

**YANGON UNIVERSITY OF ECONOMICS**

**DEPARTMENT OF COMMERCE**

**MBF PROGRAMME**

**DEALER ATTITUDE TOWARDS THE PRODUCTS OF  
RENT 2 OWN COMPANY**

**KHAING MARM THAING**

**(MBF-4<sup>th</sup> BATCH)**

**DECEMBER 2018**

# **DEALER ATTITUDE TOWARDS THE PRODUCTS OF RENT 2 OWN COMPANY**

**This thesis submitted as a partial fulfilment towards the requirements  
for the degree of Master of banking and Finance (MBF)**

**Supervised by:**

Prof. Dr. Daw Soe Thu  
Professor/ Head  
Department of Commerce  
Yangon University of Economics

**Submitted by:**

Khaing Marm Thaing  
Roll No. 71  
MBF-4<sup>th</sup> Batch  
(2015 – 2018)

DECEMBER 2018

## **ABSTRACT**

This study is to analyse dealer attitude towards the product of Rent 2 Own Company. It explored the products that are provided by Rent 2 Own and analysed the dealer attitude towards the product of Rent 2 Own company. Objectives of the study in this study include two major objectives, which are to identify the products that are provided by Rent 2 Own Company and to analyse dealer attitude towards the product of Rent 2 Own Company. In Myanmar, there are a number of Non Bank Financial Institutions already operating and providing the same financial product but this study focuses on dealer attitude towards the product of Rent 2 Own Company. Dealer attitude was measured on 5 factors, which are product, dealership, processes, customer services and marketing strategies. Data collection for this study was based on 120 dealers from different regions and tiers. Description method is mainly used and both primary and secondary data are used. For primary data, structured questionnaires are distributed to 120 dealers for their attitude towards of Rent 2 Own by sampling method approach and interviews are executed to Executives of Rent 2 Own Company. In regards with collection of secondary data, R2O annual reports, monthly reports, previous Thesis papers, text books, online research, other publications and internet websites are used. Period of data collection is from September to November of 2018. As for outcomes of the surveys, the highest overall mean is achieved for factors of dealership, then followed by aspects of products, processes and customer services in order but the least received is marketing strategies. It could be assumed that dealers are satisfied with most aspects of Product, dealership, processes, and customer services. However, they seem very neutral towards R2O marketing strategies. Rent 2 Own needs to develop better equipped marketing strategies inside and outside POS to attract rural population.

## **ACKNOWLEDGEMENTS**

First and foremost, I would like to express my sincere appreciation and gratitude to Professor Dr. Tin Win, Rector of Yangon University of Economics for his guidance during my research.

Secondly, I would like to show my deepest thanks and gratitude to Dr. Daw Soe Thu, Programme Director, master of banking and Finance Programme and Head of Department of Commerce, Yangon University of Economics for her guidance, advice and encouragements and insight throughout the study.

Furthermore, I would like to specially thank my respected professors, associated professors, lecturers, and visiting lecturers who imparted their time and valuable knowledge during the course of my study at the Yangon University of Economics.

Moreover, I would also like to thank Philippe Linean, Chief Executive Officer, Olivier Bertrand, Chief Financial Officer, other respective responsible department heads and staff for sharing their knowledge and cordial helping hands to complete my thesis.

Finally, I wish to thank to friends and classmates of our fourth batch Master of Banking and Finance Programme for sharing spirit of friendship and we pass together along the MBF Programme.

# TABLE OF CONTENTS

<b>Title</b>	<b>Page</b>	
<b>ABSTRACT</b>	<b>i</b>	
<b>ACKNOWLEDGEMENTS</b>	<b>ii</b>	
<b>TABLE OF CONTENTS</b>	<b>iii</b>	
<b>LIST OF TABLES</b>	<b>v</b>	
<b>LIST OF FIGURES</b>	<b>vi</b>	
<b>ABBREVIATIONS</b>	<b>vii</b>	
<b>CHAPTER 1</b>	<b>INTRODUCTION</b>	<b>1</b>
	1.1 Rationale for the study	2
	1.2 Objectives of the study	3
	1.3 Scope and Methods of the study	4
	1.4 Organization of the study	4
<b>CHAPTER 2</b>	<b>THEORETICAL BACKGROUND</b>	<b>5</b>
	2.1 Equipment Leasing	5
	2.2 Types of equipment leasing	5
	2.3 Role of Dealer in equipment Leasing	7
	2.4 Literature Review	8
<b>CHAPTER 3</b>	<b>BACKGROUND OF RENT 2 OWN COMPANY</b>	<b>10</b>
	3.1 Establishment of Rent 2 Own Company	10
	3.2 Organizational Structure	11
	3.3 Products of Rent 2 Own Company	12

<b>CHAPTER 4</b>	<b>ANALYSIS ON DEALER ATTITUDE TOWARDS THE PRODUCT OF RENT 2 OWN COMPANY</b>	<b>19</b>
	4.1 Research Methodology	19
	4.2 Demographic profile of Respondents	20
	4.3 Analysis level of dealer attitude towards the product of R2O	26
<b>CHAPTER 5</b>	<b>CONCLUSIONS</b>	<b>32</b>
	5.1 Findings	32
	5.2 Suggestions	33
<b>REFERENCES</b>		<b>35</b>
<b>APPENDIXES</b>		

