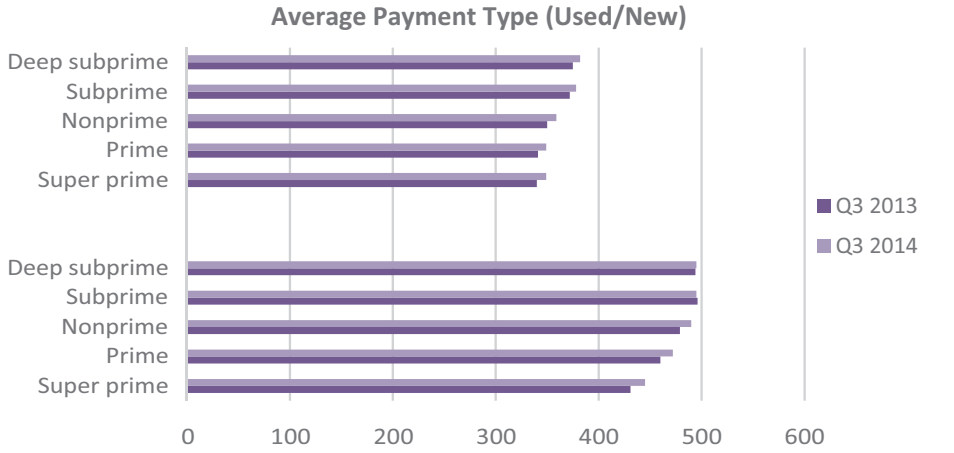
Sources: KPMG International 2012, Experian 2104, GE Capital 2014, Edmunds 2014; F&I and Showroom 2014.

Payments and Tier

Findings from across the industry showed that leasing continued to gain important traction, jumping 3.6% from the previous year to hit the 30% mark on all new vehicles financed in during the last quarter of 2014.

Beyond the increases in the number of leases – leases were slightly more affordable and easier to obtain. The average monthly lease payment decreased $12 from the previous year to reach $408 in the fourth quarter 2014. Even more, the average new vehicle lessee showed an average credit score of 717 the same period - down a full two points over the same time span.





Sources: KPMG International 2012, Experian 2104, GE Capital 2014, Edmunds 2014; F&I and Showroom 2014.

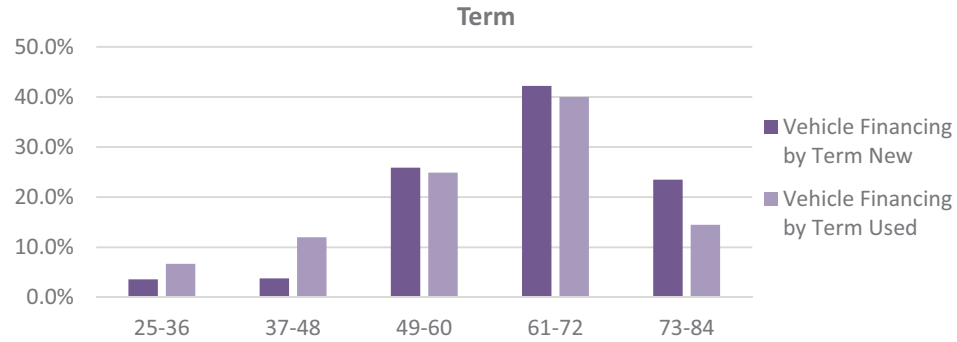
Term and Share

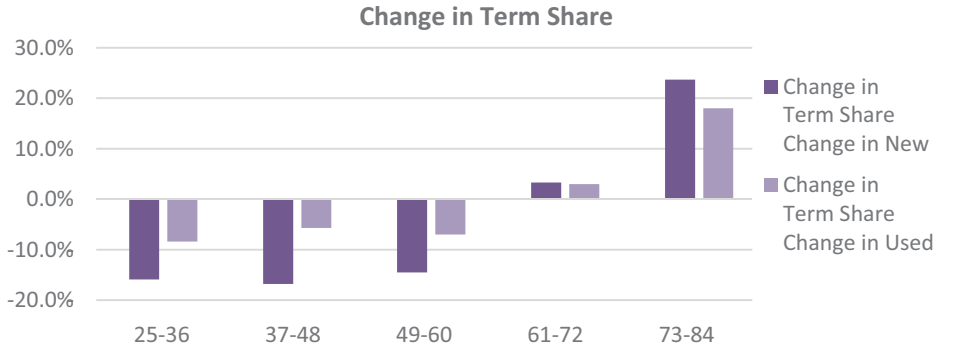
Lengthening terms in the 73-to-84 month new vehicle loan segment grew by 23.7% during the third quarter 2014, compared year to year with 2013.

During the same period used loans grew as well; up 18% from 2013.

In addition, loan terms for new and used vehicles increased from the previous year – to reach 66 months and 62 months, respectively. Of all lenders only captive lenders saw an increase in market share year over year.

New loan rates crept up against higher credit scores while decreasing for higher risk and used lending.





Sources: KPMG International 2012, Experian 2104, GE Capital 2014, Edmunds 2014; F&I and Showroom 2014.

