

Automotive Captives – Capitalizing on customer focus and OEM collaboration



Automotive Captives (Captives) are no longer sole financing partners to their customers and simple sales motors for their Original Equipment Manufacturers (OEMs). Things have changed and they will continue to change at a fast pace.

Captives will become indispensable companions for all OEM endeavors, claiming their stake in an ever-growing automotive financial services market spanning the automotive product lifecycle, both upstream and downstream. Captives will complement and upgrade OEMs' products with their services and closeness to the customer.

Financial stability and independence will be of utmost importance if Captives are to live up to these new requirements. Involvement with external risk bearers will slow down efforts to become a frontrunner in captive finance. Banking licenses will become the new norm and pay-off as they facilitate refinancing and investment endeavors.

By offering deposit business to their customers, Captives may diversify their refinancing structure taking regional requirements into account. In a worst-case scenario, a banking license (European Union (EU)-bound) allows access to European Central Bank funding. Depending on financial performance, Captives could contribute to more favorable external ratings for their OEMs, which will satisfy their shareholders.

Securing access to new economy endeavors via venture capital or collaboration with start-ups and Financial Technology (FinTech) companies is a key aspiration in this highly digitalized sector, because technology helps complement and elevate the built-in hardware and facilitates implementation of new digital services via apps, such as wireless payment.

Equipped with sufficient financial strength, Captives can spread their wings to extend market share. Captives may play an active role in securing timely delivery streams of suppliers towards OEMs and contributing towards the financial independence of their OEMs by providing easy-access credit lines. However, the starting point for Captives has changed. Where once their role was to provide financial services products at the point of sale at the dealer, now the extended opportunity grid makes customers the primary focus.

How well do OEMs and Captives know their customers; not only now, but in 10, 15, 20 years time? Right now, and in the future, OEMs and Captives that are close-knit, can maximize that competitive advantage as a one-stop shop that offers highly digitalized, speedy processes tailored to clients. Captives collect and manage customer data through their sales and communication channels, which is no longer exclusively at the point of sale at a dealer's brick-and-mortar location. Online platforms and services to retrieve information and perform one-stop-shopping for financial services products is becoming more valuable to clients.

Effectively managing customer data, including big data, is a key success factor as it translates into new services, tailored products and customer groups throughout the automotive value grid. This has a stabilizing effect on OEM operations, even in saturated markets and in an evolving market environment characterized by shorter product lifecycles, fierce global competition and increasing demand for mobility services, such as the trend towards usage rather than ownership.

Tailored financial services products will lead to higher-value vehicle purchases or leases. By collaborating, OEMs and Captives can capitalize on a variety of car rental models – including new medium-term rentals, corporate car-sharing and fleet business as well as multi-modal transport usage where different vehicles or brands are used at one or more stages in a journey. E-Mobility financial services products such as battery lease, are other potential revenue streams. Meanwhile, complementary services such as mobile and wireless payment and after-sales-services help maximize the added value of a Captive.

Captives enable one-stop-shopping for customers, throughout a product's lifecycle. Through efficient interaction upstream and downstream and by effectively converting their customer knowledge, Captives continue to create significant up- and cross-selling potentials, increasing their value proposition for OEMs.

Contact information



Ulrich Bergmann
Global Automotive Financial Services Leader
T: +49 89 9282-1070
E: ubergmann@kpmg.com



Sandra Speckbacher
Global Automotive Financial Services Co-Leader
T: +49 89 9282-4955
E: sspeckbacher@kpmg.com

kpmg.com/socialmedia



kpmg.com/app



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