## **LIST OF TABLES**

<b>Table No.</b>		<b>Page</b>
3.1	Definition of Tiers	15
3.2	Commissioning Rate	16
4.1	Location of POS	21
4.2	Dealership with R2O	22
4.3	Monthly total sales production by dealer	23
4.4	Monthly Cash-down sales	23
4.5	Monthly sales contract with R2O	24
4.6	Working with Competitors/ Vendor Credit provided	25
4.7	Name of competitors R2O Dealers are also working	25
4.8	Volume of bikes financed by competitors	26
4.9	Dealer attitude towards the product provided by R2O	27
4.10	Attitude towards dealership	28
4.11	Attitude towards processes	29
4.12	Attitude towards Customer services	30
4.13	Attitude towards Marketing strategies	31

## LIST OF FIGURES

<b>Figure No.</b>		<b>Page</b>
3.1	Organizational structure of R2O	11
3.2	Sales Process Flow	12
3.3	Production per Dealer's Categories	14
3.4	Commissioning Scheme	16

## ABBREVIATIONS

NBFI	-	Non Banking Financial Institution
HP	-	Hire Purchase
VC	-	Vendor Credit
R2O	-	Rent 2 Own Company
RB	-	Rent Bank
POS	-	Point of Sales
DS	-	Direct Sales
CS	-	Corporate Sales
CA	-	Credit Attendant
OB	-	Motorcycle Owner Book

# **CHAPTER 1**

## **INTRODUCTION**

The economic and social development of a large part of rural populations, especially in the developing world, is being held back by limited, or expensive access to funding and essential financial services. Myanmar is no different. Micro enterprises and individuals in rural areas of Myanmar struggle to source financing for start-ups and business expansion.

Every year, 1 million of motorcycles are sold in Myanmar. Experiences in other developing Southeast Asian countries suggest that this figures might double when the economy develops. A potentially huge market is emerging. Motorcycles are critically needed by rural population providing them with mobility to sell their production, educate children and find job opportunities. For instance, availability of bikes would make it possible for farmers to sell their products at more distant markets where they might fetch a higher price. And for those who have found a job, further away, a motorcycle allows them to commute.

A range of financial institutions have already created forms of credit available to individuals to have their hands on a bike. Some finance companies (NBFI) have initially engaged leasing bikes with monthly flat rate up to 2.5%. They finance to end-users through Dealers in their point of sales with a small commission given to dealers on amount financed. End-users decide the bike they like to be financed, make minimum down-payment, go through underwriting process, get approved and have their hands on the bikes. Tenures could be up to 3 years and end-users make monthly payments in the course of the contract and own the bike when the contact reaches maturity. Bike on rental basis is one of the services made available by some service companies. IR is around 2 to 2.5% flat per month but comes along with other services such as life insurance for the lessee, comprehensive insurance for the bike and some periodic maintenance. Other aspects are quite similar to nature of the product by Finance companies.

Hire- purchase is one of the credits that Myanmar banks offer. Its interest rate is limited by the Central Bank at 14% per year, which is the same as general loans. Tenure of “bank’s hire-purchase” is strictly limited to 12 months. Minimum deposit varies from

40 to 50%. They charge a 1% service charge to the Dealer and 1% service charge to the end-user (customer). Banks strictly enforce a collateral, requested for the customer under the form of land (Central Bank policy). In most cases, banks request the Dealer to stand as guarantor of the transaction: if the customer defaults, the Dealer must pay the bank. In addition, banks require the dealer to collect all the documentation from their customer. They also require the dealer to collect instalment payments from their customer, and then pay the bank.

Vendor's credit is customized Finance option offered by the vendors' own finance. Most vendors allow only up to 3 months or 6 months financing with 50% upfront down-payment and 2 to 2.5% monthly interest rate. A few very rare vendors allow up to 12 months financing for known customers. Due to the scarcity of credit in the country, private informal loans (Loan Sharks) are a common form of financing, especially for the poorest segment of the population. Loan sharks are omnipresent in Myanmar, in rural areas and in cities as well. The interest they charge is very high, varied from 3% per month, to 10% per week. However, Loan sharks and pawn shops are too expensive. Myanmar's banks still need to modernize their infrastructure and microfinance institutions supply only micro loans.

## **1.1 Rationale of the study**

Myanmar has entered a new era. After years of unfulfilled potential, the country is now moving forward at a rapid pace. The economy is buzzing with opportunity and small entrepreneurs are ready to seize the momentum, but it needs its financial system to extend beyond traditional banking institutions to include Non banking Financial Intermediaries. NBFIs such as Leasing companies and Finance companies have been contributing toward increasing both the quality and quantity of financial services and thus mitigating the lapses of existing financial intermediation to meet the growing needs of different types of investment in the country.

