

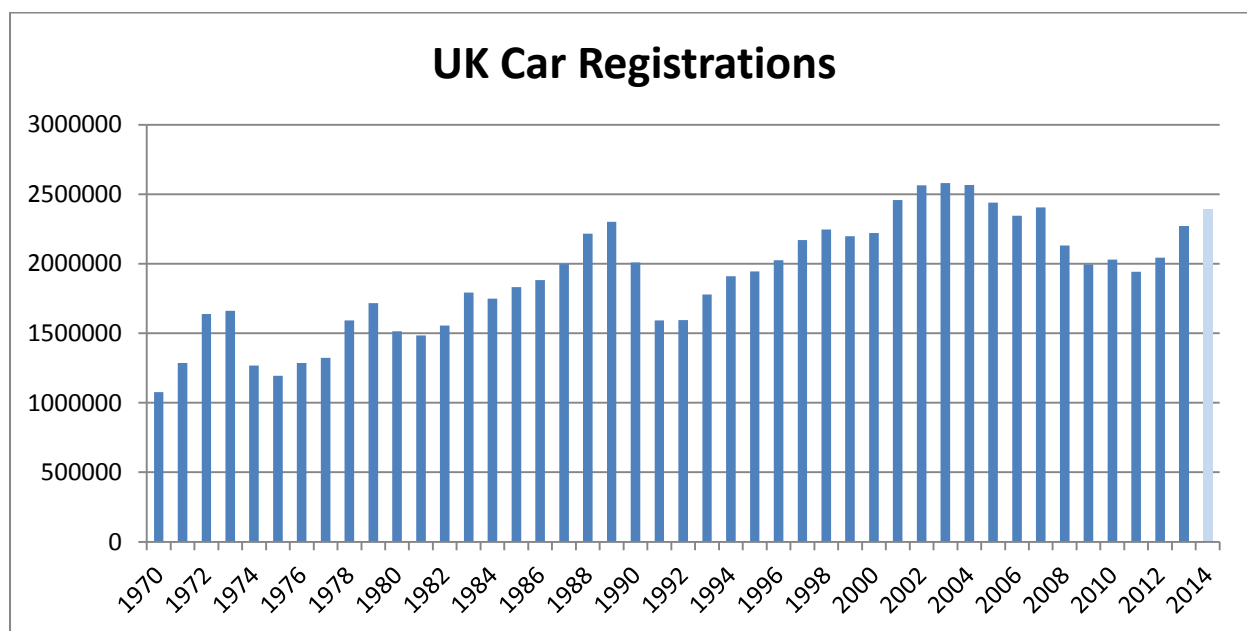
DEALER ATTITUDE SURVEY REPORT SUMMER 2014

THE MARKET

New Car Market Trends

The new car market in the UK continues to perform strongly with 2014 so far seeing 10.1% rise in new car registrations. This increase is on top of 2013 market rise of 10.8% and means that July 2014 saw the 29th consecutive month increase in UK new car registrations. It is predicted that the market will reach 2.45 million for the full year in 2014, a level not seen since 2005. This would mean a full year market increase of just under 8%. A market of this level would still be beneath the peaks of 2.579 million in 2003 and 2.567 million in 2004 but not by much.

It is generally agreed that growth in new vehicle sales is likely to slow through the remainder of 2014 and into 2015. The current level of sales is believed to be sustainable but is unlikely to allow for much further growth. Current registration levels show a healthy market assisted by strong consumer deals and relatively cheap finance. Interest rates are likely to rise over the next 12 months and this is likely to soften sales to some extent. However, improving economic conditions and more confident consumers may lessen the impact of interest rate rises on new car registrations.



Market Sectors

The new car market over the past 3 years has been driven by strong retail sales. During 2013 much of the growth had occurred in the retail market which saw 15.6% growth compared to fleet market growth of 5.7%. This year though has seen a more even spread of growth between retail and fleet with 7.3% and 5.4% respectively. The small business market has particularly grown over the past few years. Although this is only a small number compared to the other two sectors, it only represents only 5% of the market, it has grown 18% in 2013 and a further 20.6% in 2014. This is encouraging as it shows that small businesses are keen to invest and suggests they are confident with the economic outlook.

Growth in retail registrations has been encouraged not just by improved consumer confidence but by highly competitive finance rates and strong consumer offers from manufacturers. Personal Contract Purchase (PCP) still

proves to be a popular finance proposition for consumers offering cost effective car ownership. It generally offers lower monthly finance payments which are attractive to consumers working on tight household budgets. PCP is also attractive to manufacturers as they encourage consumers into a regular replacement cycle of 2, 3 or 4 years. Consumers are further encouraged to replace their existing vehicle by manufacturer offers such as deposit contribution and service packages.

The fleet market has seen more muted growth over the past few years, but is still a significant element of the new car market. Fleet registrations account for 47.3% of the market, which increases to 52.1% if business registrations are added. Meaning over 50% of UK registrations are brought for business in some shape or form. It is expected that as business confidence continues to grow the fleet market will do likewise. Some trends in the business market could impact growth to some extent. Firstly, during the recession, fleets tended to extend their replacement cycle. For many businesses with modern reliable vehicles the impact on operations from having a vehicle on fleet longer has proven negligible, whilst giving financial economies. This has encouraged them to continue with lengthened change cycles as policy even though the recession is over. Secondly, the continued growth of the 'grey fleet' market, where employers offer employees alternatives to company cars in the form of an allowance, often referred to as 'cash for car'. This has proven popular with employees as it often allows a far wider choice of vehicle than under a company fleet and for some employees there is a financial reward due to lower Benefit in Kind tax or the employee taking the opportunity to downsize the vehicle. The popularity of these schemes has been facilitated by low cost finance, in particular PCPs, and service packages. PCPs and service plans have effectively given employees the same hassle free motoring proposition as a company car but without the associated Benefit in Kind charge.

Fuel Type

So far in 2014 just over half (50.3%) of vehicles registered are diesels. This is 1% higher than in 2013. Diesels have proven popular with both fleet and retail customers for their fuel economy, and new diesel engine technology giving performance comparable to a petrol engine. However, recent Government announcements about pollution from diesel engines and potential surcharging in cities may impact diesels popularity going forward.

Petrol engine vehicles still remain a significant sector of the market representing 47.9% of the market. Whilst many fleet buyers changed to diesel vehicles because of Benefit in Kind tax advantages, consumers are still attracted to petrol engines in their vehicles. Recent improvements with newer petrol engines giving increased fuel efficiency have also encouraged petrol engines continued popularity.

Alternative fuel vehicle registrations continue to grow, although very slowly. So far in 2014 just 1.8% of vehicles registered were alternative fuel, around 4,000 units a month. However, 2014 has seen 49.1% rise in the vehicles registered giving some momentum to the market. Government and manufacturers have been working hard to promote the benefit of these vehicles and to ensure there is sufficient infrastructure in place. However, buyers are still concerned about the driving range of electric vehicles; maintenance costs; residual values, lifespan of vehicle batteries and the initial cost of buying one of these vehicles.

Wider Economic Outlook

The UK economy would appear to be firmly back into a period of growth following the global finance crisis and recession of the past few years. The second quarter of 2014 saw Gross Domestic Product (GDP) grow by 0.8% and was the sixth quarter of consecutive growth. The UK economy is expected to grow at the fastest rate of all the G7 economies this year and it is forecast that UK GDP growth for 2014 will be 3.5% up from earlier forecasts of 2.8%. Much of the growth appears to be centred on the service sector which account for 80% of UK output. The improved forecast for the UK compares well against that for the US which is expected to grow by just 1.7% this year. Although, growth in the second half of the year should be somewhere between 3 and 3.5%. The low level GDP in the US for 2014 was believed to be caused by the contraction of the economy in the first quarter due to the severe weather and economic factors such as weak exports and the housing market.

Other economic indicators have also shown positive signs this year. The UK employment market continues to improve with unemployment falling by 6.4% to its lowest level in 6 years in the 3 months to June 2014, with the total of unemployed being 2.08 million. A recent BDO survey also suggests that UK business hiring rates are at a 16 year

high. Although employment is improving wage growth is still lagging behind with average growth in wages being just 0.3% higher than a year ago, meaning consumers disposable income is not growing. It is hoped that as employment levels improve there will be more pay growth which in turn will bolster increased customer confidence to spend on consumer items, including cars. It is worth noting the one interesting point of the employment market is the growth in the self-employed. The self-employed currently stand at 4.5 million, up 404,000 on the previous year. This has been the subject of much debate, particularly around whether people are actively choosing to be self-employed, seeing it as a flexible and desirable career option rising to the challenge of increasing enterprise or whether lack of jobs is pushing individuals into having to work for themselves. Of particular interest is that self-employment is up 36% in the over 50's.

Inflation is currently running at 1.9% using the Consumer Price Index (CPI) which generally measures consumer spending. The CPI index which also includes housing costs is up 2.6%. The latest figures are for June, which also saw a sharp rise in inflation from 1.5% to 1.9%, womens clothing, air fares and furniture, have been cited as the areas of highest increase. Commentators are closely watching these figures as rising inflation could signal for the Bank of England to raise interest rates sooner rather than later from their record low of 0.5%. Although the lack of growth in wage earnings may act as a brake in the short term.

European Car Market

Generally, the European new car market has improved during the first half of 2014. The Western European car market overall rose by 5% on the year before. The markets performance in June was a little lower with a 3.8% rise but the month signalled the 10th consecutive increase in monthly sales. However, it should be noted that the European market still remains historically very low. Manufacturers appear to have relied heavily on sales incentives to boost sales in many markets rather than consumers willingly return to the market. There is also still major production over-capacity issue in Europe which has not been fully addressed. It is believed European plants are working at 70% capacity, some 10% to 15% below the levels required for them to break even. Vehicle production is also currently around 3.5% higher than registrations. All this puts pressure on manufacturers to push registrations and sales, meaning a significant proportion of market growth across Europe is occurring through supply push rather than demand pull.

Portugal has seen the biggest rise in new car sales in the first half of 2014 rising 38%, followed by Greece 23% and Eire 23%, all markets which had declined dramatically through the recession. Spain and Sweden grew by 18%, Spain on the back of a car scrappage scheme. The UK increase of 11% was also another market which showed significant above average improvement.

The other major European markets Italy (3%), France (3%) and Germany (2%) all showed more moderate increases in sales and suggests their markets are still far from recovered. There were though just four markets showing negative growth, the Netherlands (-6%), Switzerland (-4%), Austria (-3%) and Belgium/Luxembourg (-1%).

The European market is expected to grow for the remainder of 2014, although it is expected to remain well below pre-recession levels. Manufacturers are likely to continue to discount heavily to attract buyers. It also means that manufacturers will look for sales in markets such as the UK where consumer confidence is more buoyant and discounting may not need to be as steep to attract buyers.

SURVEY OVERVIEW

For Summer 2014 the NFDA undertook a full review of the Dealer Attitude Survey. The new survey has a number of new questions and a standardised question format using a response scale of 1 to 10. Dealers have given significant input and feedback to the new survey questionnaire ensuring it fits dealers needs and requirements.

We are pleased to say that we have had the highest response rate ever in the 25 years history of the survey this Summer receiving 1662 responses representing 40% of UK dealer networks. We believe that because of this the survey results give a very representative picture of the dealer/manufacturer relationship in the UK.

The survey covered 29 franchises including Chrysler and Jeep who were separated for the first time in this survey.

Overall Franchise Value

Asking dealers to give an overall value to their franchise (question 11, formerly question 21): **how would you rate your manufacturer overall on a scale of 1 to 10**; recorded an average score of 6.6. This is the lowest score for this question since the Summer of 2012 and was 0.6 points down on both last Winter 2013 and Summer 2013 surveys. Thirteen of the 29 networks surveyed recorded beneath average scores for the question, with 15 scoring above average. The Citroen network recorded an average score of 6.6.