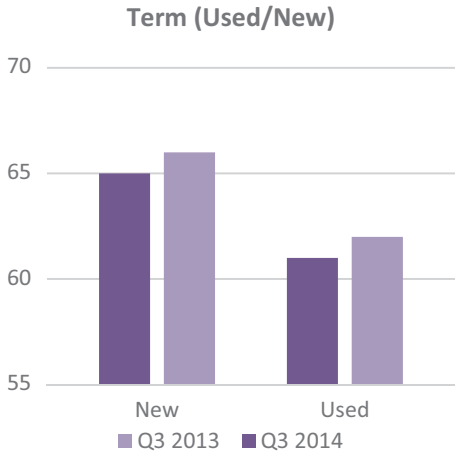
New/Used Term and Tier

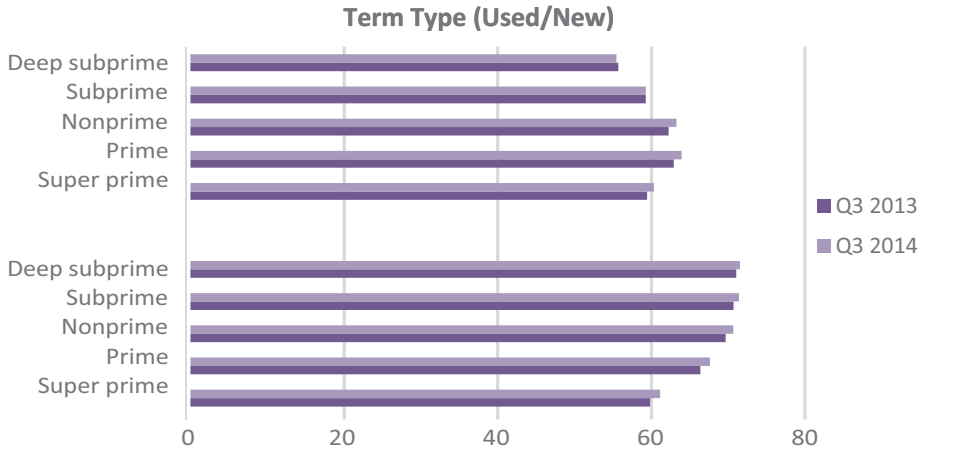
2014 saw an increase in open loans across all risk types. Yet within these noticeable increases market share for subprime and deep subprime loans remained at relatively low levels; where much of the growth from the previous year was seen in the super-prime risk segment.

In the subprime and deep-subprime tiers – although on loan volume up from the previous year — up 3.83% and 5.60%, respectively — combined market share for the two saw a modest decrease to 20.31%.

Looking towards loan volume in super-prime we saw a 7.90% increase from the previous year. Representing the only risk tier to see year-over-year increases in market share.

Leasing continued to grow for new vehicles with captives gaining market share for new loans and credit unions gaining on used financing.





2 State of the State Fleet Management

Connectivity will Rule

The future of Fleet Management – if the past is prologue – has industry professionals looking to technology and specialized tools to more directly support clients where their bottom line is highly dependent on the efficiency and productivity of its mobile workforce.

Connectivity lies at the heart of the evolution where greater intelligence becomes the crucial element in success.

Fleet Management Trends

Internet of Things (IoT) in Fleet Management

Fleet management is set for a growth spurt – fueled in part by the Internet of Things (IoT).

Technology providers and developers are bringing highly integrated solutions to market for real-time services; ever increasing the capabilities in agility for the gathering and sharing effectively this actionable data.

A major change is occurring in the transition from merely managing logistics towards fundamental operational improvement in Enterprise mobility and competitiveness.

Dynamic information is the focus aimed at improving efficiencies, increasing safety, reducing maintenance costs and improving customer service.

Fleet Management is clearly one of the industry's on the leading in the growth of the Internet of Things (IoT) and inter-connected applications.

Solving the need for robust and integrated solutions is critical to fleet management applications and expansion across transportation market segments.

A great deal of fleet management operations are dependent on multiple manual steps. IoT technology enabled vehicles can automate many of these processes in real time – through vehicle location verification, condition monitoring and by verifying the location and condition of vehicles.

State of the State Fleet Management

Fleet Management Trends

Intelligent Fleet Management Solutions

Integrated intelligence in fleet management will play an exceptional role as enabler and driver within enhanced solutions platforms for 2015 and beyond. As commercial vehicles internalize a built-in technology model industry analysts are predicting as a result substantial minimizations in aftermarket hardware sales. Big Data focused on diagnostic rich information and analytics will provide mobile business with richer diagnostic data than ever before.

New efficiencies and optimizations are key in operations management; including enhanced maintenance calendarization capabilities; predictive maintenance, health monitoring of components and systems, driver behavior and safety.

Consistency in how fleet management systems manage varied and proprietary data sources from multiple OEM's is going to be a challenge in efficiency and integration – open platforms are seen as critical to navigating this new and complex environment.

Global fleet management market is set to grow at 24% Compound Annual Growth Rate (CAGR) during 2014 to 2019, by when it will reach $35.35 billion in value as (the worldwide fleet management industry expands).

ReportsnReports 2015

Fleet Management Trends

Visibility is Fundamental

Client expectations around transparency and visibility are going to be decisive in the drive for new business opportunities and differentiation in fleet management. Providing performance, safety and detailed work histories in a flexible and transparent mode become even more necessary in our industry.

Management teams and business owners are growing in sophistication every day around enabling technologies we had not been familiar with just a few years ago. Visibility in a real time environment is changing the market through inter-connected intelligence as more and more powerful hardware and software enters the industry scaling – and in turn reducing costs.

The use of novel tools that embed visibility are becoming more widespread as companies see these benefits first hand. Fleet managers have noticed a marketable improvement in their overall operations by implementing solutions that provide for this higher ground viewpoint.

The old expression – "You can't manage what you can't measure" is especially true in field operations and fleet management.

By providing greater visibility into the performance of a mobile workforce through the accessibility of performance data around operational efficiency managers will be better equipped to evaluate their operations.

Significant improvements in operational efficiencies take time, effort and investment – with a long term commitment to these improvements enabled by a new frontier of visibility - fleet management professionals are drawing a line in the sand on where we choose to go as an industry.