Motorcycles are a preferred choice of transportation in developing countries, as they can be used inexpensively for both leisure and business travel. Over 58% of the world's motorcycles are found in Asia. Presently, many borrowers are applying for motorcycle and loans to purchase affordable transportation. The expanding market has created a demand for an alternate lending platform and individual investors. Lenders look

for borrowers who want to invest their microloan proceeds into cash generating businesses because these borrowers tend to repay their loans off faster. With a high rate of return, the institutions and lenders are quick to finance a motorcycle purchase when the motorcycle will be used for business purposes.

For less financially fortunate communities, owning a motorcycle can offer individuals the opportunity to visit nearby towns to pick up groceries, take their children to school, drive to a job, or deliver products to customers. There are many instances where having a bike could change someone's life. With motorcycle financing, borrowers have a chance to start a motorcycle taxi business, become self-employed, and thereby adequately provide for their family. After repaying the initial loan, the borrower may return to request more microcredit to grow their business, hire employees, and purchase more motorcycles.

In order to be able to target rural population, it needs to be understood quite well. Elements such as how they could be reached, the reasons they need the bikes, the purposes behind they need the bikes and number of members that use the bike in their household. When these target clients need the bike, they would visit Point of Sales to choose the bike they need where motorcycle dealers (Vendors) would introduce the clients (End-users) to financial service providers. Thus Motorcycle dealers have become the source of business for the product of HP (Hire-purchase) by the banks, VC (Vendor Credit) by some dealers, and financial products (motorcycle leasing) of Finance Companies as they are the ones who influence buying decisions of end-users.

Hence this study will focus on products of motorbike leasing by Rent 2 Own Company, a critical asset to be financed in rural areas and also Dealers' attitude towards the product of motorcycle leasing by Rent 2 Own Company.

## **1.2 Objectives of the study**

The objectives of the study are as follows:

- To identify products provided by Rent 2 Own Company
- To analyse dealers' attitude towards the product of Rent 2 Own Company

## **1.3 Scope and Methods of the study**

Primary as well as Secondary data is used to collect information to identify products provided and analyse dealers' attitude towards the product of Rent 2 Own Company. A research design is considered as the framework or plan for a study that guides as well as helps the data collection and analysis of data. The research design may be exploratory, descriptive and experimental for the present study. The descriptive research design is adopted for this project. The primary data is collected by face to face interviewing with Executives and management of R2O, and Dealers upon their reception, attitude, accessibility and availability towards the service with structured survey questionnaire. The questionnaire is prepared on the basis of objectives of the study. 10% of Tier 1 Dealership, 30% each from remaining Tier of dealerships, representing 120 dealers of different tiers that have dealer agreements with R2O are selected for the survey. Data collection is executed by interviews to Executives and management of Rent2Own Company, Motorcycle dealers and also through sources of journals, books, internet, newspapers, reports and annual reports.

#### **1.4 Organization of the study**

This study is organized into 5 chapters. Chapter 1 is the introduction which includes rationale of the study, objectives of the study, research methodology, research design, research approach, collection of data and organization of the paper. Chapter 2 demonstrates literature review, theoretical background of Equipment Leasing, and types of equipment leasing. Chapter 3 describes profile of Rent 2 Own company, organizational structure and products provided by Rent 2Own Company. Chapter 4 describes research methodology, demographic profile of respondents and analysis level of dealers' attitude towards the product of rent 2 own company. Chapter 5 is conclusion which includes findings and discussions, suggestions and recommendations, limitation and needs for further research.

## **CHAPTER 2**

## **THEORETICAL BACKGROUND**

This chapter illustrates theoretical background of leasing, and two primary types of equipment leasing, role of dealer in equipment leasing and literature review.

### **2.1 Leasing**

A lease is a contractual arrangement calling for the lessee (user) to pay the lessor (owner) for use of an asset. Property, buildings and vehicles are common assets that are leased. Industrial or business equipment is also leased. To put it broadly, a lease agreement is a contract between two parties, the lessor and the lessee. The lessor is the legal owner of the asset; the lessee obtains the right to use the asset in return for regular rental payments. The lessee also agrees to abide by various conditions regarding their use of the property or equipment. For example, a person leasing a car may agree that the car will only be used for personal use.

A lease is in essence an extended rental agreement under which the owner of the equipment allows the user to operate or otherwise make use of the equipment in exchange for periodic lease payments. In leasing terminology, the owner is the lessor, the user is the lessee. Equipment leasing is a popular option for companies of all sizes. But equipment leasing is particularly favored by many small businesses, which often have fewer options because of limited capital.

### **2.2 Two primary types of Leasing**

The two primary types of leases are operating and long-term or "capital" leases. Operating leases are characterized by short-term, cancellable terms; the lessor bears the risk of obsolescence and enjoys such benefits as depreciation, including, if applicable, accelerated depreciation. These leases are generally preferable when the company needs the equipment for a short period of time. Under the usual terms of operating leases, a lessee can usually cancel the lease, assuming prior notice, without a major penalty. Long-term, "capital," non-cancellable leases, also known as full pay-out or financial leases, are sources of financing for assets the lessee company wants to acquire and use for longer periods of time. Most financial leases are "net" leases, meaning that the lessee is responsible for maintaining and insuring the asset and paying all property taxes, if applicable. Financial leases are often used by businesses for expensive capital equipment.