The results to this question are seen as the main barometer of dealer opinions regarding car manufacturers. The top performing franchises are very much seen as the franchises to hold and aspire to and are often reflected further in other question scores in the survey, helping to explain why a franchise is performing well or poorly in this question. Significant movements in the score will reflect the relative changing fortunes of a particular franchise and any major events that may have caused them.

Top Performers

Land Rover remains the top performing franchise in this question with a score of 8.8. However, the score is 0.8 points lower than for the survey last Winter and the lowest score in the past 2 years. Although Land Rover remains the top performing franchise, there would appear to have been some shift in opinion from its network.

Following Land Rover at the top of the table is Mercedes at 8.7, Kia at 8.6 and Audi at 8.5. Mercedes score has improved by 0.4 since the Winter and is returning their best score in recent years. Both Kia and Audi though have recorded scores lower than the previous survey as well as in Summer 2013 .

Bottom Performers

Honda are the lowest scoring brand with a score of 4.6. This is a whole point lower than for the Winter 2013 survey and suggest dealers have some significant concerns with their manufacturer in this network. Volvo, Toyota and Seat with scores of 4.7, 5.1 and 5.2 respectively, join Honda as the four lowest scoring franchises. All these franchises have returned reduced scores compared to the Winter 2013 and the Summer 2013 surveys.

Significant Changes

The franchise with the greatest improvement is Alfa Romeo who, in the Winter 2013 survey, was the lowest scoring at 3.9. In the Summer 2014 survey the brand scores 5.9, up a full 2.0 points from the Winter and just under 3 points from last Summer. Renault has also shown significant improvement up 1.5 points from the Winter 2013 survey and last Summer's.

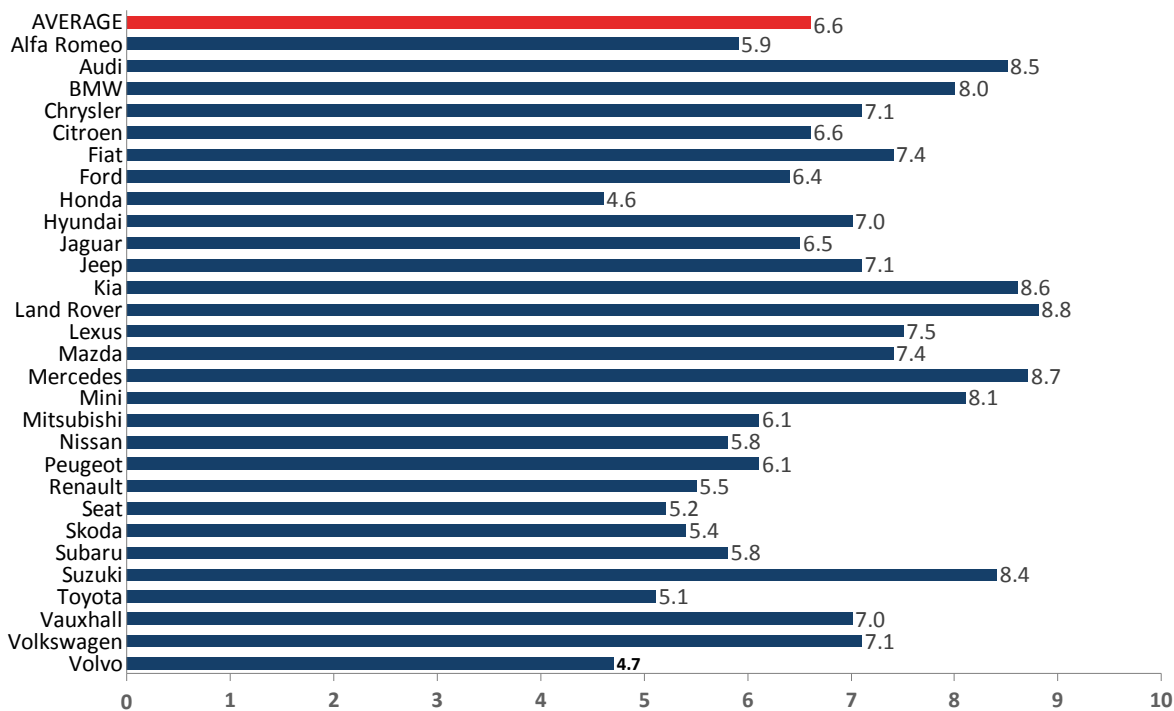
In contrast, Skoda's score fell by 2.4 points from Winter 2013 to this survey giving a score of 5.4. Skoda over previous surveys had scored consistently well above average, but dealers this time rated them over 1 point beneath the mean. Toyota saw the second largest fall to 5.1. This shows a significant change for a brand that historically scored well above average and in the survey two years ago scored 8.1 and ranked as one of the best franchises to have. Ford and Volkswagen also recorded significant declines in score both falling 1.3 points. Volkswagen still remains above average scoring 7.1 but Ford has now fallen beneath the average at 6.4.

Above Average

Below Average

	Summer 2014	Winter 2013		Summer 2014	Winter 2013
Land Rover	8.8	9.6	Citroen	6.6	6.6
Mercedes	8.7	8.3	Jaguar	6.5	7.1
Kia	8.6	9.1	Ford	6.4	7.7
Audi	8.5	9.1	Peugeot	6.1	6.5
Suzuki	8.4	8.2	Mitsubishi	6.1	6.5
Mini	8.1	8.3	Alfa Romeo	5.9	3.9
BMW	8.0	8.8	Nissan	5.8	6.8
Lexus	7.5	6.9	Subaru	5.8	5.9
Mazda	7.4	7.5	Renault	5.5	4.0
Fiat	7.4	6.9	Skoda	5.4	7.8
Volkswagen	7.1	8.4	Seat	5.2	5.7
Chrysler	7.1	8.4	Toyota	5.1	6.9
Jeep	7.1	7.3	Volvo	4.7	5.4
Hyundai	7.0	7.6	Honda	4.6	5.6
Vauxhall	7.0	6.8	Average	6.6	7.2

Q11. How would you rate your manufacturer overall on a scale of 1 to 10?



Supply and Stocking of Vehicles

Question 5f: **how satisfied are you with the fairness of your manufacturer’s new car ordering and stocking policy;** reported an average score of 6.4, suggesting dealers have some satisfaction with their manufacturers stocking policies. However, there would appear to be much scope for improvement. The question has changed slightly in the new survey with the score scale change from 1 to 5 to 1 to 10, so comparisons with previous surveys are not entirely like for like. However, it does suggest that there has been a slight worsening in the scoring suggesting dealers are less happy.

Eighteen of the 29 networks surveyed scored above the average for this question. Lexus was the top scoring franchise with a score of 9.2, suggesting their dealers are extremely satisfied with their manufacturer’s ordering and

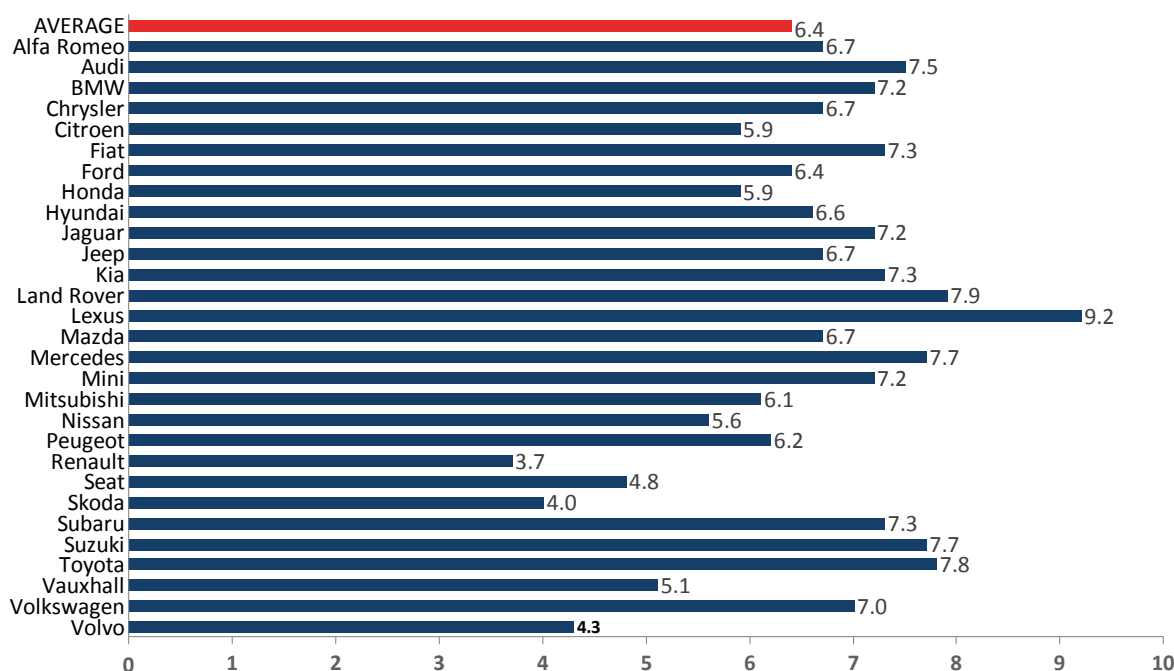
stocking policies, particularly as their score is over a point higher than the next franchise. Land Rover and Toyota are second and third highest with scores of 7.9 and 7.8 respectively and make up a significant group of networks that have scores in the 7's, which include

Mercedes, Suzuki and Audi. Their scores would suggest that generally they are reasonably satisfied but that there is still a little room for improvement.

At the bottom of the table is Renault with a score of 3.7 indicating that dealers in this network are dissatisfied with their manufacturer's ordering systems. The score in this survey compared to last Winter appears to have fallen by around 1 point suggesting that the situation has worsened during the intervening period.

Joining Renault at the foot of the table is Skoda with a score of 4.0 and Volvo scoring 4.3. Skoda dealers in particular indicated a growing dissatisfaction with their manufacturers ordering system. In the Winter their network score was just below the average, in the current survey it is 2.4 points below.

Q5f. How satisfied are you with the fairness of your manufacturer's new car ordering and stocking policies?



The results of this question would suggest that in some networks manufacturer's car ordering and stocking policies are giving some cause for concern for dealers and that generally the situation has worsened since the Winter 2013 survey. It is likely that the significant increase in new car registrations during 2014 and pressure on dealers to meet sales targets has put pressure on the vehicle ordering system, particularly in franchises that score below the average.

Induce to Self-Register

The average score for question 5e: **how satisfied are you with your manufacturer's inducement to self-register vehicles**; is 5.7. This level would suggest that dealers generally hold fairly neutral opinions suggesting they are not entirely dissatisfied but nor are they satisfied. Comparing to the Winter survey the score would also suggest dealers are becoming more dissatisfied with their manufacturer in respect to self-registering.

Kia and Suzuki are the best performing franchises scoring 7.8, which is virtually unchanged since the previous survey. Land Rover and Mini at 7.6 are the next highest scores, again both virtually unchanged from previously. These franchises appear to be generally satisfied with their manufacturer in terms of self-registrations.