Fleet Size Breakdown

The following data includes corporate and utility fleets – trucks include Class 1-5 trucks, vans, and SUVs. The total number of commercial fleets and non-fleets increased by more than 15,000. Non-Fleet sized 5-14 number 412,000 and 3,110,000 total vehicles

1000+

244 Fleets

232,394 Cars

853,556 Trucks

1,085,950 Total

500-999

1,642 Fleets

246,842 Cars

616,241 Trucks

863,083 Total

100- 499

4,625 Fleets

131,400 Cars

497,200 Trucks

628,600 Total

15-99

12,316 Fleets

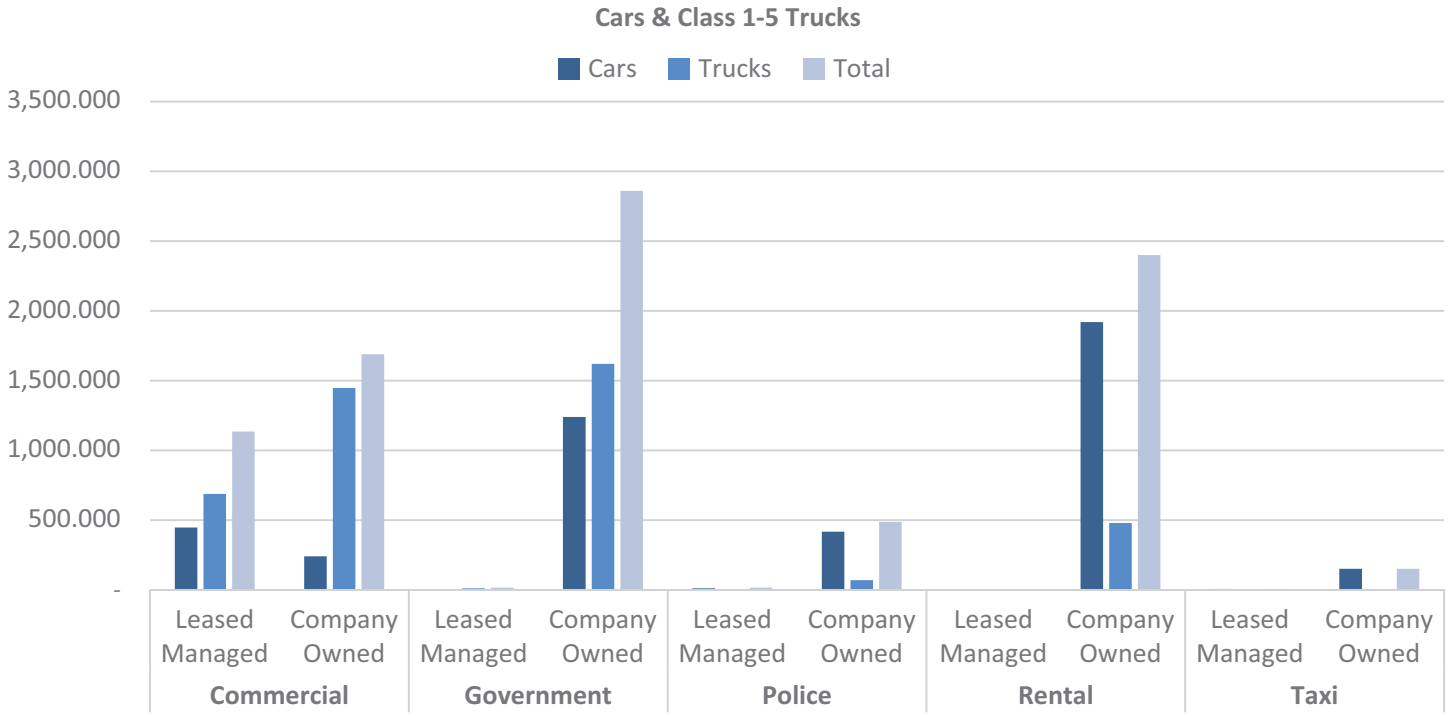
77,900 Cars

169,400 Trucks

247,300 Total

Fleet Size Breakdown – Cars & Class 1-5 Trucks

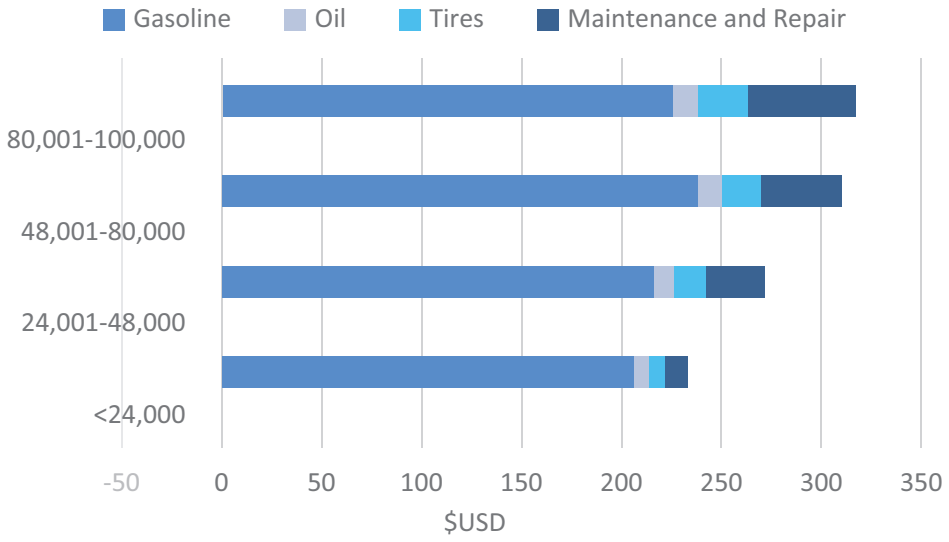
Registrations for commercial cars and trucks have been steadily rising since 2009 – having reached their highest numbers in the last five years. Overall trucks still make up the majority of all commercial vehicle registrations. After seeing a declines post-financial crisis car and truck registrations began to gain ground – but are below the totals from just a few years back.



Automotive Fleet, SOURCE: BOBIT FLEETGROUP RESEARCH DEPT., Automotive Fleet Group

Compact

Operating costs for compact cars have been on the rise since 2009; while increasing through most mileage bands is a hallmark of the times – costs relatively speaking have remained stable. Higher mileage bands; ex. 80,001-100,000 miles, saw operating costs stay flat or with a modest increase year-on-year.

