

# CONSUMER CREDIT

a support of economic growth ?

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**An illustration of the French example**

## Consumer Credit : a support of economic growth ?

### Why ask this question in France ?

- The support of housing credit for the real-estate business is self-evident  
This is not the case for consumer credit.
- The GDP growth is mainly maintained by the consumer demand.  
The role of consumer credit to support household consumption becomes more important.

## Consumer Credit : a support of economic growth ?

### Presentation of SOFINCO

- 1- Correlating elements
- 2- Consumer credit benefits for consumers
- 3- Consumer credit benefits for retailers

Conclusion : the new communication policy of SOFINCO

# Presentation of SOFINCO

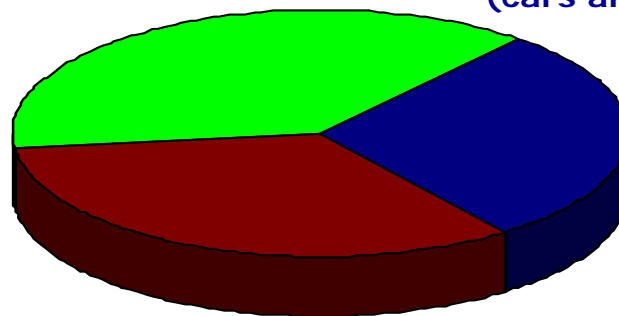
**SOFINCO is a specialized subsidiary  
of CREDIT AGRICOLE S.A.**

**SOFINCO is present in all distribution forms in France and internationally**

**INTERNATIONAL**

**FRANCE : activities under its own brands**

- direct sales
- point-of-sale credit offers  
(cars and home furnishings)



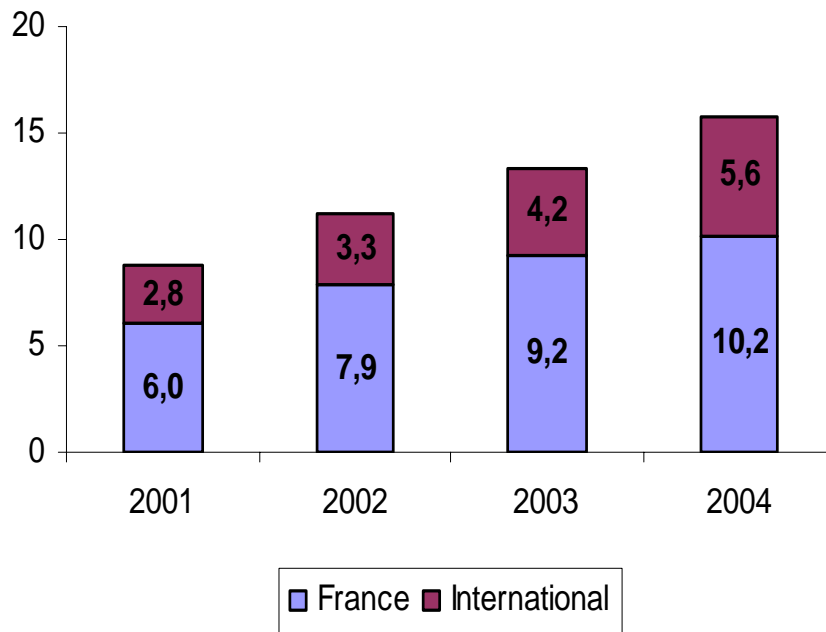
**FRANCE : partnerships**

- major distribution networks,
- banks, insurance companies
- the two retail banking networks of the Group (Crédit Agricole & LCL)

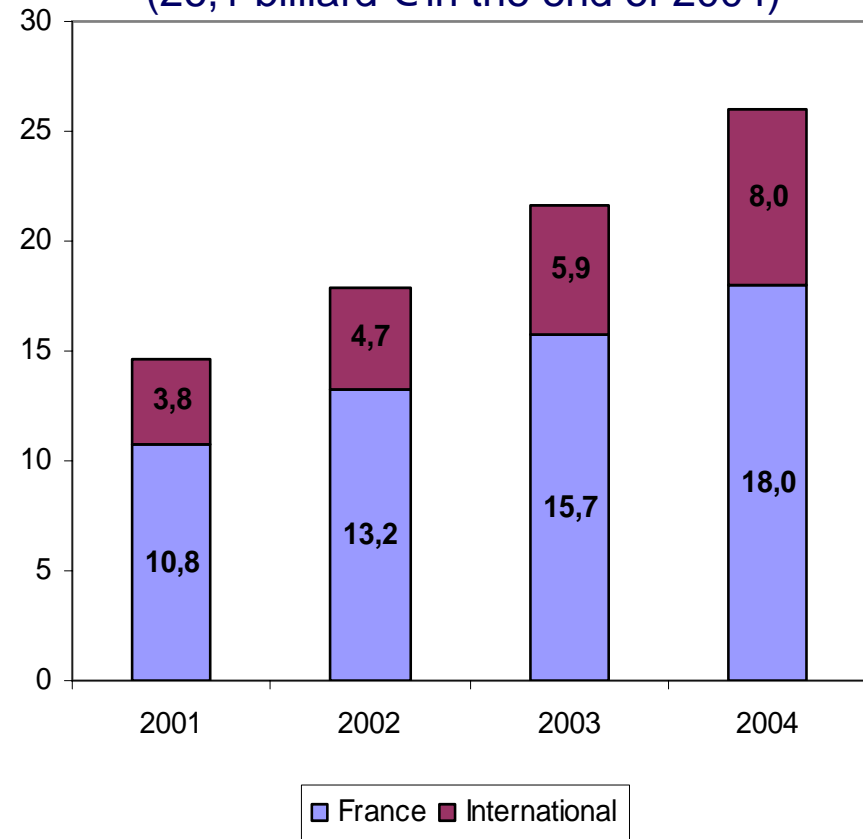
During the past 3 years (2001/2004), SOFINCO has experienced a strong development:

- new credit : +80 %
- outstanding credit : +79 %

### New Consumer Credits (15,8 milliard € in 2004)

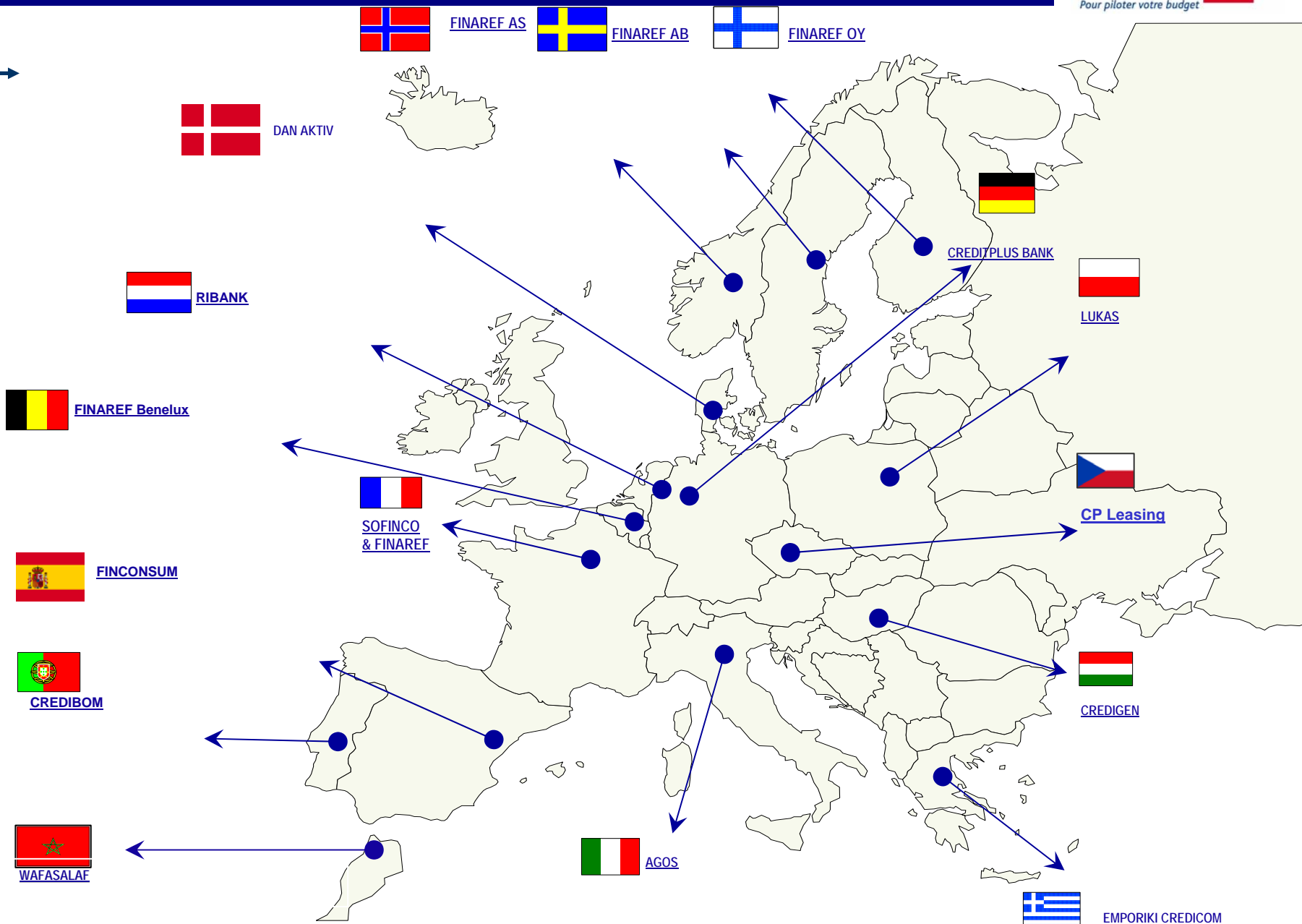


### Outstanding Credits (26,1 milliard € in the end of 2004)



**2,403 employees in France (31/12/2004)**

# SOFINCO & FINAREF : present in 15 countries



## CREDIT AGRICOLE Group : the consumer credit leader in France

The total outstanding consumer credit at the end of 2005 :