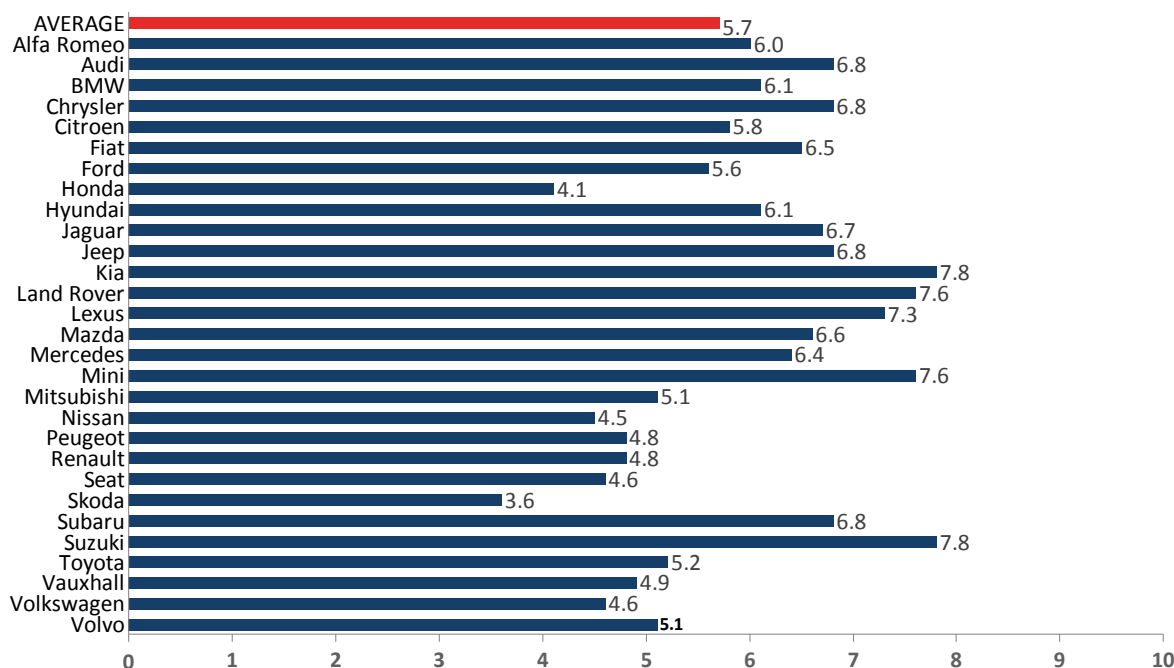
Conversely, at the bottom of the table sits Skoda with a score of 3.6, indicating these dealers are fairly dissatisfied with their manufacturer in terms of self-registrations. The network's score has also declined significantly too. In the

Winter the franchise score was 0.2 points above the average, this time the score is 2.1 points below the average which suggest that dealers have developed considerable concerns with self-registration in their network.

Honda and Nissan scoring 4.1 and 4.5 respectively to join Skoda at the bottom of the table. Both franchises scored beneath average in the Winter survey and have seen declining scores for some time. Their respective scores suggest a level of dissatisfaction amongst their dealers.

It is worth noting that Renault, who footed the table in this question in the Winter survey, have made significant improvements since and are now 6th from bottom joint with Peugeot. Also, Chrysler who topped the table in the Winter survey have now dropped significantly to 7th from top, although still well above average. However, this score is likely to have been impacted by the separating of the Jeep and Chrysler brands in this survey.

Q5e. How satisfied are you with your manufacturer's inducement to self register vehicles?

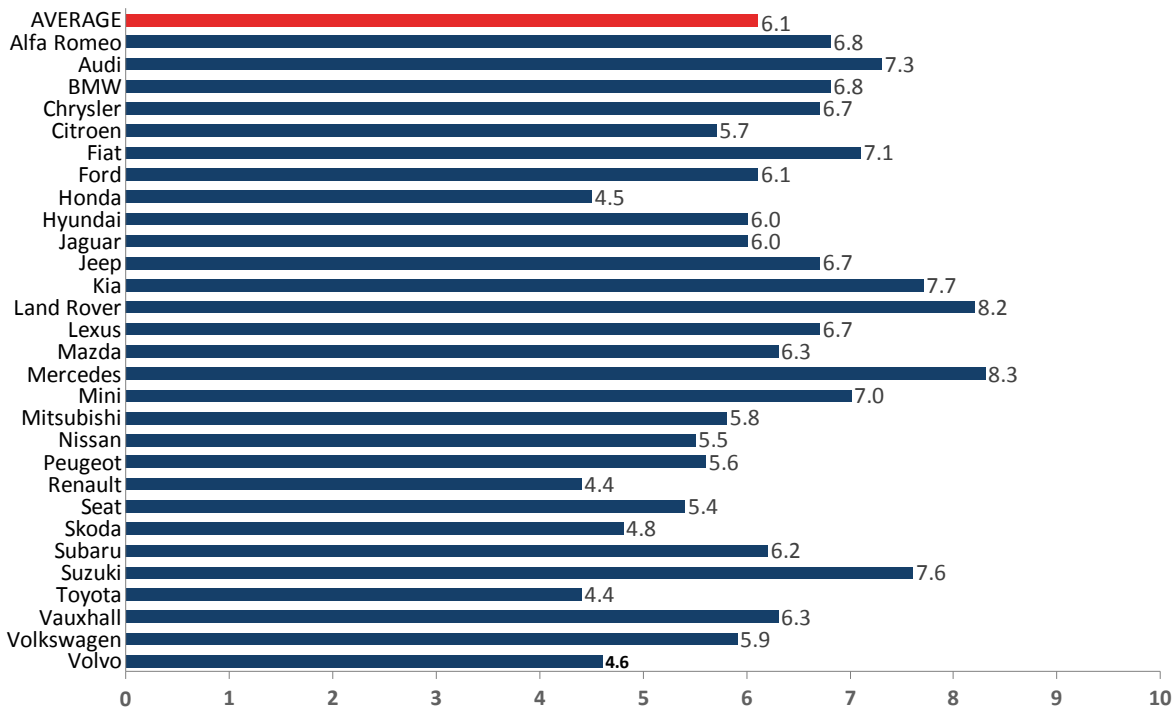


Targets and Incentives

Bonus and Rebates

The average score for question 5d: **how satisfied are you with your current bonus and rebates on new car sales;** is 6.1. The average score suggests many dealers held neutral views to this question and that there is some room for improvement. Further, the scores do appear to be falling since Summer 2013 suggesting dealers are becoming less happy with the bonuses and rebates on offer.

Q5d. How satisfied are you with your current bonus and rebate rates on new car sales?



The top performing franchise is Mercedes with a score of 8.3 indicating the dealers in this network are generally fairly satisfied. Land Rover returned the second highest score of 8.2, followed by Kia 7.7 and Suzuki 7.6. At the foot of the table is Toyota and Renault with scores of 4.4 followed by Honda 4.5 and Volvo 4.8. These networks appear to be fairly dissatisfied with the bonus and rebates offered by their manufacturers. Toyota dealers appear particularly unhappy as their scores over the past year have fallen from above average to well beneath. Skoda have also reported a considerable decline in score since the Winter survey falling from 0.6 points above average in the Winter to 1.3 points below average.

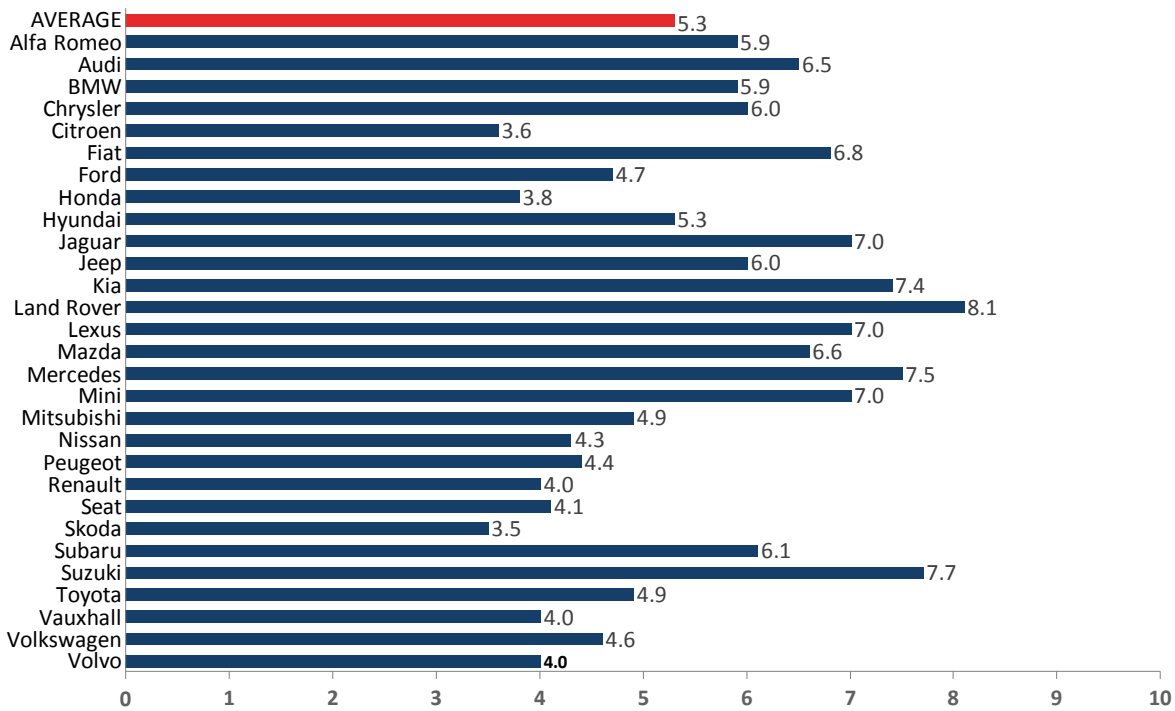
Target Negotiations

Question 5b: **how satisfied are you with your new car targeting process;** dealers returned an average of 5.3. This score is fairly neutral but is showing signs of decline. It suggests that many dealers are becoming more dissatisfied with their target negotiations with their manufacturer and is likely to reflect the hefty target increases dealers have seen this year.

Chrysler and Skoda have both seen significant downward declines in their scores, falling over 2 points. Chrysler’s score may have been impacted by their separation from Jeep but Skoda’s suggests a significant deterioration of dealer opinions, suggesting the targeting process is falling down. This is referenced by Skoda’s position at the bottom of the table with a score of 3.5. Citroen and Volkswagen also return scores that are down significantly from the Winter. Citroen is second bottom in the table at 3.6 and Volkswagen at 4.6 is 10th from bottom. Of concern is that 13 of the 29 franchises are reporting a score of less than 5.

At the top end of the scores, Land Rover heads the table with a score of 8.1. As a franchise they generally score well suggesting their manufacturer target process works for them but it is perhaps helped by the demand for Land Rover products by car buyers. Suzuki with 7.7, Mercedes 7.5 and Kia 7.4 are the next best scores. All have done well in the previous Winter survey. Fiat’s score of 6.89 has considerably improved and now sits 1.5 points above average. Renault has also changed for the better scoring 4.0, although still 1.3 points beneath the average.

Q5b. How satisfied are you with your new car targeting process?



Target Aspirations

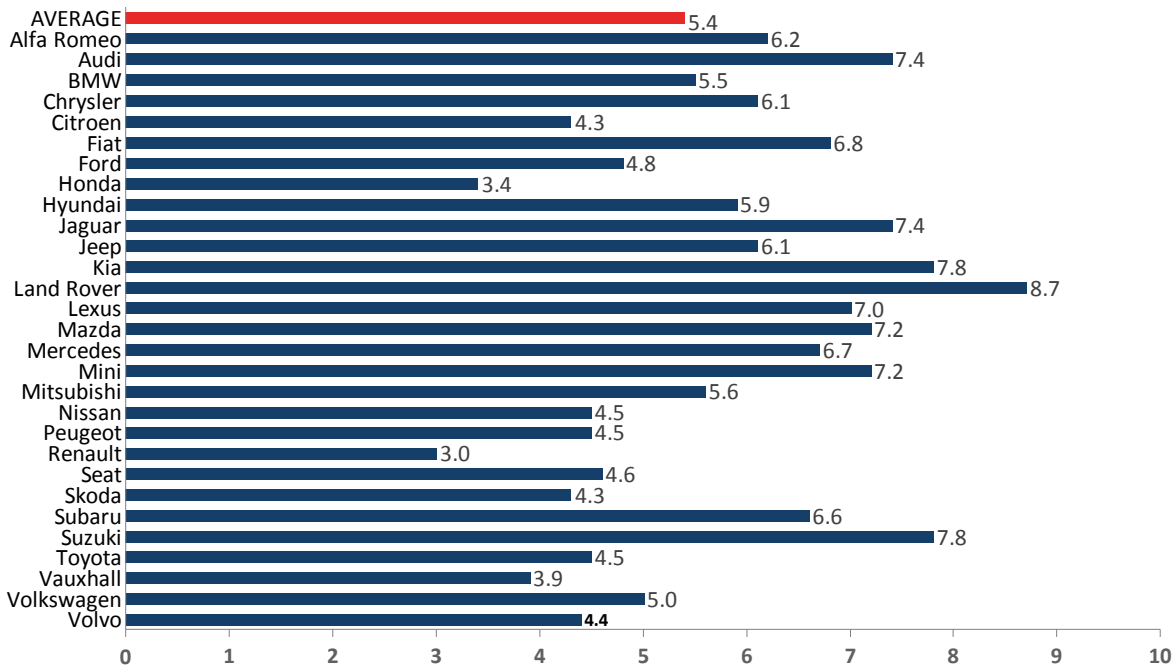
Dealers gave an average score of 5.4 to question 5a, how satisfied are you that the volume target aspirations of your manufacturer are realistic. This has fallen slightly from the Winter 2014 score and continues a downward trend. The score suggests that dealers have concern with their manufacturer’s target aspirations which is supported by the results of other questions. Further, 15 of the 29 networks surveyed have shown declining scores with just 11 showing improvement.