In addition to these two basic leasing models, a considerable variety of other lease arrangements are often used. These leases, each of which combine different financial and tax advantages, are actually hybrids of financial and operating leases that reflect the individual needs of lessor companies. For example, full-service leases are leases wherein the lessor is responsible for insurance and maintenance (these are commonplace with office equipment or vehicle leases). Net leases, on the other hand, are leases wherein the lessee is responsible for maintenance and insurance. Leveraged leases, meanwhile, are arrangements wherein the cost of the leased asset is financed by issuing debt and equity claims against the asset and future lease payments.

Leases are also classified as "small ticket," "medium," and "large ticket" leases based on the value of the equipment to be leased. The small ticket lease is of special interest to the small business because getting approval for such leases rarely involves much more effort than qualifying for a credit card. As the values of equipment rented increase, obtaining the lease comes more and more to resemble a major loan application. Small business owners need to keep in mind that lease rates can vary considerably from one lease company to another. Lease companies also may charge different rates for the same piece of equipment depending on various characteristics of the business that is seeking the lease. Factors that can impact the lease rate include the credit history of the lessee, the nature of equipment wanted by the lessee, the length of the lease term, and whether the lessee or lessor is the primary beneficiary of tax credits associated with the transaction.

### **Operating Lease**

An operating lease is a short-term lease or contract in which the lessee agrees to rent an asset from the lessor and the lessor retains the rights of ownership. In other words, an operating lease is a lease that is less than one year in length and the lessor always maintains ownership of the leased asset. Operating leases are also cancelable unlike capital leases. The majority of business leases are operating leases because they are easy to set up and don't require a large commitment. Vehicle leases, building leases, and equipment leases all can qualify as an operating lease. Essentially an operating lease is simply an agreement to rent an asset without a buyout option. When a retail business agrees to rent a storefront in a plaza strip, it usually signs a lease for 6-12 months. The retailer pays rent to the lessor every month until the lease contract is up. After the lease is

over, the retail store does not own the storefront and can either sign another lease or stop leasing the storefront. This is in contrast with capital leases, which does pass ownership rights to the lessee after the lease is over. Operating leases are accounted for just like any rental payments. When the lease is signed, no assets or liabilities are added to the books. The lessee simply records the monthly lease payment as a debit to lease or rent expense and a credit to cash. No other journal entries are necessary.

### **Capital Lease**

Capital lease is a lease agreement in which the lessor agrees to transfer the ownership rights to the lessee after the completion of the lease period. Capital or finance leases are long term and non cancellable in nature. In a capital lease, the lessor transfers the ownership rights of the asset to the lessee at the end of the lease term. The lease agreement gives the lessee a bargain option by dint of which the lessee can buy the asset at a discounted price than the fair market value at the end of the lease term. In a finance lease, the present value of the minimum lease payments approximates the fair value of the leased asset. Moreover, the lease term should equate to a majority of the useful economic life of the asset. If the lease is cancelled due to any reason, the loss emanating from the same needs to be borne buy the lessee. At the end of the lease term, the lessee is considered to be the owner of the asset and has the right to claim depreciation and finance charges.

### **2.3 Role of dealer in Equipment Leasing**

Dealer (Vendor) plays a vital role when it comes to providing financial services to end user in the POS of dealer as they are essential to introduce the end user to service provider and which service provider they introduce and eventually they can influence buying decision of their end users. Dealers typically have relationships with a wide range of banks and finance companies, which means they can offer customers lots of choice. Many financial service providers continue to stress the importance of the dealer-lender relationship by understanding their needs, but also consistently exceeding their expectations. As financing industry becomes more commoditized, dealers cite “people relationships” and “ease of doing business” as the top two reasons for their selection of a financing provider. The importance of these two reasons are echoed both by captive and

non-captive lenders. Factors such as dealer compensation and competitive rates are also relevant in the provider selection decision, but are of secondary importance to customer service-related reasons.

Beyond the relationship influence, dealers have different views of satisfaction depending on the type of lender with which they are doing business. Dealers who work with captive lenders place higher importance on the lender's customer loyalty rebates (27%) than those who work with non-captive lenders (4%). In contrast, dealers that choose to do business with non-captive lenders place a greater importance on dealer compensation (13%), compared with those that choose to work with captive lenders (4%). In a highly competitive and fragmented market, exceeding expectations becomes a paramount differentiator. The study finds that dealers hold their lender sales representatives to a higher set of standards, yet sales representatives exceed expectations less than half of the time. Lenders can adjust their credit policy, interest rate or dealer compensation plans, but it's how they interact with dealers and resolve issues when they arise that have the greatest effect on satisfaction. When overall satisfaction increases, dealers are more willing and able to deepen the business relationship with lenders.