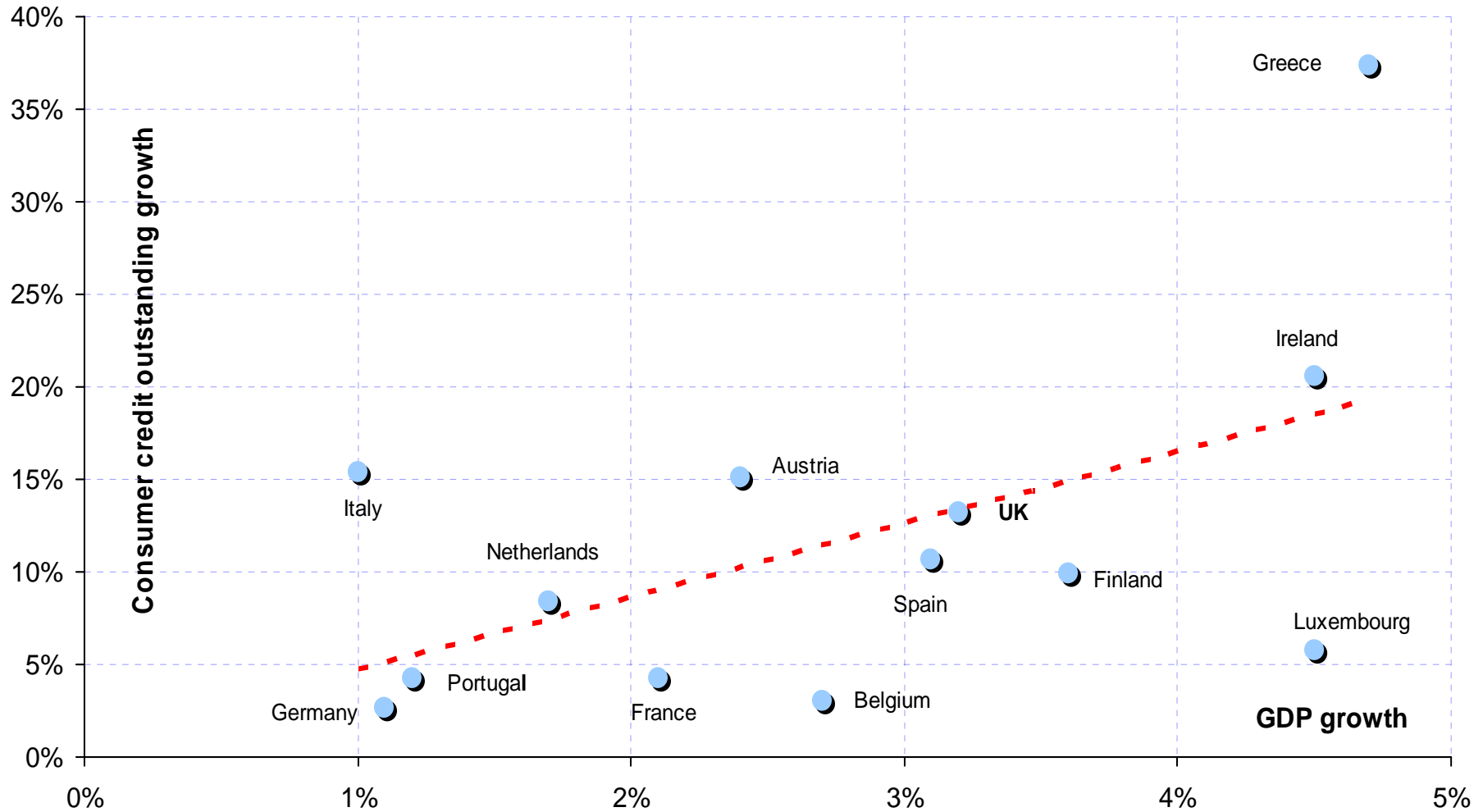
- from the two retail banking networks (Caisses Régionales Crédit Agricole & LCL Le Crédit Lyonnais)
- from the two specialized companies (SOFINCO & FINAREF)