Skoda has seen one of the biggest declines in score returning 4.3, 1.1 points below average. Previously in the Winter survey their score was just above average. Mercedes score fell to 6.7 but remains above average. However, their score in the Winter appears a bit of an anomaly, and the current score is more in line with previous surveys. On the positive side, the Fiat network returned a score above average for the first time in some years with a score of 6.8. Also, Mazda shows a much improved score of 7.2 compared to the past few surveys.

Land Rover (8.7), Kia (7.8) and Suzuki (7.8) are the top three scorers. All of whom have strong model line-ups and are in demand by customers, which helps dealers ability to work with manufacturer market share aspirations.

At the bottom of the table lies Renault (3.0), Honda (3.4) and Vauxhall (3.9), all of whom have seen some decline in score this survey. These scores suggest that dealers feel that manufacturers are aspiring to greater market share than consumer demand or the franchise model range allows currently.

Q5a. How satisfied are you that the volume target aspirations of your manufacturer are realistic?



Profitability and Dealer Finance Performance

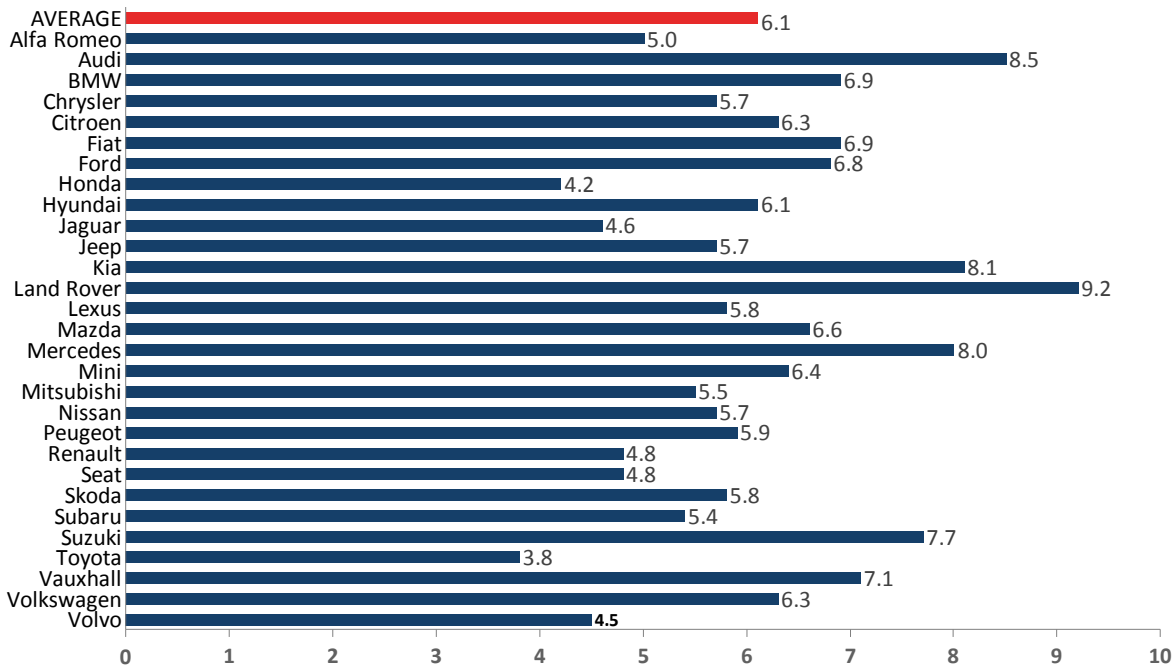
Profit Return

The average score for question 4a: **how satisfied are you with the current profit return by representing your franchise;** is 6.1. This is down 0.6 points since the Winter survey and lower than a year ago. The score would suggest most dealers are fairly neutral about the profit performance of their franchise, and that they are not seeing the situation improve. This is a little concerning at a time of a growing new car market and suggests that registration growth is not bringing financial growth to the networks at the same rate.

Scores from the individual networks give a very broad range. Land Rover are the highest scoring 9.2, indicating almost complete satisfaction from its network. Toyota are the lowest scoring at 3.8 suggesting their network is fairly dissatisfied with the profit return of the network.

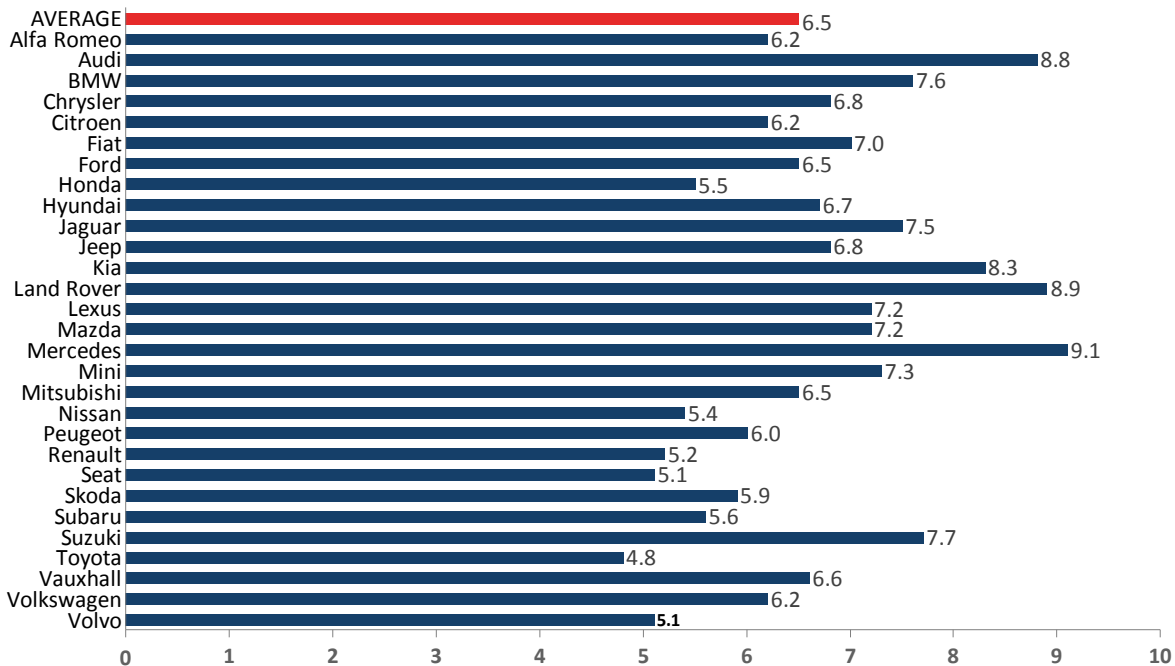
At the top of the table behind Land Rover are Audi, Kia and Mercedes reporting scores of 8.5, 8.1 and 8.0 respectively. Dealers in these franchises all appear reasonably satisfied with the profit return from their franchise. At the bottom of the table above Toyota are Honda, Volvo and Jaguar scoring 4.2, 4.5 and 4.6 respectively. All three of these have returned lower scores than the previous report.

Q4a. How satisfied are you with the current profit return from representing your franchise?



Future Profit Potential

Q4b. How satisfied are you with the future profit return from representing your business?



Question 4b: **how satisfied are you with the future profit return from representing your business**; returned a score of 6.5. The score was down on the Winter survey by 0.7 points and 0.5 points down on last Summer's. The result suggests dealers are less optimistic about future profit returns than they were previously. Similar to question 4a which asks about current profit return, the spread of scores is quite wide with Mercedes at 9.1 being at the top and Toyota at 4.8 being at the bottom. Interestingly a number of scores in this question differ to question 4a. Mercedes dealers score future profitability (9.1) more highly than current profitability (8.0) by 1.1 points suggesting they expect the franchise to be more profitable going forward. Jaguar dealers show the biggest difference in score with current score being 4.6 and future 2.9 points higher at 7.5. This probably reflects Jaguar dealers optimism that with

upcoming new models and investment in the brand that profit levels will rise in the future. Alfa Romeo also showed a 1.2 point rise. Conversely, Land Rover give 0.3 points score lower for future profit compared to current.

Only 6 franchises have scored lower on future profitability compared to current, Land Rover (-0.3), Vauxhall (-0.5), Ford (-0.3), Citroen (-0.1), Vauxhall (-0.1), Nissan (-0.3) suggesting most dealers are more optimistic about future profit.

Current –v- Future Profit Return

	Current (Q4a)	Future (Q4b)	Change
Land Rover	9.2	8.9	(0.3)
Audi	8.5	8.8	0.3
Kia	8.1	8.3	0.2
Mercedes	8.0	9.1	1.1
Suzuki	7.7	7.7	0
Vauxhall	7.1	6.6	(0.5)
BMW	6.9	7.6	0.7
Fiat	6.9	7.0	0.1
Ford	6.8	6.5	(0.3)
Mazda	6.6	7.2	0.6
Mini	6.4	7.3	0.9
Citroen	6.3	6.2	(0.1)
Volkswagen	6.3	6.2	(0.1)
Hyundai	6.1	6.7	0.6
Peugeot	5.9	6.0	0.1
Lexus	5.8	7.2	1.4
Skoda	5.8	5.9	0.1
Chrysler	5.7	6.8	1.1
Jeep	5.7	6.8	1.1
Nissan	5.7	5.4	(0.3)
Mitsubishi	5.5	6.5	1.0
Subaru	5.4	5.6	0.2
Alfa Romeo	5.0	6.2	1.2
Renault	4.8	5.2	0.4
Seat	4.8	5.1	0.3
Jaguar	4.6	7.5	2.9
Volvo	4.5	5.1	0.6
Honda	4.2	5.5	1.3
Toyota	3.8	4.8	1.0
Average	6.1	6.5	0.4