## **2.4 Literature review**

Although leasing is sometimes a risky arrangement (Wilder, 2006), there are many reasons for the popularity of using leases to acquire assets rather than purchasing them outright. Schmidgall & Upneja (2001) found that the main reasons for equipment leasing were to avoid obsolescence, to obtain tax benefits, and to sustain cash flow. Einfeldt & Rampini (2006) argued that the benefit of leasing is that repossession of a leased asset is easier than foreclosure on the collateral of a secured loan, which implies that leasing has higher debt capacity than secured lending. Dafnis (2008) also argued that lease financing can be used to bundle a broad range of assets needed for property improvement plans. According to Page (2007) and Whittaker (2008), hotel companies also use sale and lease-backs as a way to release value from a real estate investment.

Ravi (2006) indicated several benefits of leasing. First, in comparison to using bank loans for purchasing equipment, leasing offers 100% financing in terms of the equipment value whereas most banks offer approximately 80% financing of the asset's purchase price. Second, leasing provides financial flexibility. Unlike debt, which requires

timely payments to avoid high interest rates and potential bankruptcy problems, lease payments can be structured to the lessee's advantage. Taking the operating cycle and the cash cycle of the lessee into consideration, lease payments can be correlated with the timing of the cash inflows and outflows. Last, leasing is also an avenue to minimize obsolescence risk. This is one of the major benefits that stems from leasing equipment. Certain equipment types are rapidly outdated or become obsolete before their useful life (i.e. hi-tech equipment and computer software).

Page (2007) also examined advantages for leasing. Leasing has some tax and accounting advantages; it can also be easier to market and sell. Another advantage of a lease arrangement is that the operator retains all the benefit of the operational turnover and profit, rather than just taking a small percentage of both. Finally, a lease gives an operator much more control and freedom to run the operations as it thinks fit.

## **CHAPTER 3**

## **BACKGROUND OF RENT 2 OWN COMPANY**

This chapter illustrates overview of rent 2 own company, which includes background of Rent 2 Own company, Organizational structure, functions, and products and services provided by R2O.

### **3.1 Establishment of Rent2Own Company**

Established in Early 2016, Rent2Own has its HO in downtown Yangon and has set up densified network of branches covering central Myanmar's administrative divisions, as well as Southern Shan State. The first 4 regions that have regional offices located in Thanlyin, Bago, Patheingyi and Pyaw Oye opened in 2016. Followed by Magway, Taunggyi and Meiktila in 2017. In 2018, R2O has also scaled up regional branches in Monywa and Mawlamyine, and by the end of 2018, R2O has 34 offices across the country and have employed 399 staff, and working with 424 dealers. R2O has now produced over 80,000 contracts by the 4<sup>th</sup> quarter of 2018. By the end of 1<sup>st</sup> quarter of 2018, R2O has financed over 50,000 contracts with cumulative amount of \$27 million.

Exactly the same for Rent2Own as almost exactly three years to the day after its registration (25<sup>th</sup> November 2015), Rent 2 Own (Myanmar) Ltd. is less of a start-up, and more of a corporate actor, in the fast growing financial services sphere of the Myanmar economy, with a mission to improve mobility in Myanmar and with a vision that R2O gives Farmers, Self-employed, Entrepreneurs & Micro-Enterprises Freedom by providing them mobility.

That targeting the informal sector, maybe 90% of the economy, gives R2O a large public, a brick-and-mortar footprint, on which to lean on and further leverage. Most clients are unskilled workers or street vendors, and they are offered a flexible financial service to acquire a motorcycle. R2O provides tailored options to those in need of transportation, but lacking the means to buy in one go. The main focus is helping entrepreneurs, often farmers, to buy the motorcycle they need to grow their business. The service it provides enables farmers transport their products to the nearest market. Others can use the motorcycle to generate income and will thus be able to pay the monthly fee.

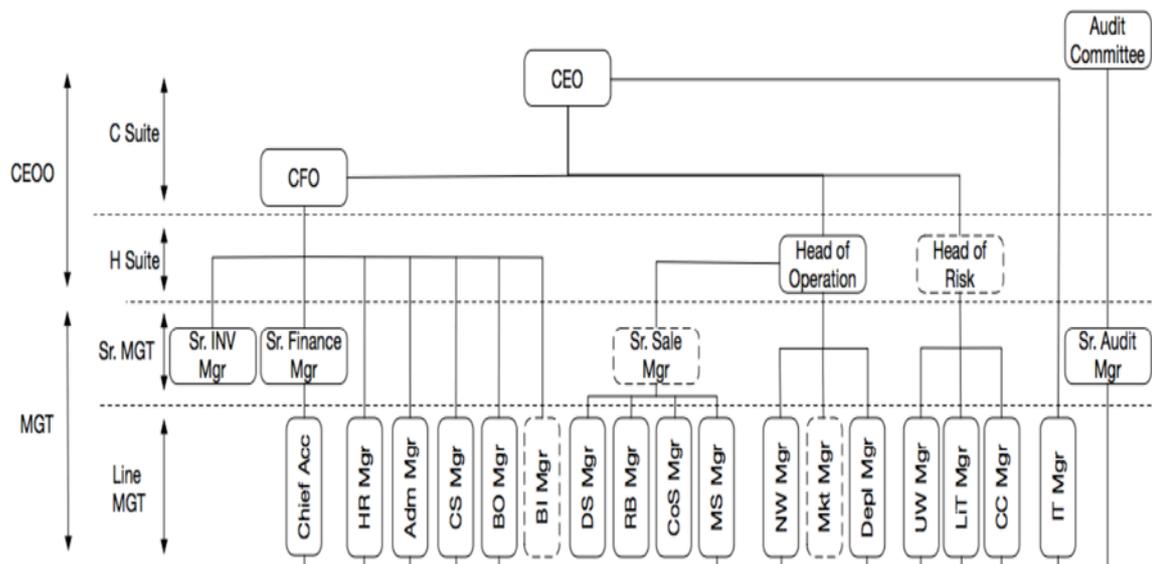
Quarterly maintenance and road, third-party or life insurance are included in the contract, at the end of which the ownership of the bike transferred to the client.