represented **29 % of the French market.**

# Correlating Elements

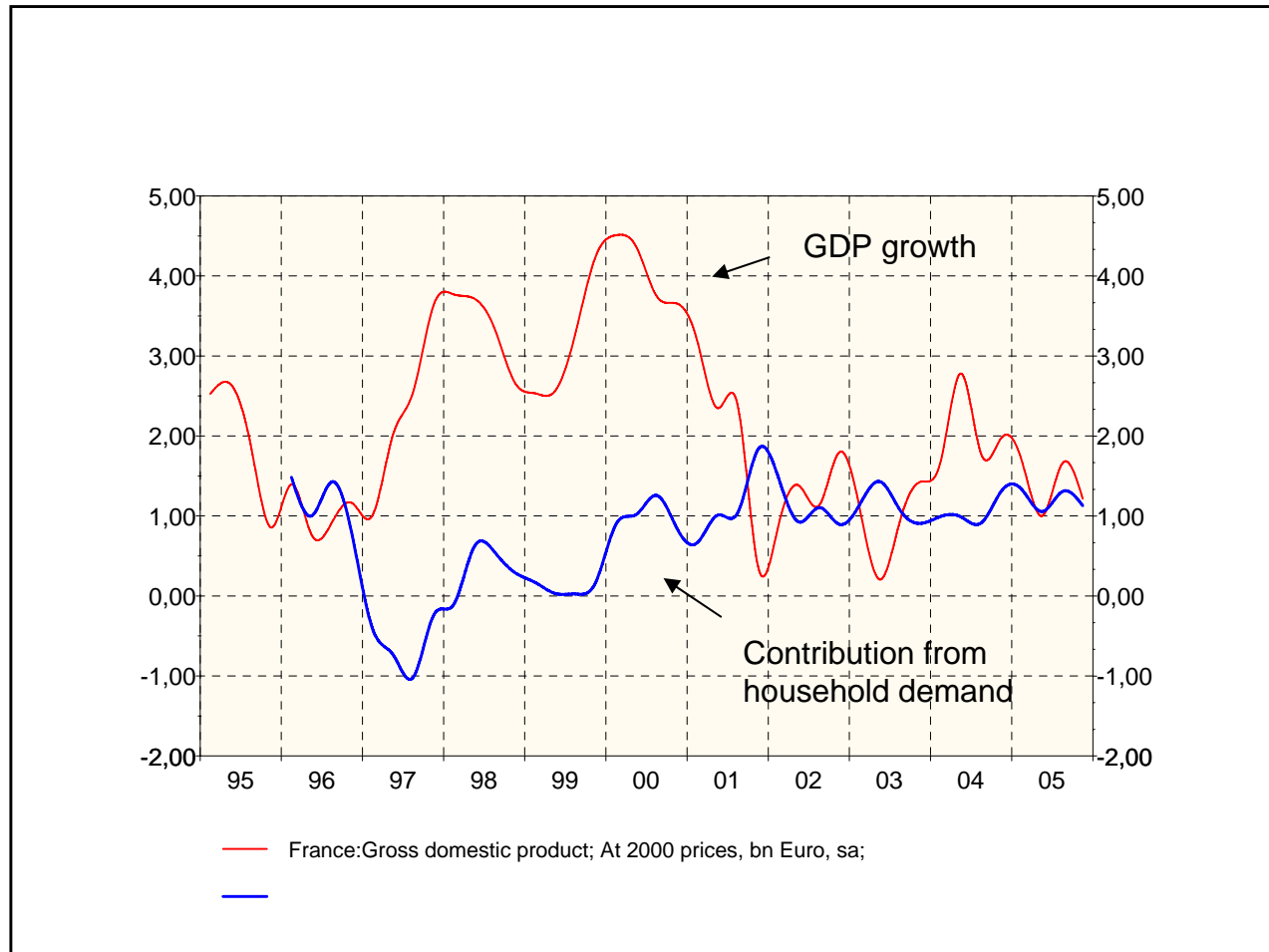
According to a XERFI study conducted for SOFINCO