Capital Investment

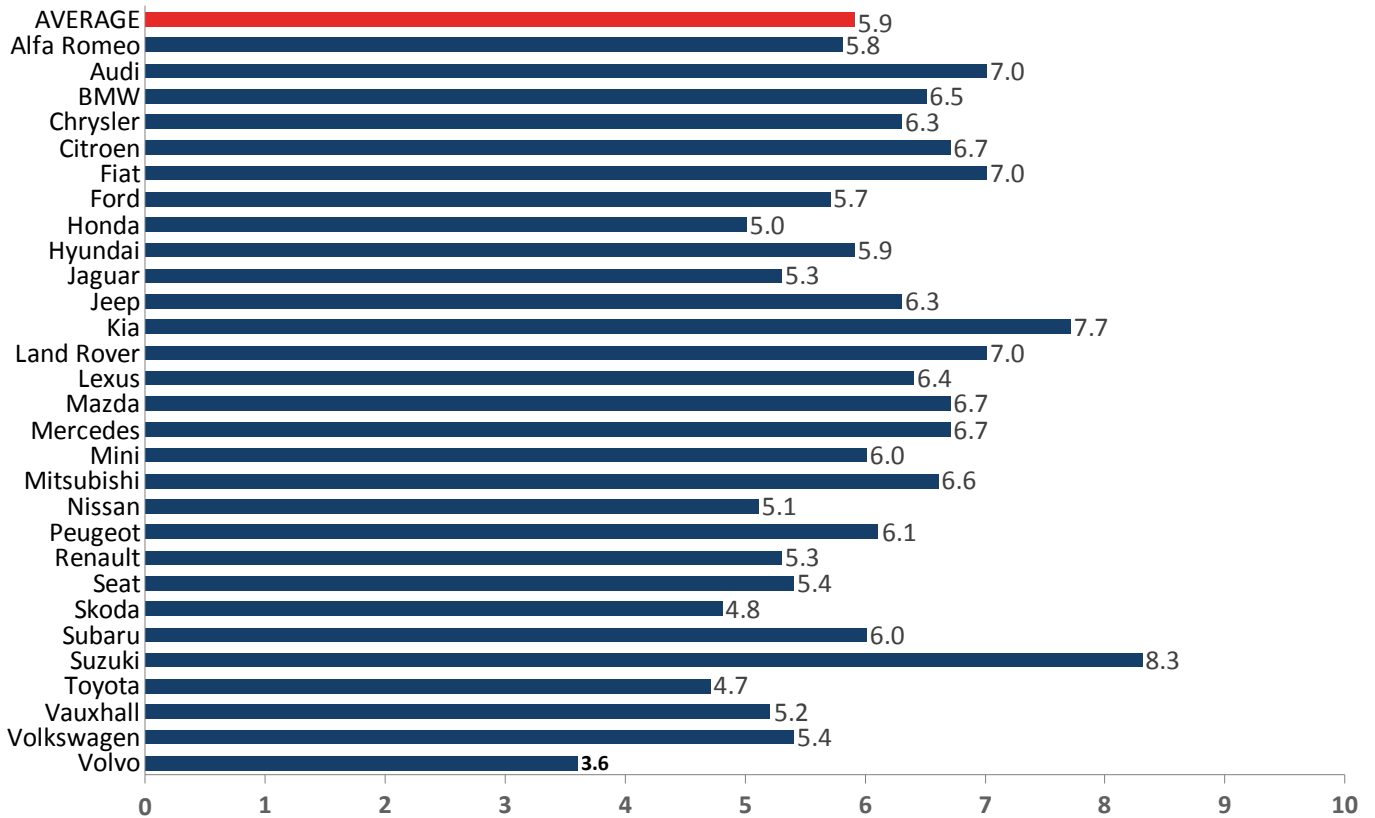
Two new questions were added to the Summer survey asking about capital investment.

Q4c: how satisfied are you with the required level of investment.

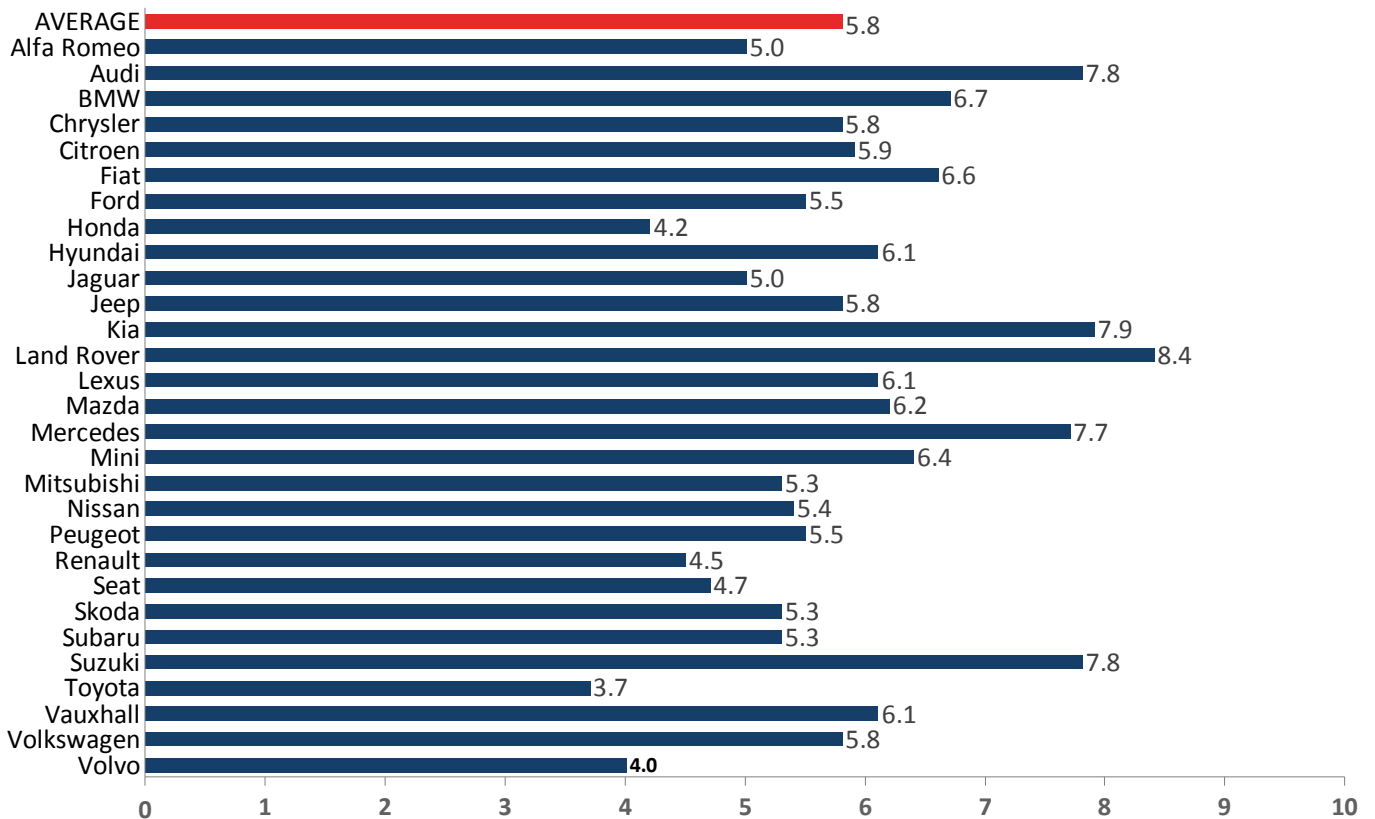
Q4e: how satisfied are you with the return on capital for your dealership.

Question 4c saw a wide spread of scores from Suzuki at the top with 8.4 to Volvo at the bottom with 3.6. The average score was 5.9.

Q4c. How satisfied are you with the required level of capital investment?



Q4e. How satisfied are you with the return on capital for your dealership?



Top scoring dealer networks such as Suzuki (8.3), Kia (7.7) and Audi, Fiat and Land Rover indicate they are generally fairly satisfied with the investment levels manufacturers require to hold the franchise. Interestingly most of these

franchises score well on profit return questions, confirming that dealers do not mind investing in their franchise providing the profit return is right.

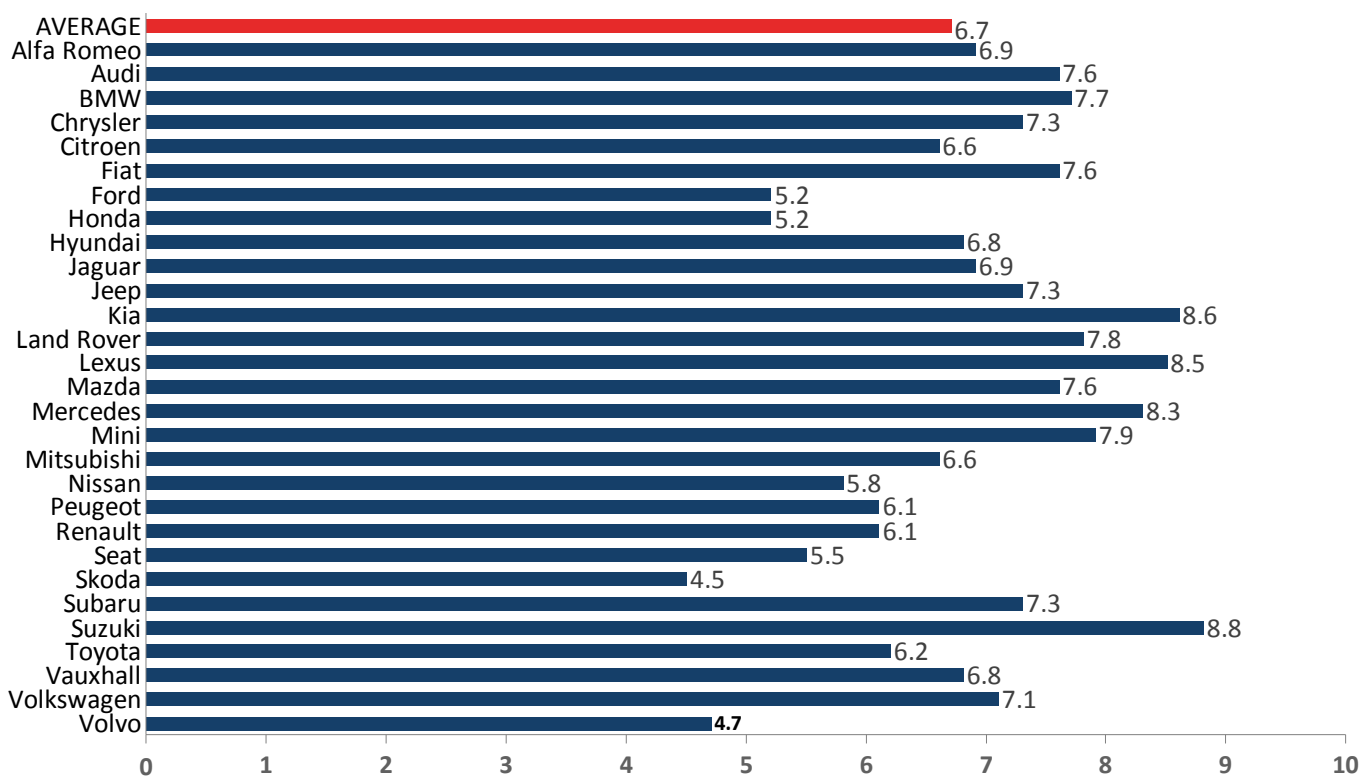
Volvo 3.6, Toyota 4.7 and Skoda 4.8 foot the table for this question.

Question 4e saw a similar spread of scores ranging from Land Rover scoring 8.4 to Toyota 3.7. The average score was 5.8.

Dealer Standards

When dealers were asked in question 9f: **how satisfied are you that your manufacturer dealer standards are fair and reasonable**; they scored an average 6.7. This score appears to have remained steady with minimal change since the Winter 2013 and Summer 2013 survey. Within the dealer networks themselves there was slightly more change. Renault’s score improved by over 2 points from 4.0 to 6.1 since last Winter and 2.9 points since last Summer, ensuring that they no longer foot the table as they did in the Winter. Lexus and Vauxhall also made good progress with improvements of 1.7 and 1.4 respectively.

Q9f. How satisfied are you that your manufacturer dealer standards are fair and reasonable?