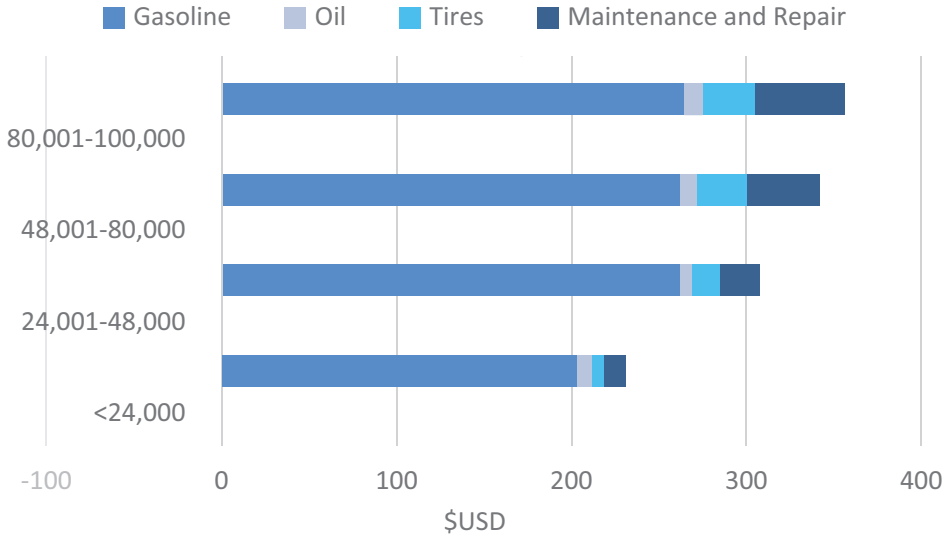


COMPACT CARS

- → Average Monthly Miles: 2,073
- → Average Months in Service: 44
- → Average Cap Cost: $15,672
- → Monthly Dep. Cost in CPM: $0.1096
- → Depreciation p/Month: $203.06

Intermediate

Costs remain stable overall for compact cars, intermediate cars, minivans, full-size vans, light trucks, and SUVs.



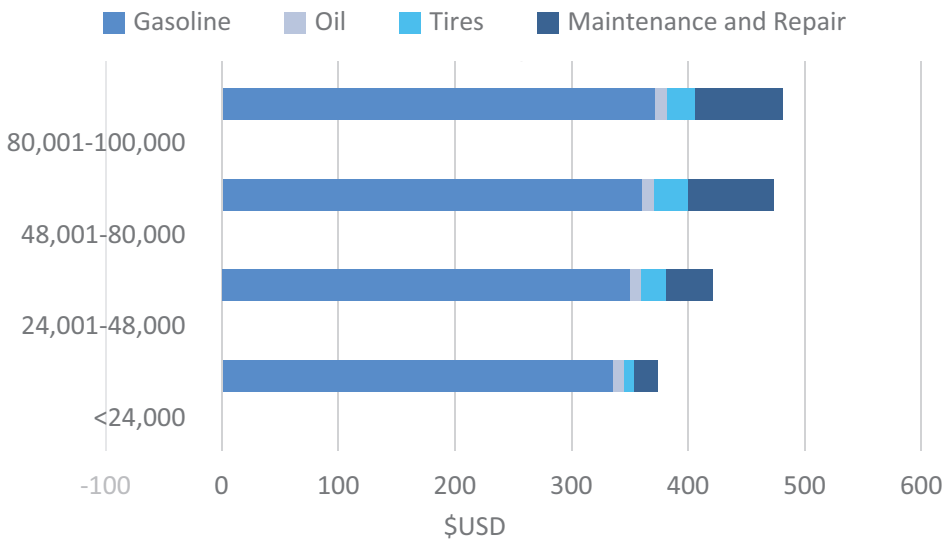
INTERMEDIATE CARS

- → Average Monthly Miles: 2,089
- → Average Months in Service: 34
- → Average Cap Cost: $18,457
- → Monthly Dep. Cost in CPM: $0.1232
- → Depreciation p/Month: $264.85

Automotive Fleet, SOURCE: BOBIT FLEETGROUP RESEARCH DEPT., Automotive Fleet Group

Minivans

Operating costs for compact Minivans have been on the rise since 2009; while increasing through most mileage bands is a hallmark of the times – costs relatively speaking have remained stable. Higher mileage bands; ex. 80,001-100,000 miles, saw operating costs stay flat or with a modest increase year-on-year.

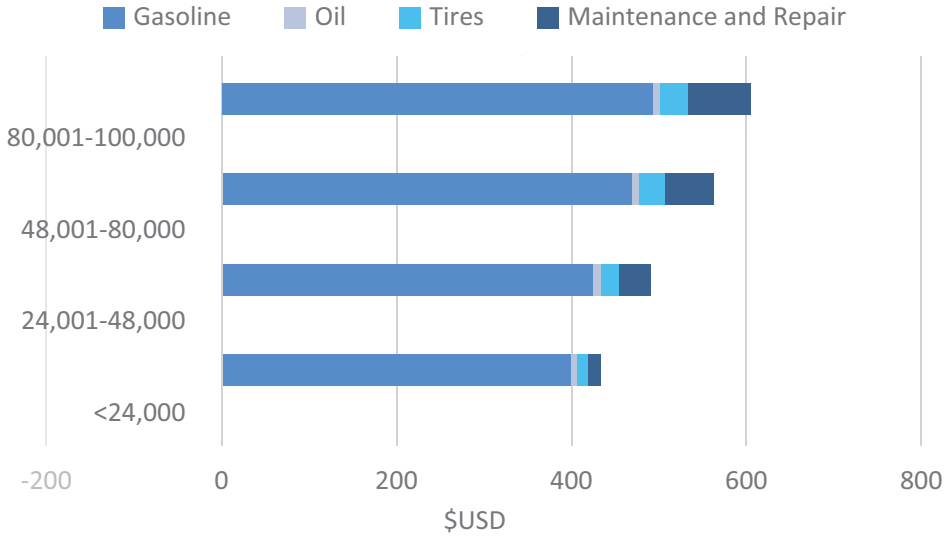


MINIVANS

- Average Monthly Miles: 2,322
- Average Months in Service: 41
- Average Cap Cost: $20,467
- Monthly Dep. Cost in CPM: $0.1356
- Depreciation p/Month: $314.23

Standard Vans

For full-size vans operating costs have remained fairly stable since 2009 – with a modest decrease within select mileage bands. Higher mileage bands; ex. 80,001-100,000 miles, saw operating costs stay flat or with a modest increase year-on-year.