## The relationship between consumer credit growth and GDP growth in 2004



Source : XERFI study conducted for SOFINCO - December 2005

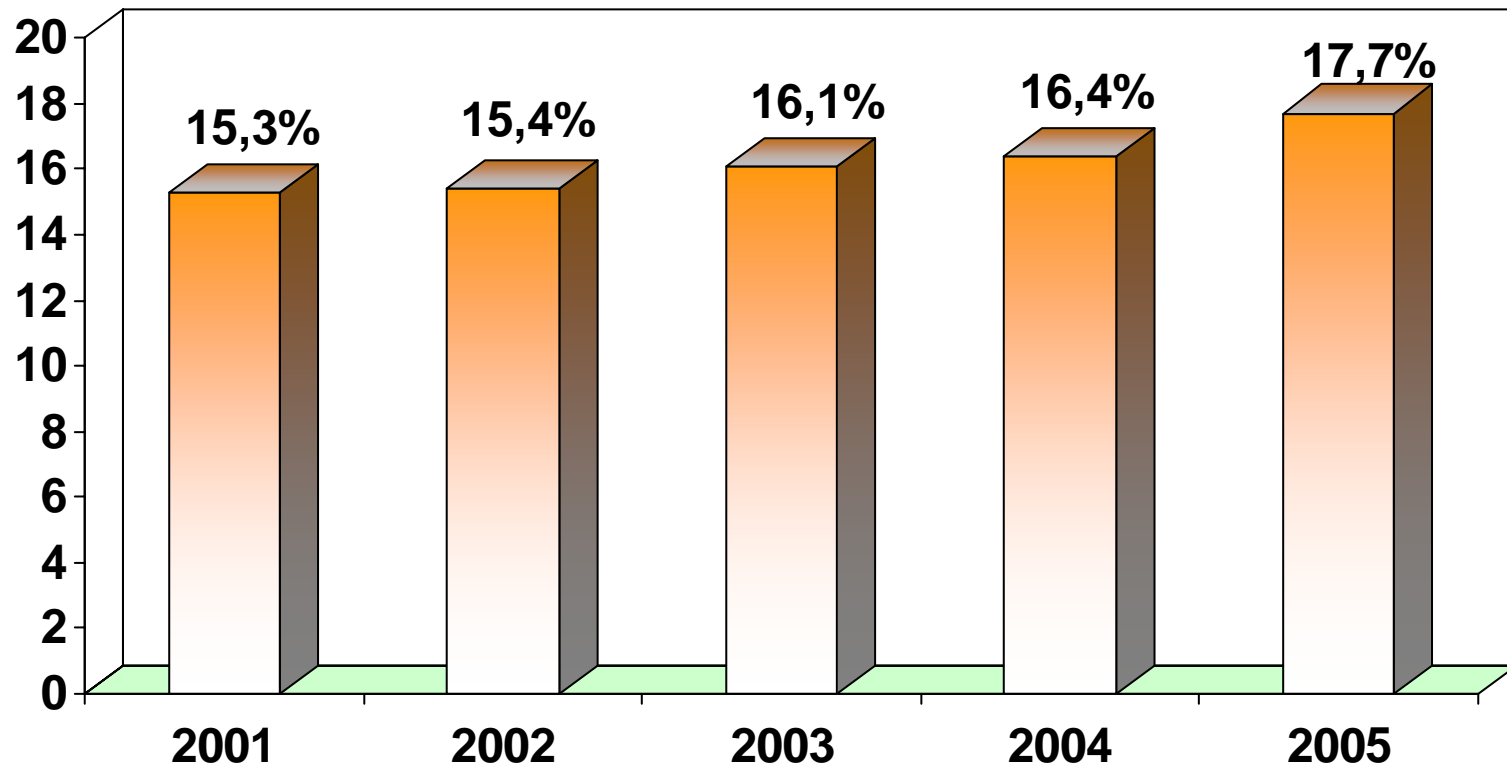
**In France, GDP is maintained principally due to consumer demand since 2001**



Source : XERFI study conducted for SOFINCO - December 2005

**Credit from French specialized finance companies (affiliated to ASF) has increasingly contributed to household consumption**

The part of ASF annual credits in the consumption of manufactured goods  
(ASF represents half of the total French consumer credit activity)