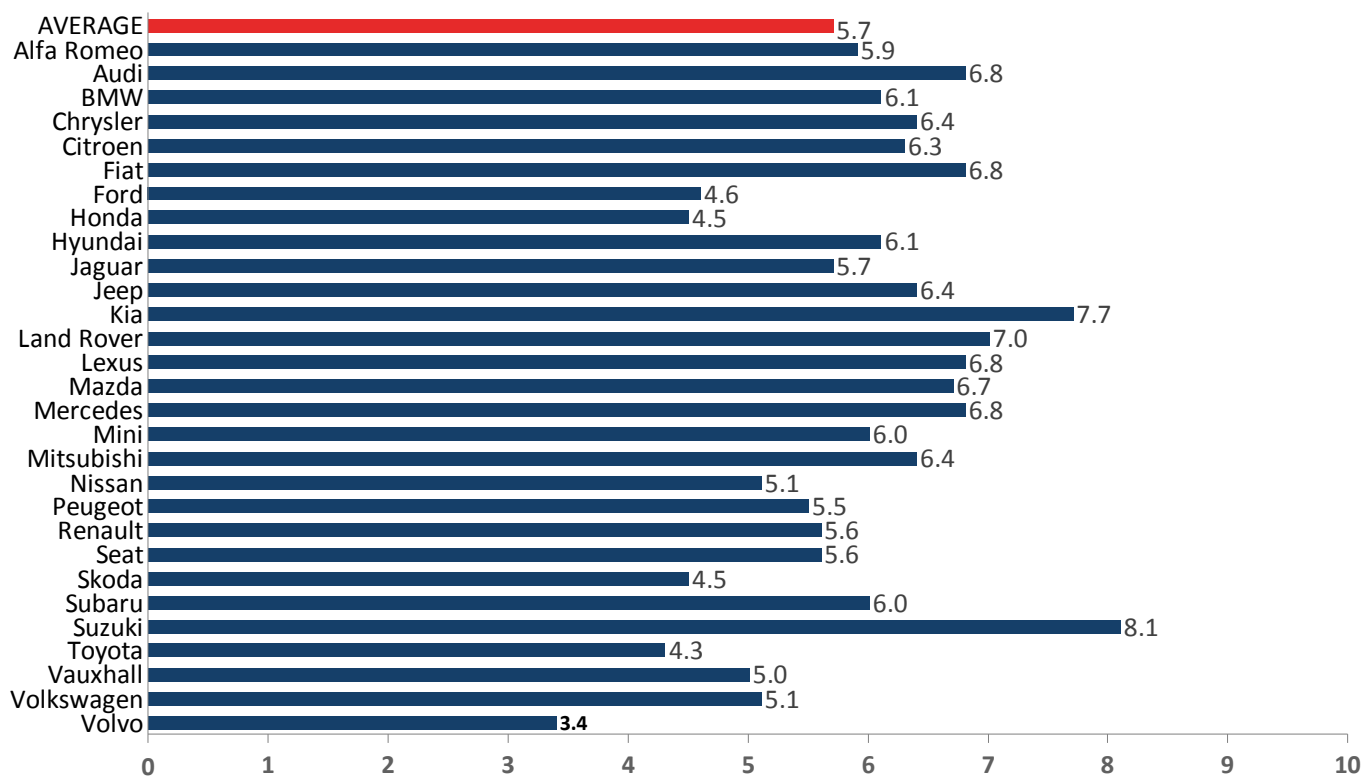
Skoda’s score has declined the most falling 1.7 to 4.5 since the Winter. Mitsubishi was the next most significant faller with a decline of 1.0, followed by Seat with a decline of 0.7.

Suzuki, Kia and Lexus with scores of 8.8, 8.6 and 8.5 respectively, top the table. These scores indicate that dealers in those networks are generally satisfied with the standards their manufacturers set them. Skoda, Volvo and Honda scoring 4.5, 4.7 and 5.2 respectively foot the table showing dealers in those networks have a level of dissatisfaction with their dealer standards.

Dealer Standards Requirements Compared to Investment

Question 4d: **how satisfied are you with the costs required in your dealership to meet franchised standards;** looks at how manufacturer standards requirements compares to the return on investment. The average score for this question was 5.7, down 0.5 points from the previous survey. The score shows dealers giving a generally neutral opinion on the question allowing for a fair amount of improvement. This suggests generally that dealers are not that happy with the amount of investment manufacturers are demanding in comparison to the return their dealerships make, and that this situation is worsening rather than improving.

Q4d. How satisfied are you with the cost required in your dealership to meet franchised standards?



Suzuki dealers with a score of 8.1 gave the highest score. This is a strong score suggesting the manufacturer has got the investment levels right for the return the brand gives dealers. Kia and Land Rover follow with scores of 7.7 and 7.0 respectively. Generally, these networks are happy with the rate of investment to return but there could still be some improvement either by lessening investment demands or giving better profit potential.

Volvo returns the lowest score at 3.4, indicating dealers in this network are far from happy with their profit return in relation to the investment their manufacturer requires. Toyota, with a score of 4.3, and along with Honda and Skoda with scores of 4.5, are the next lowest scoring franchises.

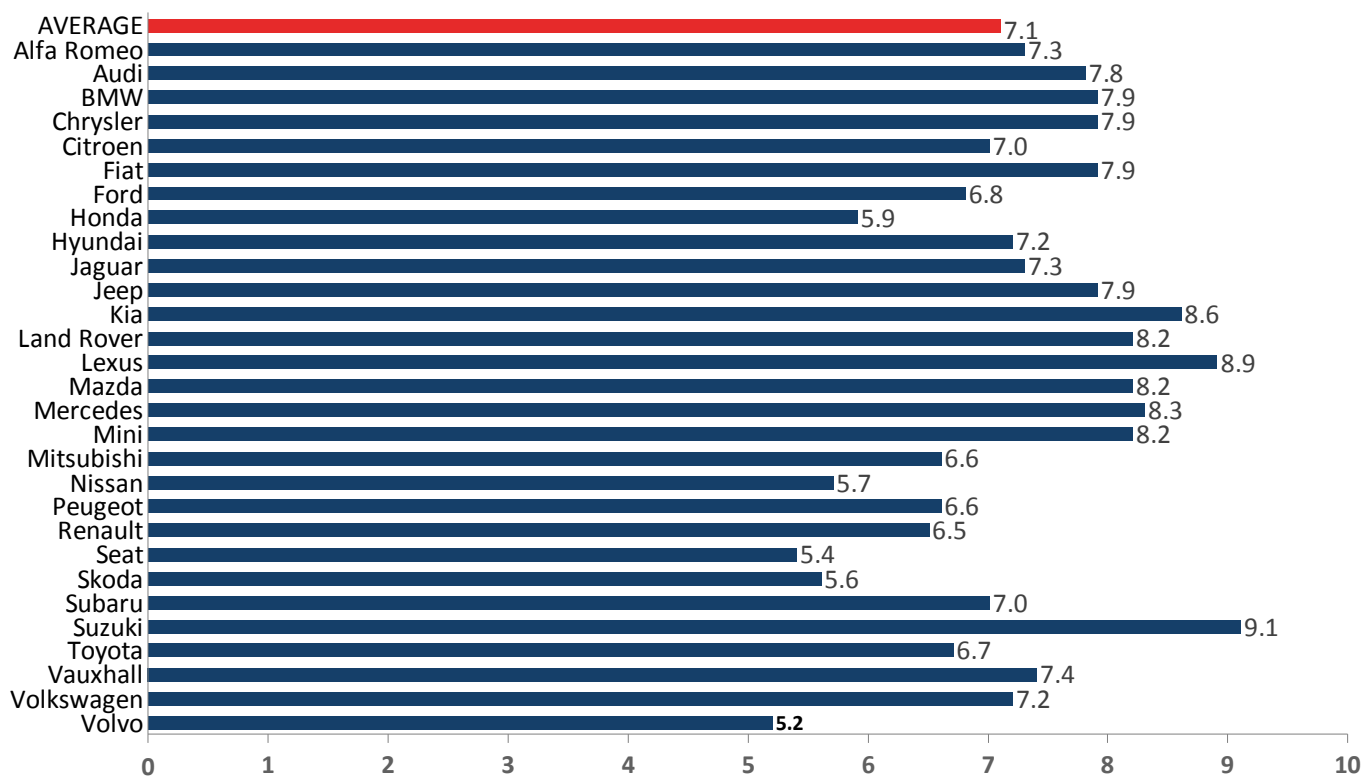
Renault has made significant improvement with this question increasing their score from 3.4 to 5.6 bringing them to just below average from the last survey where they footed the table. Lexus have also improved since the Winter survey returning a score of 6.8 from 5.4. Their current score brings them back to where they were in the survey 12 months ago following a dip through the Winter. Toyota, Skoda and Volkswagen all had 1.7 point declines leaving all three beneath average on this question with scores of 4.3, 4.5 and 5.1 respectively. Their scores would suggest all three franchises have growing concerns about profit return compared to investment to their brands.

Dealer Relationships with their Manufacturer

Ability to do Business on a Day-to-Day Basis

Question 9a: **how satisfied are you with your ability to do business with your manufacturer on a day-to-day basis;** produced an average score from dealers of 7.1. Seventeen of the franchises surveyed returned a score of 7.1 or above, suggesting that generally most dealers believe they can work with their manufacturer when it comes to the day-to-day operations of their business. However, the score has declined by 0.6 points since the Winter survey and is the lowest score for some time suggesting there are some issues developing.

Q9a. How satisfied are you with your ability to do business with your manufacturer on a day-to-day basis?



Suzuki has the highest score at 9.1 indicating dealers in this network are very satisfied with their manufacturer in this aspect of their relationship. Lexus is the next best at 8.9, followed by Kia 8.6 and Mercedes 8.3. All scores indicating a high level of satisfaction.

Volvo, with a score of 5.2, has returned the worst score, falling by 0.8 points since the Winter and 1.2 points since last Summer suggesting dealer/manufacturer relationships have become more difficult. Seat, with a score of 5.4, and Skoda with 5.6, join Volvo at the bottom of the table. Skoda in particular are worth a mention as their score fell 2.6 points since the Winter bringing the franchise from well above average to some way below.

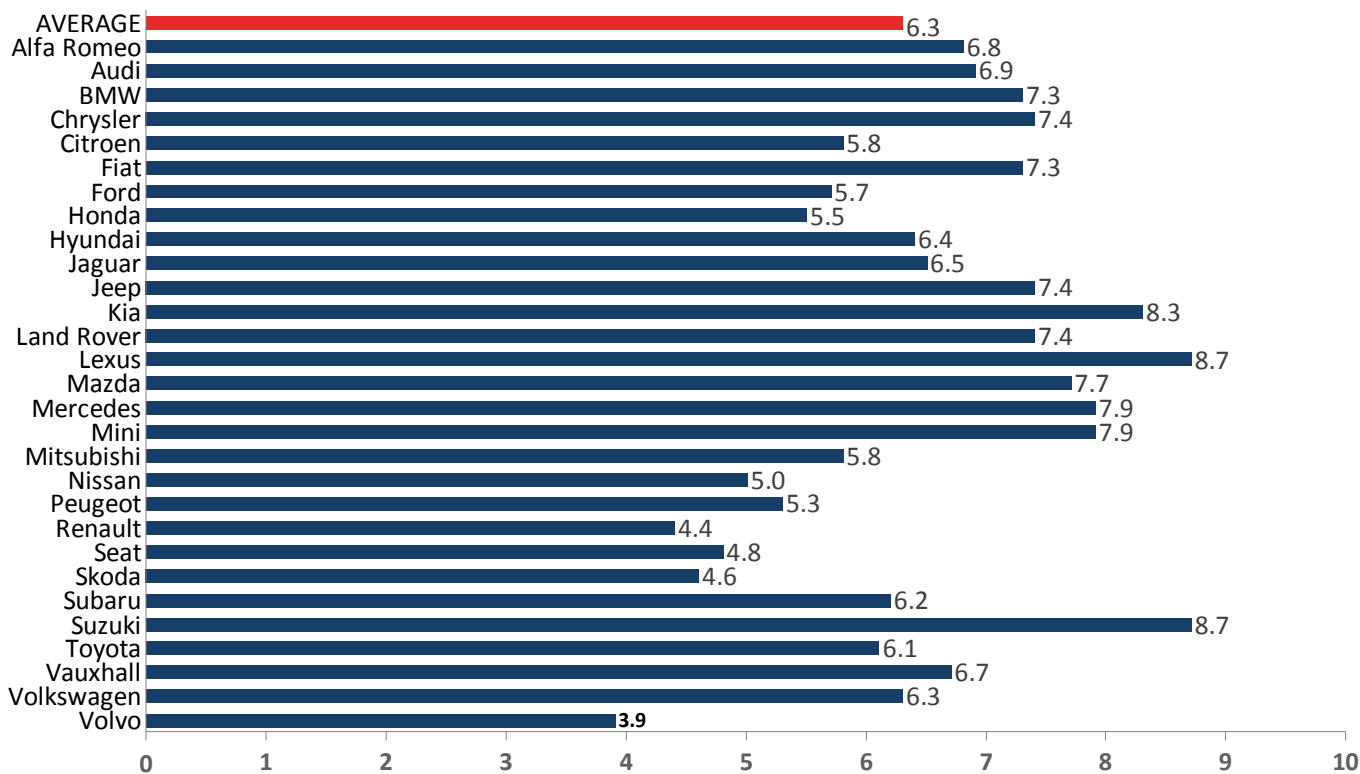
Manufacturers Taking Dealer Views and Opinions into Account

Question 9b: **how satisfied are you that the management of your manufacturer actually takes dealers' views and opinions into account;** returned an average score of 6.3. There was a slight fall in score from the Winter survey of 0.3 points but in line with scores from previous surveys suggesting little change in dealer opinions on this question. The spread of scores for this question is very wide with Lexus and Suzuki coming top with 8.7 and Volvo coming last at 3.9, suggesting dealers have very different experiences with their manufacturers.