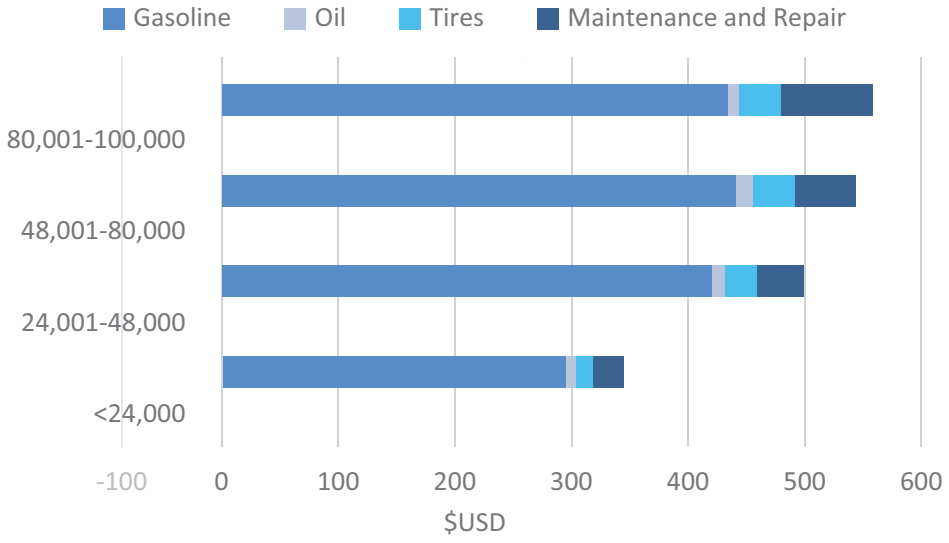
FULL-SIZE VANS

- Average Monthly Miles: 2,517
- Average Months in Service: 55
- Average Cap Cost: $20,915
- Monthly Dep. Cost in CPM: $0.1106
- Depreciation p/Month: $278.49

Automotive Fleet, SOURCE: BOBIT FLEETGROUP RESEARCH DEPT., Automotive Fleet Group

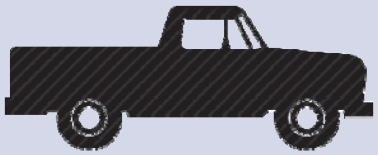
Light Trucks

For light trucks operating costs have remained fairly stable since 2009 – with a modest decrease within select mileage bands; including 24,001-48,000 miles for light trucks as tracked across 2013 over the previous year's figures. Higher mileage bands; ex. 80,001-100,000 miles, saw operating costs stay flat or with a modest increase year-on-year.



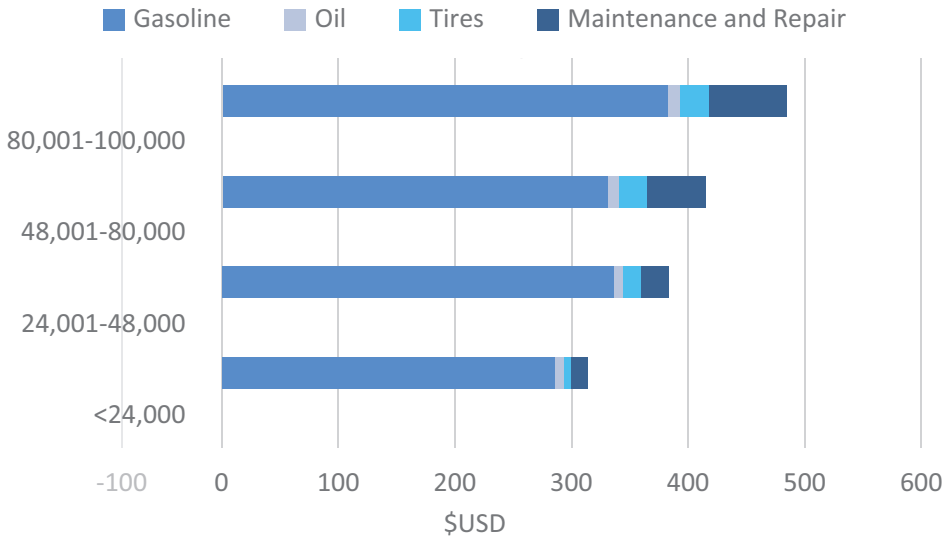
LIGHT TRUCKS CLASS 1-2

- → Average Monthly Miles: 2,152
- → Average Months in Service: 49
- → Average Cap Cost: $22,070
- → Monthly Dep. Cost in CPM: $0.1212
- → Depreciation p/Month: $233.49



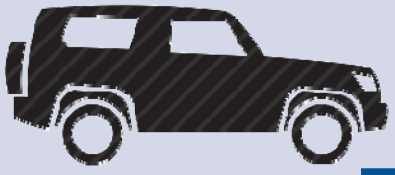
SUV's

For SUV's operating costs have remained fairly stable since 2009 – with a modest decrease within select mileage bands. Higher mileage bands; ex. 80,001-100,000 miles, saw operating costs stay flat or with a modest increase year-on-year.



SUV'S

- → Average Monthly Miles: 2,318
- → Average Months in Service: 33
- → Average Cap Cost: $21,633
- → Monthly Dep. Cost in CPM: $0.1394
- → Depreciation p/Month: $326.72



Automotive Fleet, SOURCE: BOBIT FLEETGROUP RESEARCH DEPT., Automotive Fleet Group

3 Customer Benchmarking and Preferences

Gen Y – Millennials

Technological and generational dynamics are fundamentally changing mobility in ways we never predicted; and those changes are creating novel opportunities around consumer choice in regards to transportation.