Source : XERFI study conducted for SOFINCO - Mars 2006

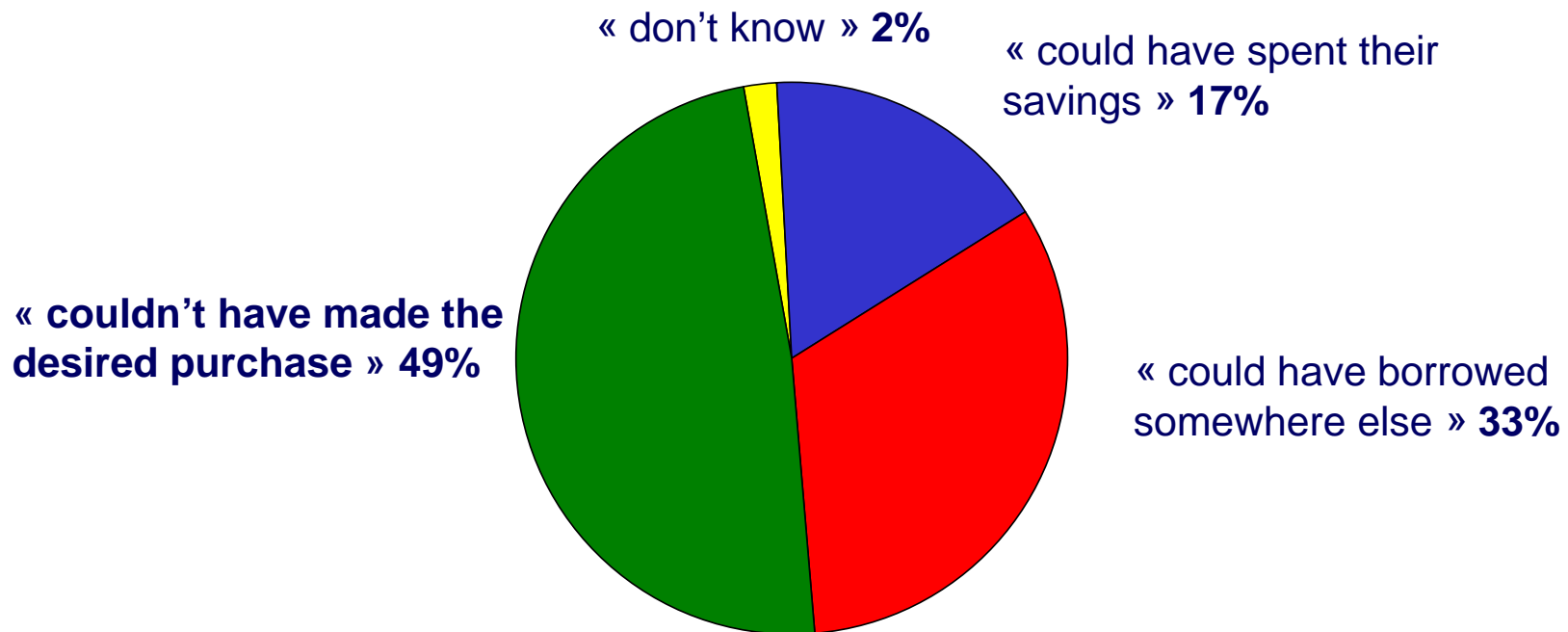
# Consumer Credit Benefits for Consumers

**Consumer credit is a budget tool  
for households**

### Consumer credit is an indispensable element for consumption

According to a SOFRES survey (conducted for ASF in October 2004) :  
Half of the credit holders couldn't have made their purchases without obtaining a loan

Question : "What would you have done, had you not obtained your consumer credit ?



Source : SOFRES survey conducted for ASF - October 2004

### A growing resource for all French consumers

- **56% of French people declared having or having had consumer credit** (according to a SOFRES survey conducted for ASF in October 2004)
- **33% of French households had consumer credit in 2004** compared to 29% ten years earlier (1994).

This evolution concerns all age groups from the youngest to the oldest :

- under 30 years : 40,2 % (1994) → 42,8 % (2004)

- 55/64 years : 23,0 % (1994) → 31,1 % (2004)

- Over 65 years : 12,5 % (1994) → 17,2 % (2004)

Note stabilized balance in total households in debt (housing + consumer credit) :  
50,0% in 1994 → 50,2% in 2004.

(source : Observatoire de l'Endettement - April 2005)