Rent2Own takes pride in financing and thereby improving the rural mobility. The impact of the availability of transport can hardly be overstated. A motorcycle helps kids to go to school, and receive an education. It makes it possible for farmers to sell their produce at more distant markets. Where they might fetch a higher price. And for those who have found a job, further away, a motorcycle allows them to commute.

### 3.2 Organizational Structure of R2O

Rent2Own company Myanmar is structured with 3 layers. 1<sup>st</sup> is CEOO (Chief Executive Officer Office), 2<sup>nd</sup> is Management team and 3<sup>rd</sup> is Shop Floor. CEOO is again constructed with 2 Suite, C Suite that has CEO and CFO that reports to Board of Directors, and H Suite that has Head of Operation and Head of risk. Management team has 2 layers, one of which is senior management and the other one is line managers.

**Figure (3.1) Organizational Structure of R2O**



Source: Rent 2 Own Company, 2018

R2O is structured with 12 departments, 5 in front offices and 7 in back offices. Departments of Sales, Customer service and Contact centre provide service to clients, and share info. Call Centre and Litigation collect money. UW selects clients, and Finance pay

to dealers, HR provides training and selections of staff, Admin makes procurements and IT sets up infrastructure.

### 3.3 Products of Rent 2 Own Company

Rent2Own provides Product of motorcycle leasing through 2 sales channels\_ Dealers (POS Sales) and Ward Leaders (Direct Sales), and Cash Loan (Rent Back).

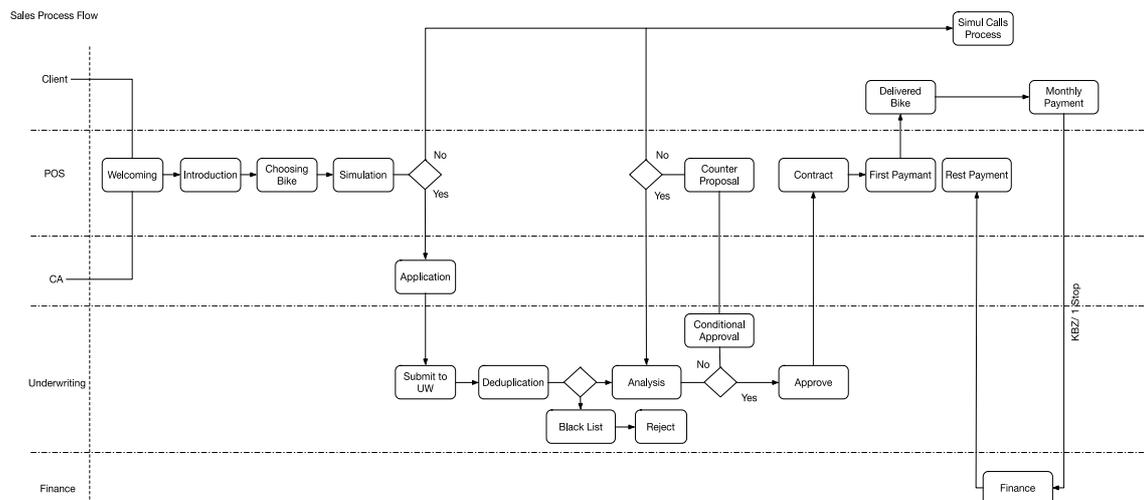
#### 3.3.1 Dealers (POS Sales)

The key sales channel for R2O is to finances Motorbikes to End-user through Vendors at their POS. It appoints Credit Attendants at Point of Sales where they interact with potential customers. Potential customers have to bring a set of required docs, which are 1. Original and Copy of NRC, 2. Original and Copy of Family Book, 3. A recommendation letter from the Ward/ Village Authority, 4. Original and Copy of NRC of referee, 5. Original and Copy of family Book of referee. Additional docs are requested if further references are needed.

#### Dealer Sales Process Flow

Sales flow always starts from client traffic on the shop floor, welcomed and introduced by CA, asking prospects to choose the bike, starts simulation, then application, submit to UW, issue contract, and lastly, client putting down first payment as below.