Dealer networks, such as Lexus (8.7), Suzuki (8.7), Kia (8.3), Mercedes (7.9) and Mini (7.9) returns scores suggesting their manufacturers do listen to their views. There are though a number of middle ranking brands scoring 5.0 to 7.0 suggesting manufacturers will only listen to a certain extent. Finally, at the bottom of the table are Volvo scoring

3.9, Renault scoring 4.4 and Skoda scoring 4.6 indicating that dealers in these networks do not feel they have their views taken into account. Skoda have seen significant decline in their score falling from 7.0 in the Winter to 4.6 for this survey. Toyota and Citroen have also seen significantly declining scores this survey, bringing both franchises to beneath average. Vauxhall and Lexus have both improved significantly with their scores rising by 1.1, giving their networks scores of 6.7 and 8.7 respectively. This brings Vauxhall to an above average score for the first time in a while.

Q9b. How satisfied are you that the management of your manufacturer actually takes dealers views and opinions into account?



Fairness of Manufacturer's Procedures and Controls

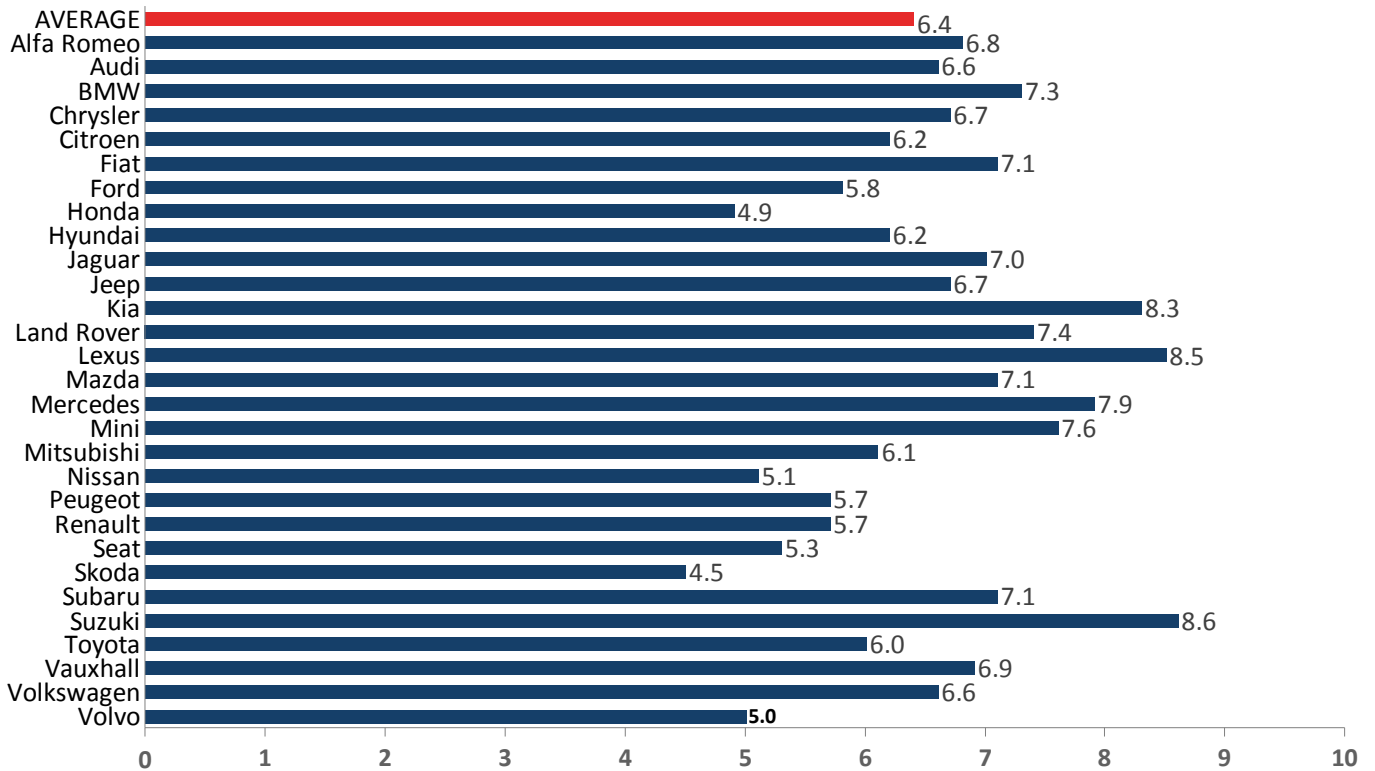
Question 9j: **how satisfied are you with your manufacturer's procedures and controls on your business are fair and reasonable**; produced an average score of 6.4, down just 0.4 points on the previous survey. A score of 6.4 suggest on average dealers are fairly neutral on this question. However, the range of score is quite broad ranging from 8.6 for Suzuki to 4.5 for Skoda.

The top performing networks Suzuki 8.6, Lexus 8.5 and Kia 8.3 return scores indicating that dealers in these networks are reasonably satisfied with manufacturer controls and procedures on their networks. However, those with the lowest scores, Skoda 4.5 and Honda 4.9, return scores that suggest a fair level of dissatisfaction.

Renault (5.7) and Alfa Romeo (6.8) have both shown considerable improvement to their scores. Renault in particular has made significant improvement increasing by 1.9 bringing them off the bottom of the table and towards an average score. Alfa Romeo's increased score brings them above average for the first time in two years. Both manufacturers appear to have taken significant strides to make their procedures and controls more dealer friendly.

Conversely, Skoda (4.5) and Nissan (5.1) have seen their ratings fall significantly. Skoda fell 2.1 points taking their previously on average score to well below and also making them the bottom scoring franchise. Nissan fell by 1.5 points also taking them from average to one of the lowest scoring franchises. The results suggest both manufacturers have significantly adjusted their controls and procedures in a way that dealers find them less satisfactory or less easy to work with.

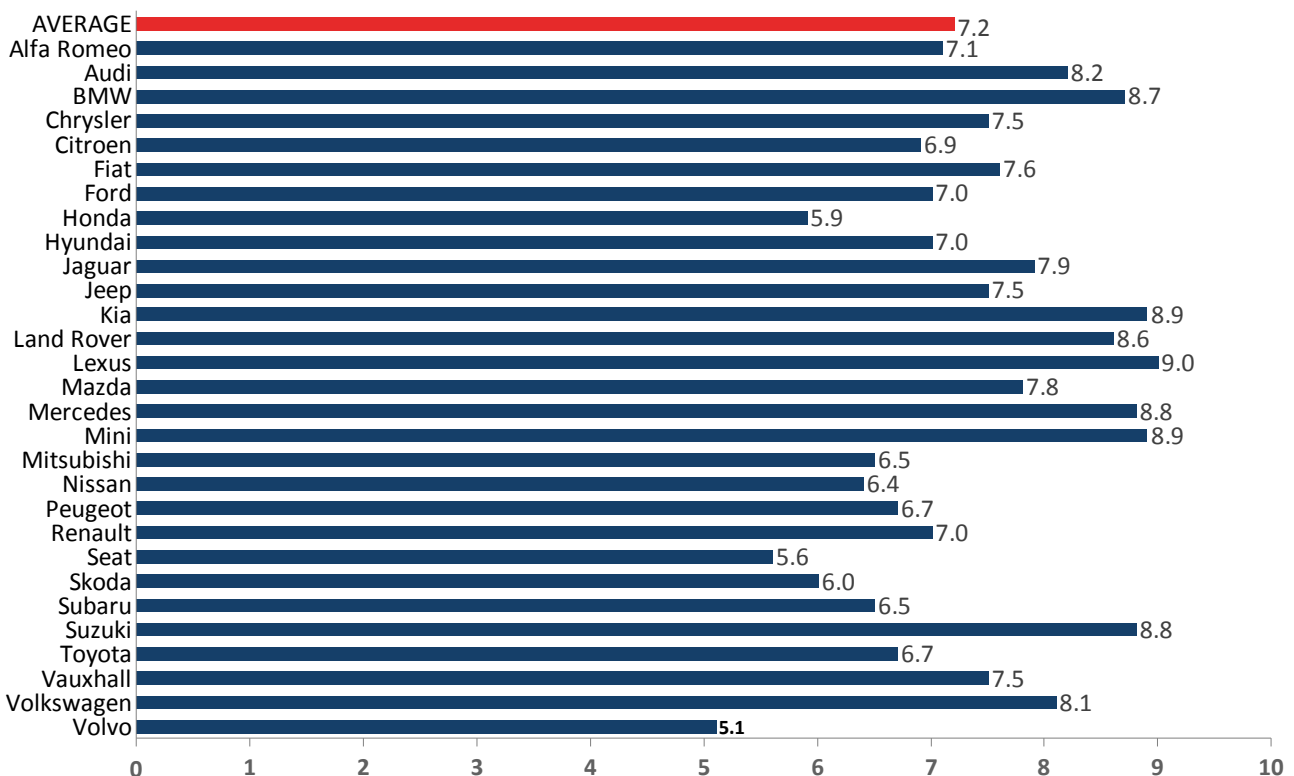
Q9j. How satisfied are you with your manufacturer's procedures and controls on your business are fair and reasonable?