- **Consumer credit : 21% of outstanding credit to individuals.**

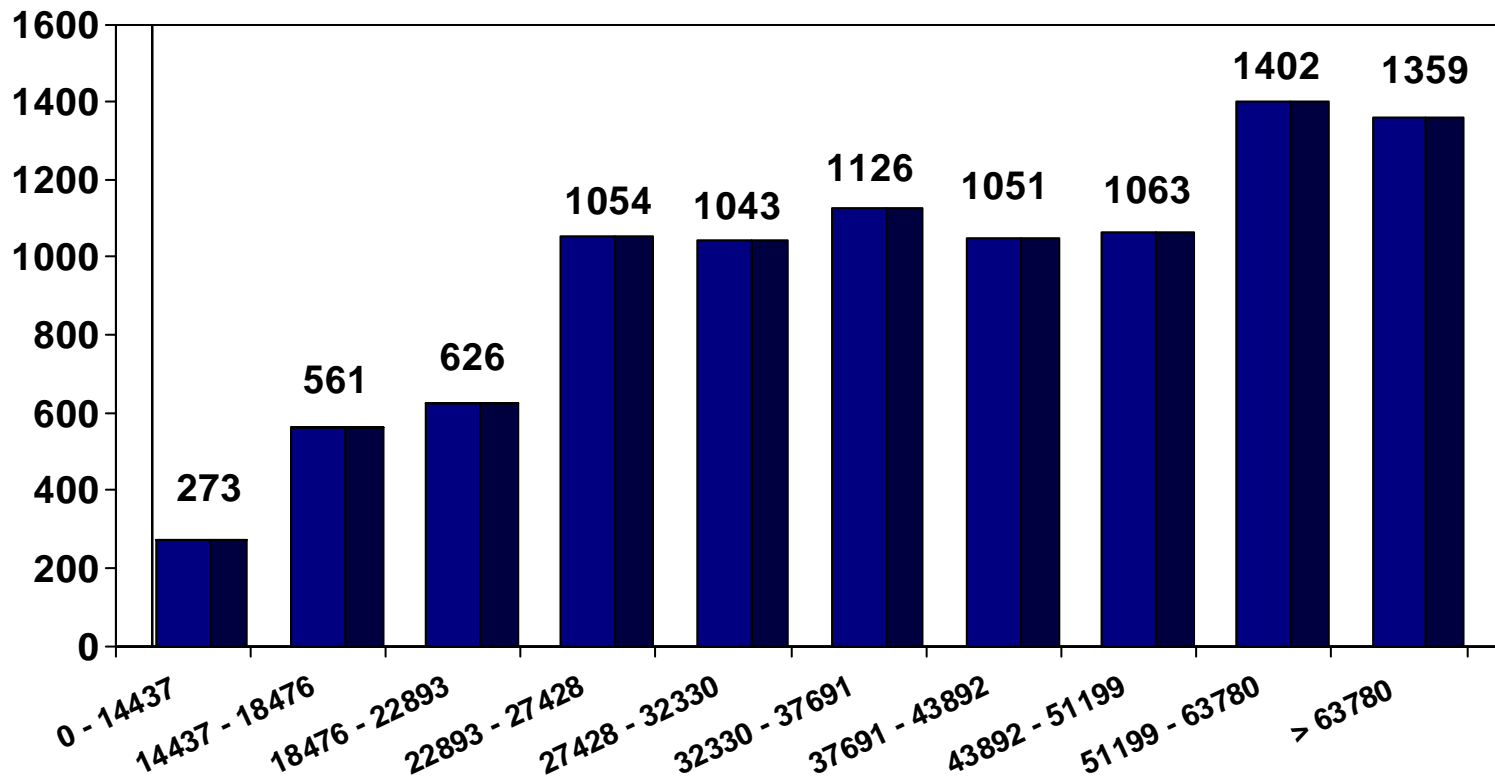
### A resource for all age groups

<b>Age groups</b>	<b>Percentage of households which have consumer credit</b>
under 25 years	31,4 %
25 / 34 years	44,0 %
35 / 44 years	41,2 %
45 / 54 years	39,4 %
55 / 64 years	31,1 %
over 65 years	17,2 %

Source : Observatoire de l'Endettement (2005) & Rapport Babeau (2006)

A resource for all levels of income

New consumer credit per income level (amount in € per person)



Source : Rapport du Sénateur BOURDIN (2006) & BIPE (2003)

### A budget tool for households (1/3)

#### For expenses related to the home :

- Renovation, repair or home extension : do-it-yourself, doors and windows (thermic or acoustic isolation), swimming pool, veranda, fireplace ...
- Furnishings and household equipment : furniture, kitchen, bathroom, ...
- Appliances, TV, computers ...

The role that consumer credit plays today for multimedia equipment in households, reminds us of the role it played for home equipment during the “30 glorieuses” (1945/1975)

#### For expenses related to cars :

It's estimated that ;

- 2 out of 3 new cars are sold with a consumer credit
- 1 out of 2 used cars are sold with a consumer credit

### A budget tool for households (2/3) :

- **Education financing** : tutoring, private education, advanced studies  
According to a SOFRES survey, 57% of French people find it normal to borrow money (consumer credit) to finance the children's studies.
- **Family costs** : furniture, child care equipment, changing for a bigger car, ...

Number of children in the household	Percentage of households which have consumer credit
no children	29,2%
1 child	42,3%
2 children	47,6%
3 or 4 children	48,0%
More than 4 children	75,2%

Source : Observatoire de l'Endettement (April 2005) & Rapport Babeau (2006)

### A budget tool for households (3/3) : to prepare the future in face of life hazards

- In the context where retirement will not be financed in totality by employee contribution,
- in the context of the large unemployment rate and the strong possibility of losing one's job,
- in the context of the drop in health expense coverage by Social Security.

In face of these uncertainties, a lot of people think it's wise to maintain a high level of savings and use consumer credit.

### A budget tool for seniors

**Retirement** : after retirement, income drops on the average (in France) by 22 %.

For this reason, seniors seek loan consolidation in order to reduce the amount of their total monthly payments.

**New expenses** : leisure activities for instance travelling with a camping-car :

- 1 out of 3 buyers (with a SOFINCO credit) of a new camping-car is a retired person.
- the average price of a new camping-car is about 47.000 €, 75 % is financed.

**Consumer Credit allows seniors** :

- to keep precaution savings
- to help younger generations (children and grand-children)

# Consumer Credit benefits for retailers

## 3.1 Consumer credit benefits for retailers

→ **A historical legitimacy : manufacturers and dealers originated consumer credit**

### Automobile industry (in the first part of the 20<sup>th</sup> century) :

- In the US : - GMAC (General Motor Acceptance Corporation) was founded by GM
  - Ford Credit Company
- In France : - SOVAC (1919) *“Société de Vente Automobile à Crédit”* by CITROËN
  - DIAC (1924) *“Diffusion Industrielle Automobile par le crédit”* by RENAULT

### Home furnishings & distribution networks :

- In the US : - General Electric Capital (1932)
- In France : - Radio Fiduciaire (1933), by Philips
  - SOFINCO (1951) *“Société de Financement industriel et commercial”* by the home furnishings trade association
  - FINAREF (1970) by La Redoute (PPR Group)

The original names of these companies (“société de vente ... à crédit”, “diffusion ... par le crédit”, ...) reinforce their role in the support of the distribution.