For automotive manufacturing OEM's and the associated automotive service providers in this space, this is an evolution in consumer expectations which is giving rise to a host of complicated questions that might ultimately shift product features and at the core change the very nature of how we engage with our collective customers.

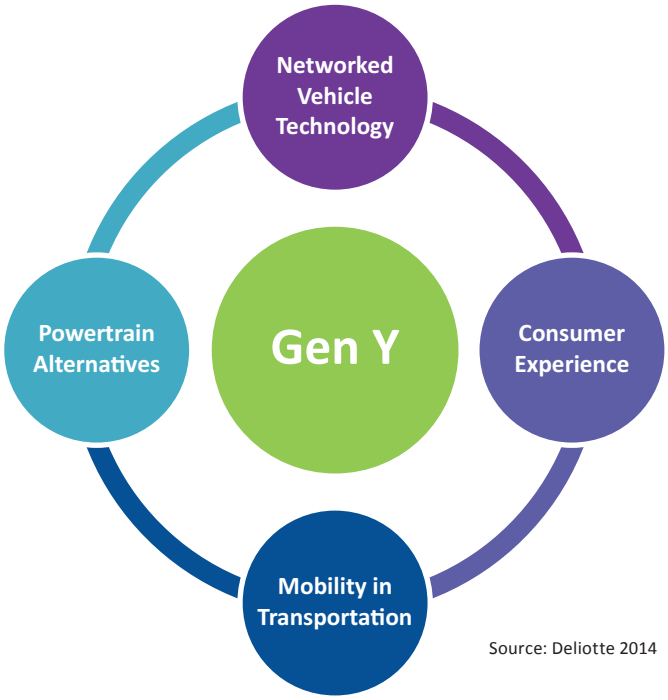
Recent generational research studies, designed to explore consumer sentiment in automotive and mobility decisions – conducted across a wide range of Baby Boomers, Gen X'ers and Gen Y (or Millennials) – have yielded some striking differences in and among these cohorts.

Those differences are playing out in the marketplace; especially taking note of the rise of Gen Y – oft referred to as Millennials. In terms of banding - although there is relative consensus among researchers on dates – for the sake of this study we recognize the birth years as 1982 – 2000.

In terms of reaching full automotive consumer potential we are casting a light on a pool between the ages of 15-33 as of the time of the publication of this report.

Common objectives in defining such a diverse demographic center in on considerations and circumstances influencing Millennial mobility preferences for innovative options in transportation access (e.g. vehicle sharing services, etc.); tradeoff analysis on price sensitivity around vehicle ownership; preferences in technology, powertrains options and lifestyle influencers; consumer choice in a purchase versus lease decision; as well as factors influencing final purchase decisions around the larger customer experience.

- Gen Y or *Millennials*
- Born 1980 to 2000
- 80 Million
- High levels of Student Debt
- Technology Proficient
- Called "Digital Natives"
- Attributed Types
  - Confident
  - Collaborative
  - Social



Source: Deliotte 2014

> *Technological and generational dynamics are fundamentally changing mobility in ways never predicted; and those changes are creating novel opportunities around consumer choice in regards to transportation.*

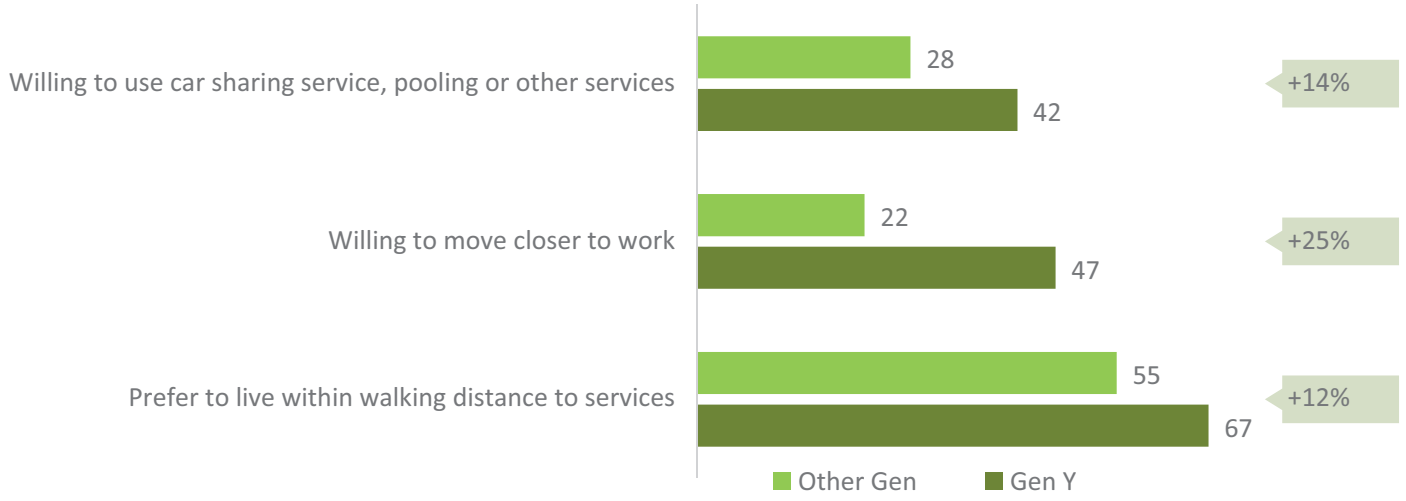
Customer Benchmarking and Preferences

Enhanced Levels of Urbanization

The worlds' population is growing steadily and yet the planet is getting smaller all at the same time. 2006, marked a major milestone and tipping point as over half of the world's population were living within the geographic bounds of a city. This trend is forecast to accelerate; with approximately 70% of the world's population charted to live and work in cities and mega cities by the year 2050 (notably the number is 90% for North America). As global cities struggle with density and population overcrowding, new and enabling technologies are driving us to even more collaborative engagements in transportation, including towards new frontiers in the sharing economy; driverless or driver assist cars; alternative powertrains and improvements in infrastructure and public transportation.