**Figure (3.2) Sales Process Flow**



Source: Rent 2 Own Company, 2018

Down-payments vary from 0% to 50% and tenures vary from 9 months to 36 months. If 40% & 50% Down payments are made, Referee isn't needed and options to buy comprehensive motor insurance, life insurance and quarterly maintenance are available.

### **Dealer Tier Definitions**

R2O has dealer agreement signed with over 400 dealers across the network and they are the source of business for R2O POS Channel. In other word, these dealers are also clients for R2O. Based on their contribution to R2O Sales and risk taken into account, dealers are divided into 4 groups according to the volume of business they've produced for R2O.

### **Sales Filter**

Dealers are defined on their "last 12 months' historical amount financed produced". For regions opened <12 month ago, the "last 12 months' historical amount financed produced" needs to be adjusted (Prorata: if  $x < 12m$ , production = actual prod \*  $12 / x$ ). The final repartition of Merchants is based on the "Annualized Amount Financed over last 12 months".

### **Risk Filter**

For R2O, the key current risk figure is PAR90+, defined as the ratio between the "outstanding net principal" for contracts with overdue 90 days+, divided by the "amount financed" of the said generation. Based on this criteria [Merchant Risk Ratio, MRR], 3 types of Merchants, based on the risk R2O incurs from the clients they produce are defined.

**The Good Merchants** are defined as those whose MRR <3%, those 118 Merchants together represent 74% of the accumulated amount financed produced for R2O over the last (adjusted) 12 months. In other words, three quarters of the business produced by R2O comes from Good Merchants.

**The Bad Merchants** are defined as those Merchants whose MRR is between 3% and 6%, there are 28 Bad Merchants. R2O continues to do business with them carefully, and find

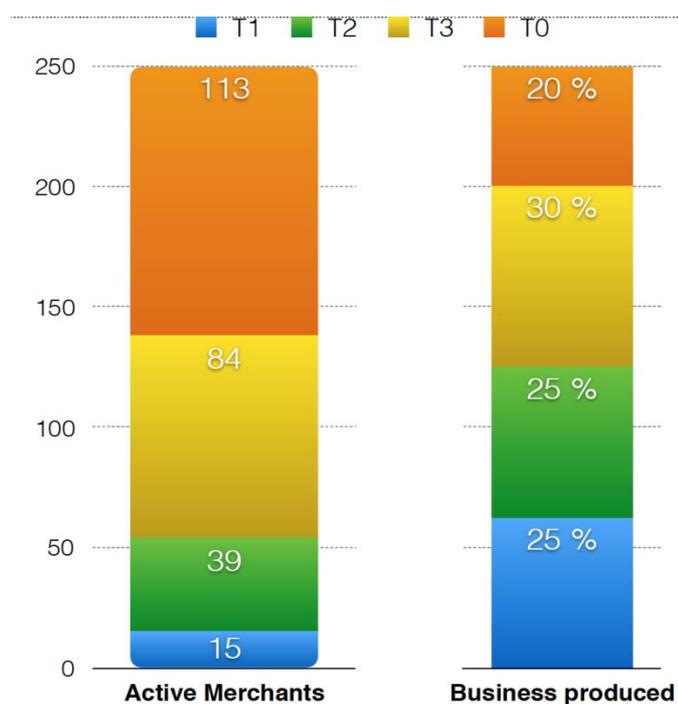
incentive for them to help improve their MRR. Those 28 Bad Merchants represent 10% of the business produced by R2O over the (adjusted) past 12 months.

**The Ugly Merchants** are those Past 6% MRR, R2O suffers a risk which is both costly (in term of litigation costs) and penalizing to access more funding (impact funds align their criteria to MFIs, with a covenant to maintain PAR90+ under 5%). These 35 Ugly Merchants together produce 16% of R2O’s business. They can be distinguished in their ugliness between those whose MRR is <10% (22 out of the 35) and the remaining 13 whose MRR reach up to 55%...

### Dealer Tiers Category

**T1** are those who together represent 25% of R2O sales with MRR less then 3%. There are **15** potential T1 active Merchants. **T2** who together represent 25 to 50% of R2O sales with MRR less then 6%. There are **39** potential T2 active Merchants. **T3** are merchants who together represent 50 to 80% of R2O sales with MRR more then 6%. There are **84** potential T3 active Merchants. **T0** are those who together produce represent less than 20% of R2O sales. There are **113** (out of 251 active Merchants). That’s 45% of current active Merchants.

**Figure (3.3) Production per Dealer’s Categories**



Source: Rent 2 Own Company, 2018

**Table (3.1) Definition of Tiers**

Tier	Sales condition	Risk	Population	Cumul
T1	Top 25%	<3%; if >3% downgrade to T2	15	15 - 25%
T2	Top 25-50%	<3%; if >3% downgrade to T3	39	54 - 50%
T3	Top 50-80%	<3%; if >3% downgrade to T0	84	138 - 80%
T0	Bottom 20%		113	241 - 100%

Source: Rent 2 Own Company, 2018

### **Dealer Privileges per Tier**

All Categories come with a range of privileges.