## 3.2 Consumer credit benefits for retailers

### → The importance of the point-of-sale financing

In France, 55 % of new credit (excluding revolving credit) delivered by the ASF's members is offered directly by salesmen.

The proportion is higher for car financing.

Consumer credit allows dealers :

- to help customers buy products that they may not be able to afford immediately ; credit facilitates the sale of a product or a service, for instance by allowing customers to buy it with only an initial down payment,
- to raise their sale of products by increasing customer purchasing power,
- to deliver the product in a shorter period of time, because customers are not required to wait for an appointment with an alternative finance company

## 3.3 Consumer credit benefits for retailers

### Consumer Credit is part of the marketing mix

**0% credit** is another means of promotion.

In the US, car manufacturers often offer 0% credit for a limited period of time to promote sales (especially during a weak period).

**Shared charges** : a part of the interest charge can be paid by the manufacturer or the dealer :

- to accompany the launching of a new product,
- to support the sales of an old product or an inventory reduction.

**Additional special Offers** :

- 3-instalments with no interest
- fixed monthly payments

**Credit Cards**

## 3.4 Consumer credit benefits for retailers

### Consumer Credit contributes to the e-commerce development

- With 7.5 million visitors in 2005 and 50,000 pages viewed every day, the **www.sofinco.fr** site is France's leading site for consumer credit distribution.
- More than **one in every three requests** (37 %) for a personal loan is made on line.
- More than **25% of new clients for Sofinco's direct sales channel** are generated by Internet.

With an average age of 41, these new clients are six years younger than borrowers who use traditional distribution channels (branch network, telephone, etc.) and they have an average income that is 22% higher, although this gap has narrowed over the years as more and more households have personal computers.

Single people and executives are particularly keen on using the online channel: nearly half of Sofinco's new clients in these two groups use the Internet to take out a new consumer credit product.

## 3.5 Consumer credit benefits for retailers

### Our help to the retailers is carried out responsibly

For several years, the SOFINCO risk rate has been the lowest among the French companies specialized in consumer credit.

That performance reflects its sense of responsibility and its expertise not only in loan acceptance, but also in customer support.

This result is due to a high level of expertise upstream in terms of loan acceptance, and downstream, thanks to the quality of processing during debt collection. This expertise is backed by the professionalism of the customer counselors in the SOFINCO networks.

# The new communication policy of SOFINCO

“pour piloter votre budget”  
“to manage your budget”



## Et si enfin on parlait du crédit pour ce qu'il est ?

Pour SOFINCO, le crédit à la consommation est un moyen de gérer son budget.

• Le crédit est un outil indispensable, non seulement pour permettre à chacun d'accéder à des biens de consommation courants, de réaliser des projets personnels, mais aussi pour faire face à un imprévu. Pour SOFINCO, le crédit est pour les particuliers un instrument de gestion, c'est ce qu'exprime sa nouvelle signature : "Pour piloter votre budget".

• Le crédit est une responsabilité. Cette responsabilité, SOFINCO l'assume dans son organisation, ses modes opératoires et dans sa relation quotidienne avec ses clients. Cela se traduit dans son taux de risque aujourd'hui le plus faible du marché.

• Le crédit est un facteur de croissance pour notre pays, car il soutient la consommation des ménages, moteur important de l'économie. SOFINCO s'applique à exercer son rôle avec une volonté d'innovation au service de ses clients particuliers et de ses partenaires de la distribution.

Le crédit à la consommation est utile aux individus et à la collectivité.  
C'est ce qui nous rend fiers de notre métier.

Patrick VALROFF  
Président Directeur Général



## And if we talk about credit for what it is ?

**For SOFINCO consumer credit is a means to manage one's own budget.**

- **Credit is an important tool**, not only to allow everyone to have the benefit of current consumption and to accomplish personal projects, but also to deal with the unexpected. For SOFINCO, credit for individuals is an instrument of budget management, which explains our new slogan : « to manage your budget ».
- **Credit is a responsibility.** SOFINCO assumes this responsibility in its organization and its daily relationship with its customers. That translates by its rate of risk which is today the lowest in the consumer credit industry.
- **Credit is a factor of growth for our country** because it supports household consumption, an important economic motor. SOFINCO applies itself to carrying out its role with in mind innovation in service of its individual customers and of its the distribution partners.

**Consumer Credit is useful to individuals and to the Community.  
That's what make us proud of our Profession.**

**Nicolas PECOURT**

**SOFINCO**

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