In this survey we introduced several new questions about the dealer/manufacturer relationship so that we are able to monitor the relevant changes over a period of time and allows us to identify issues that might be developing. these include:

Question 9e: **how satisfied are you with the professionalism of your manufacturer**

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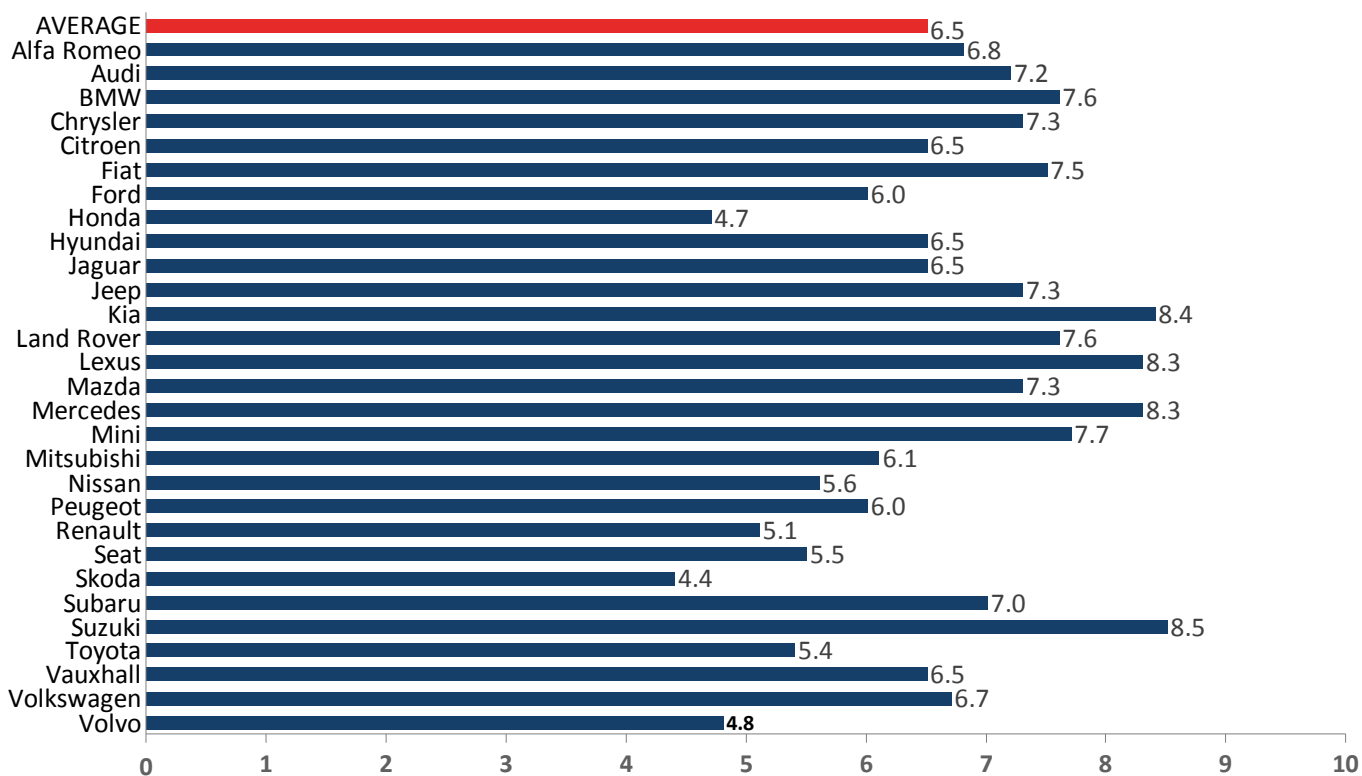


The average score was 7.2 suggesting most dealers believe their manufacturers act professionally. Lexus was the highest scoring franchise with a rating of 9.0 and Volvo the lowest with a rating of 5.0.

Question 9g: how satisfied are you with the performance measures used by your manufacturer on your business are fair and reasonable

The average score for this question was 6.5 indicating in general most dealers are neutral on this question. The highest score was Suzuki 8.5 and the lowest Skoda at 4.4.

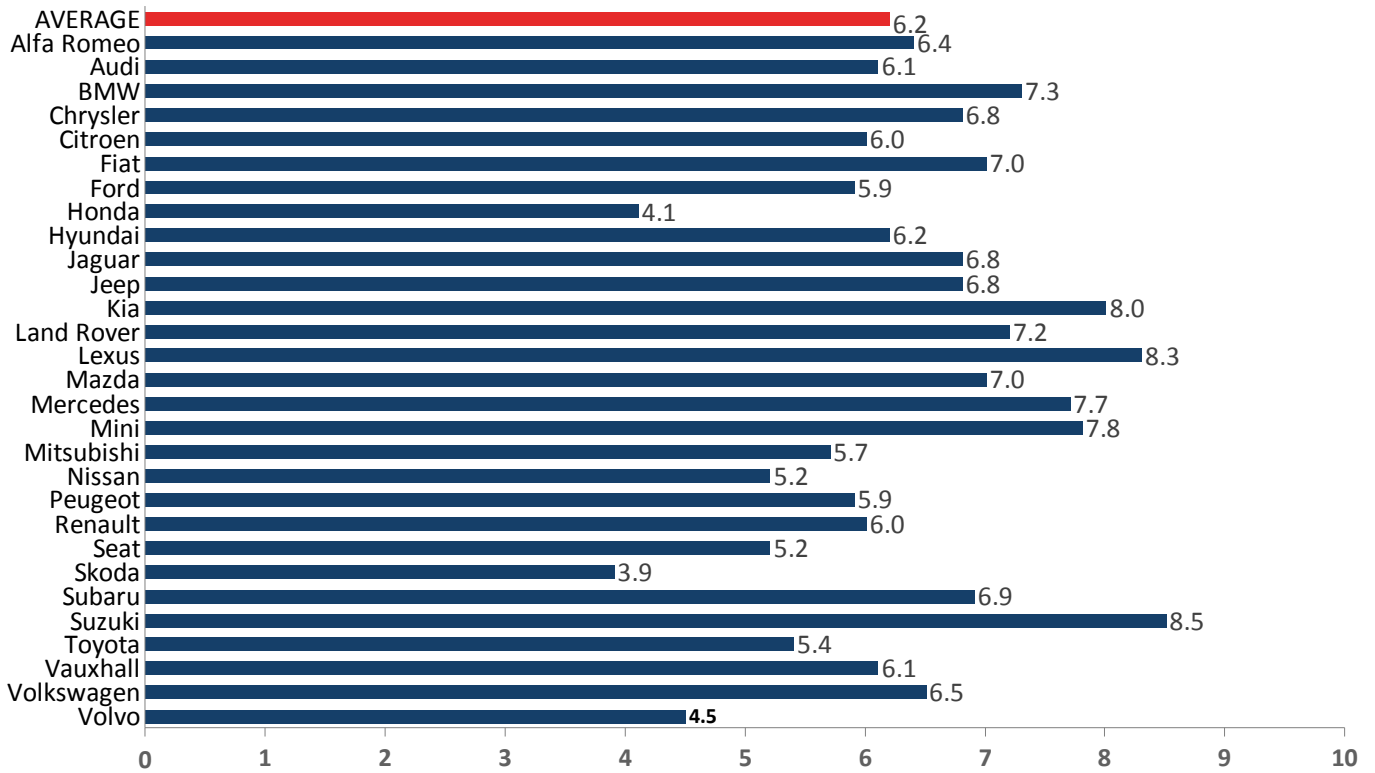
Q9g. How satisfied are you that the performance measures used by your manufacturer on your business are fair and reasonable?



Question 9h: how satisfied are you with the penalties and escalation process for weak performance used by your manufacturer are fair and reasonable

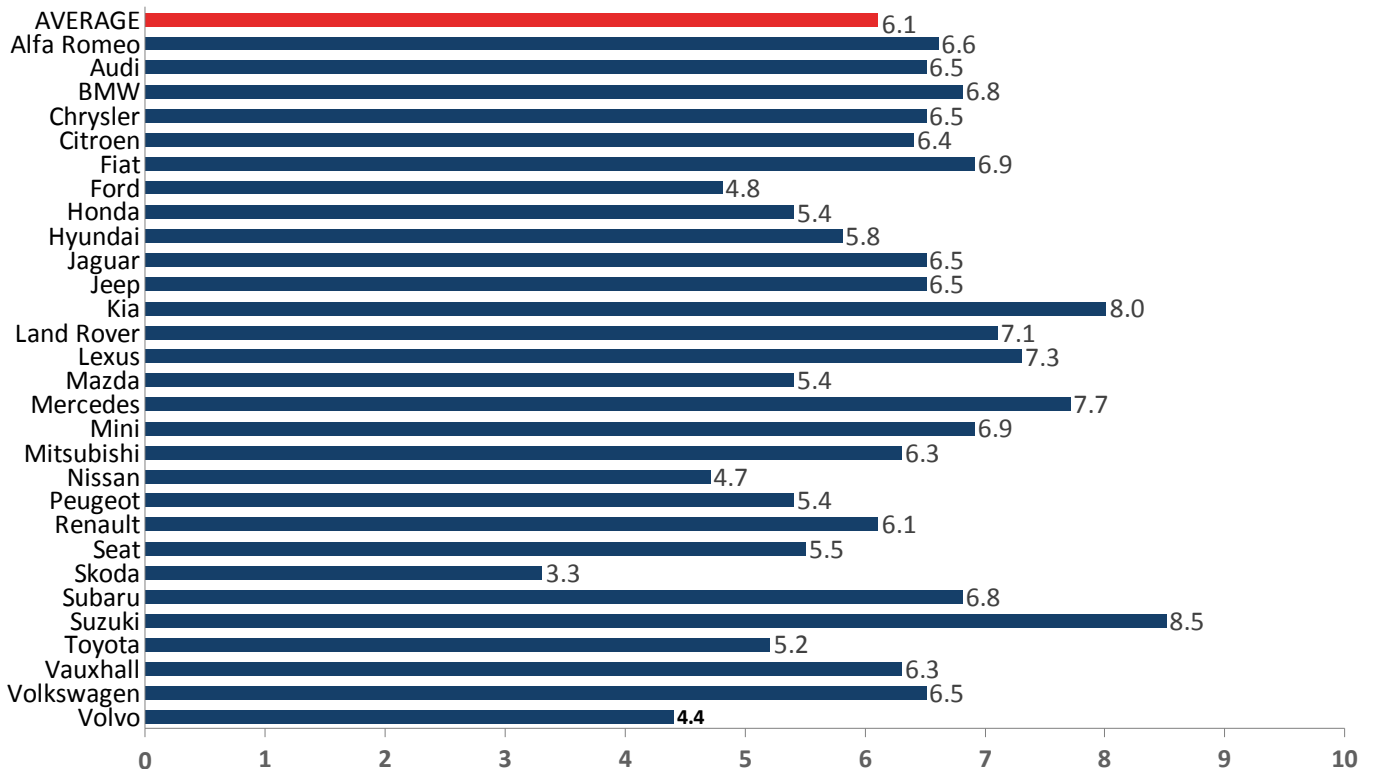
The average score for this question was 6.2 suggesting dealers were overall neutral for this question. However, the spread of scores is very broad with Suzuki scoring 8.5 at the top and Skoda scoring lowest with 3.9. Three franchises scored beneath 5.0: Skoda (3.9); Honda (4.1) and Volvo (4.5). Their scores suggest significant dissatisfaction with their manufacturer’s escalation process.

Q9h. How satisfied are you with the penalties and escalation process for weak performance used by your manufacturer are fair and reasonable?



Question 9i: how satisfied are you with the incentives and penalty regime that underpins your manufacturer's CSI programme

Q9i. How satisfied are you with the incentives and penalty regime that underpins your manufacturer's CSI programme?



The average score for this question is 6.1 with the highest score being returned by Suzuki at 8.5 and the lowest by Skoda at 3.3. Again, there is a broad range of scores but with the majority falling between 5.0 and 7.0 suggesting most dealers take a neutral view of their manufacturer's CSI incentive and penalty regime. The four manufacturers, Ford 4.8, Nissan 4.7, Volvo 4.4 and Skoda 3.3, falling beneath this group indicates significant dissatisfaction from their dealers on this issue. Suzuki (8.5), Kia (8.0), Mercedes (7.7), Lexus (7.3) and Land Rover (7.1) indicates their dealers are fairly or very satisfied with their manufacturer.

SUMMARY

Land Rover, Mercedes and Kia were the top scoring franchises in the key question 11 which asks dealers to rate their manufacturer overall. Not unexpectedly all three franchises scored well in a range of questions. They particularly did well in questions regarding profitability and return on investment showing that one of the biggest influences on the survey results is the profit return of a franchise. That said, all three franchises did well on the manufacturer/dealer relationship questions showing the importance of partnerships in generating positive views of a manufacturer.

Honda, Volvo and Toyota were the bottom three scoring franchises in question 11. Toyota is a surprising inclusion here having been one of the top franchises in this question only a year ago. This though shows how the relative fortunes of each franchise can change. Lack of profit return currently and in the future appears to be a major factor in Toyota's relative position. This is coupled with issues around dealer standards demands which are seen as too onerous. Toyota though still do well on questions around new car ordering and stocking policies.

Renault and Alfa Romeo have done much better in this survey than last Winter or in the previous Summer 2013 survey. In question 11 Renault has risen from last place to 6th from bottom position and Alfa Romeo is now 9th from bottom. Both franchises have also improved in a range of questions including those about profit, franchise standards and relationships.