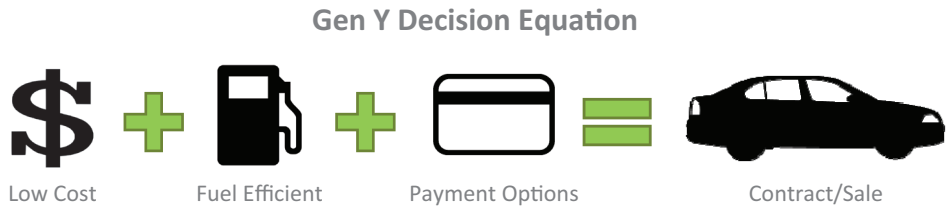
In 1998, 64.4% of drivers 19 years and younger had a valid drivers license – compare those numbers to ones taken in 2008 where that numbers was just 46.3%.

Gen Y Vehicle Lifestyle



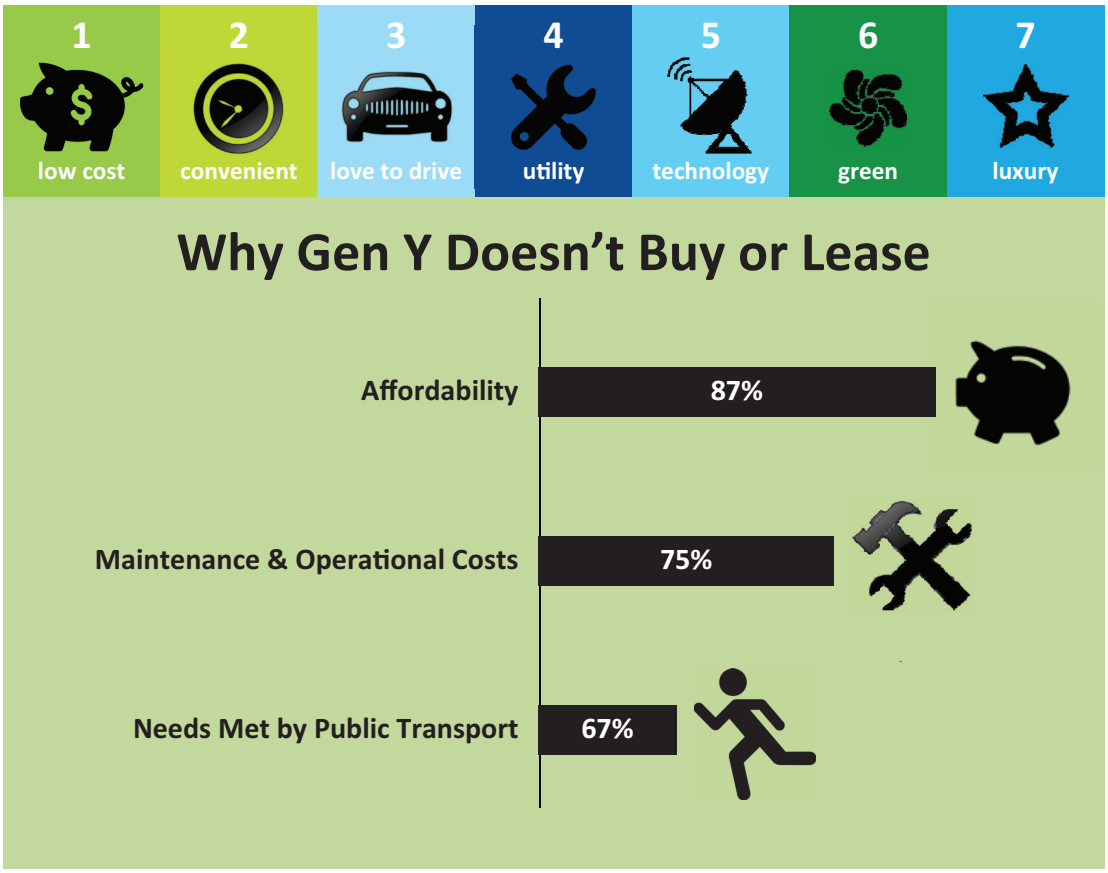
Gen Y / Millennial Viewpoint

Consumers these days have a wide set of transportation options, and increasingly associated transportation decisions –and like all generational cohorts these opinions differ across Millennials. There are generalities that are present across the band, however, some gravitate toward more traditional ownership models, while other cohorts are hyper-interested in models that provide access to mobility, which in turn allows them to stay connected (higher productivity), save and cut down costs. Across the range in opinions within and among Millennials expectations around mobility, together with changes in traditional vehicle ownership models, will certainly alter how OEMs, leasing and finance companies engage with this critical cohort. GM recently signed an agreement with a former MTV marketing unit to help them understand what moves this cohort and why teen driving rates as reflected by new license application declines become a matter of concern – the question arises, Has this generation lost the love of the automobile?



> *They are savvy consumers, who are savvy to marketing and savvy in marketing themselves. They are six times less likely to have a driver's license.*

Anne Hubert, Senior Vice President of MTV Scratch



Deloitte 2014 Global Automotive Consumer Study

Loyalty

Most traditional views of customer loyalty in the independent leasing and finance space view customer loyalty in the context of major events, such as the transaction itself or at the end of the lease. However, there are a number of non-event factors at play throughout the purchase and lease life cycle that can have a fundamental impact — positive and negative — on whether a customer becomes or stays loyal.

Some of those additional qualitative and quantitative factors can be:

- Satisfaction with the sales process
- The type and rapidly of repairs – or out of service delays
- Time spent waiting for repairs
- Interacting with the point of contact

Selected Customer Loyalty Touch Points

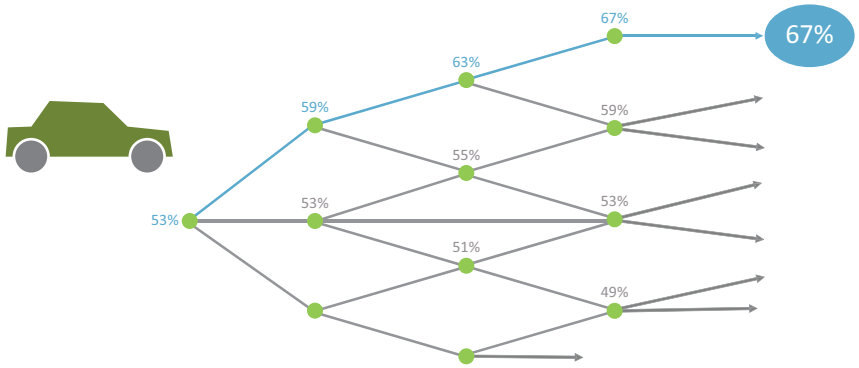
Selected Loyalty Touch Points Throughout the Customer Life Cycle

Initial Loyalty
- Model purchased
- Lease/Retail
- State/Region
- Prior owner

Sales Satisfaction
- Negotiation
- Sales consultant
- Review of features
- Financing process
- Facilities

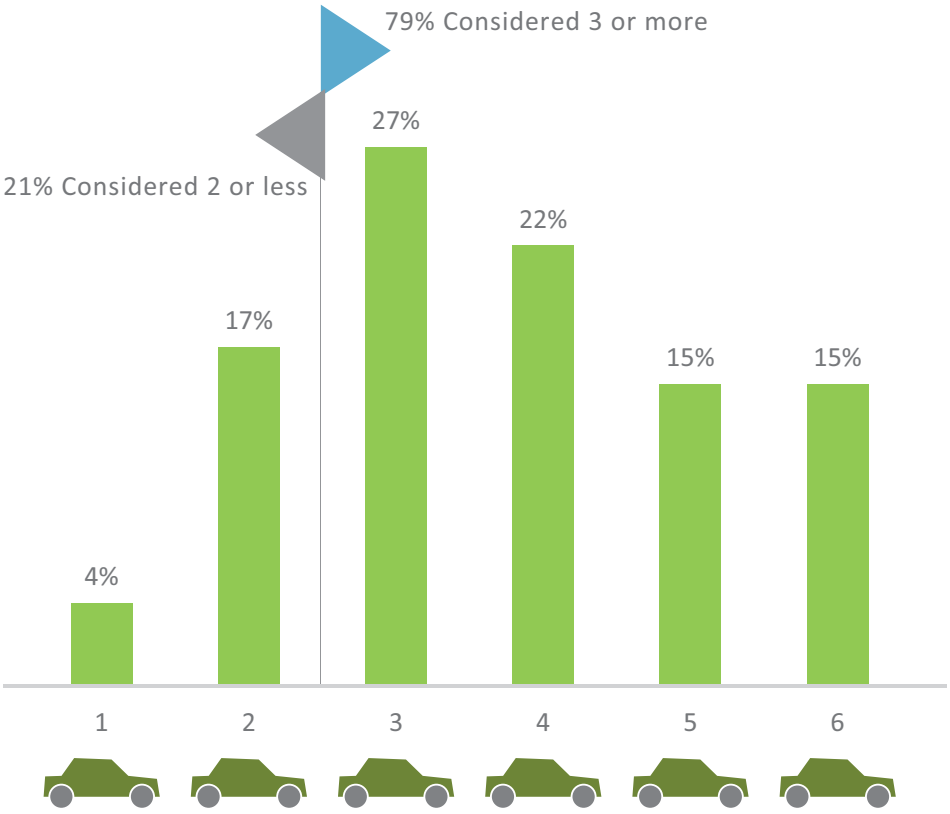
Warranty/Service
- Type of repairs
- Frequency of repairs
- Labor op codes
- Dollar amount
- Time out of service

Service Satisfaction
- Time spent waiting
- Fairness of charges
- Quality of work
- Explanation of charges



Source: Experian loyalty source

Number of brands Gen Y considered – buying or leasing



Deloitte 2014 Global Automotive Consumer Study

> ***The majority of Gen Y consumers spend more than 10 hours researching and considers 3 or more brands before they purchase or lease a vehicle. Time spent researching possible vehicles (is key to this group).***

Deloitte 2014 Global Automotive Consumer Study

Customer Benchmarking and Preferences

Next: Collaborative Consumers

Technology is reducing transaction costs across markets – changing the business environment in significant ways giving rise to a collaborative economy predicated on the sharing of assets at greater scale.

This sea change is occurring in the availability of big data – information and analytics transcending people and things. A virtualization of real assets restructured and devoured as services. Prior to the connectedness of the internet renting components, lifestyle facilitators, tools or smaller consumables was deemed too difficult.

Today applications and websites including; Uber, Airbnb, RelayRides and SnapGoods (to name a few) play matchmaker of haves and have-nots; our integrated virtual life of smartphones, GPS, social networks and payment systems work in real time to link owners with renters for transportation options never before possible.

Sharing services much like peer-to-peer businesses empower everyone to create a mini-retail environment, acting as car services, hotel or a myriad of other businesses on an ad hoc basis. It is as simple as swiping a thumb on the screen of your smartphone.

The model functions best with assets that have high barriers based on cost (homes, cars, etc.) yet widely owned by people who are fully utilizing these items – it is about access not necessarily ownership; from bedrooms, cars, parking spaces and appliances the possibilities in a sharing economy are vast.

Rachel Botsman, one of the principal thought leaders on collaboration and sharing economics, who had coined the phrase 'collaborative consumption' in her 2010 book, 'What's Mine is Yours: How Collaborative Consumption Is Changing The Way We Live', has posited that consumer peer-to-peer rental market alone is worth $26 billion.

Airbnb – the leader in peer to peer home renting – has reported that rental users of the service in San Francisco do so an average of 58 nights in a year, and see over $9,000 in gross sales. Car owners renting out their vehicles to users on the app/site RelayRides see an average of $250 a month gross sales. Many of these sharing firms started up during the financial crisis in 2008-2009.

Heavy-weights in the car rental business have been lining up to get ahead of the curve – notably Avis Budget Group's acquisition of ZipCar in 2013 for $500 million.

Notes

Notes

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