Tier 1 Merchants enjoy:

- A permanent CA based at the shop 7/7
- A counter in the shop fully equipped with laptop and printer
- Special “vinyls” in decoration of the shop
- Priority Underwriting 60 minutes
- Joint direct-marketing actions (flyers) paid by R2O and acted by Merchant
- Joint digital-marketing actions

Tier 2 Merchants enjoy:

- A permanent CA based at the shop 7/7
- Special “vinyls” in decoration of the shop
- Priority Underwriting 90 minutes
- Joint digital-marketing actions

Tier 3 Merchants enjoy:

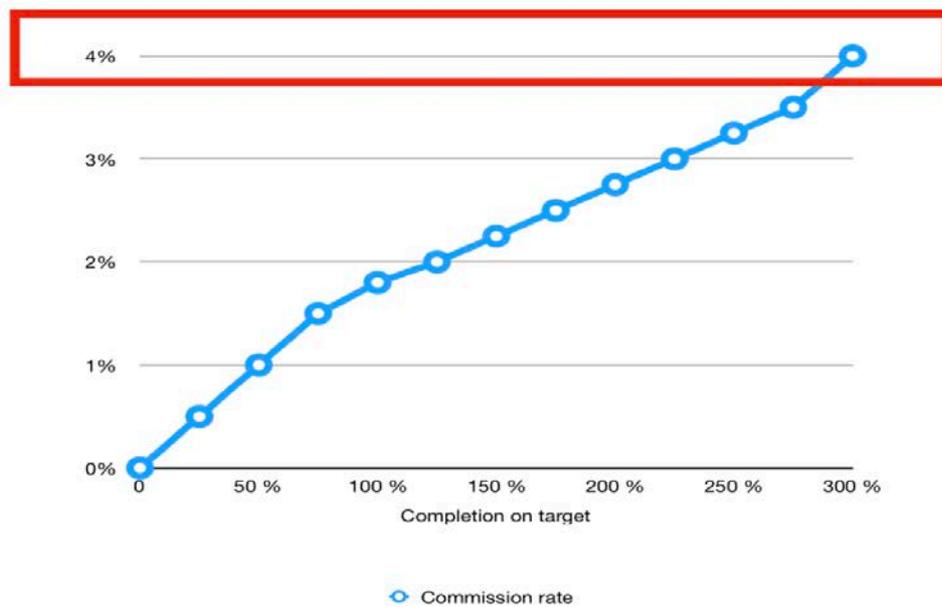
- Special “vinyls” in decoration of the shop
- Priority Underwriting 120 minutes
- Joint digital-marketing actions

### **Dealer Commissioning Scheme**

Scheme is combination of “monthly” and “quarterly” commission, based on targets and achieving the monthly target could be rewarded by a 1.8% commission. If the

Merchant overachieves the target, the commission rate increases up to 4% (for 300% of the target) and under 30% completion of the target, no commission at all is paid. The Quarterly target is the sum of all 3 monthly targets of a quarter. It would be rewarded by an additional commission percentage of 1% and this quarterly com helps the goals by rewarding overall regularity (reaching all 3 months' targets) and keeping the Merchant motivated after they miss their target in one month of the quarter.

**Figure (3.4) Commissioning Scheme**



Source: Rent 2 Own Company, 2018

On Target	0	30%	50%	75%	100%	125%	150%	175%	200%	225%	250%	275%	300%
Commission rate	0%	0.5%	1%	1.5%	1.8%	2%	2.25%	2.5%	2.75%	3%	3.25%	3.5%	4%

**Table (3.2) Commissioning Rate**

Source: Rent 2 Own Company, 2018

## **Impact of Risk on commission**

The “last 12 months” MRR affects the Merchant’s commission.

- If  $MRR < 3\%$ , merchant’s gets the full commission
- If  $MRR > 3\%$  and  $< 6\%$ , Merchant loses 25% of the commission
- If  $MRR > 6\%$ , Merchant loses 50% of the commission

## **Dealer Sales Targets**

In an ideal world, R2O’d have fixed the target for each Merchant as a percentage of their overall sales (a “market share” target). Recent attempts to do this have proven unsuccessful due to unreliability of the data. Thus the target is based on past HIGHEST month, and adjusted for seasonality. December, January and February are traditionally the peak prod months of the year, therefore no adjustment needed for next quarter. If highest month is a “one-off” (an odd, large production month) that can be spotted by comparison with last years’ same month, then max sales is used for the same month. If any of last year’s month is 0 (new merchant), then the max production month is used.

## **Dealers Mobile Application**

Dealers that work with R2O have access to Mobile app where they could monitor all their daily activities from applications submitted, pending, underwriting, approved, pending to sign, contracted, rejected, acceptance rate, rejection rate, amount financed, sales targets, sales achieved, amount of commission made, amount financed transferred, amount financed pending, late payments of clients from their POS, Merchant risk rate, percentage of OB given, pending and etc....

### **3.3.2 Ward Leaders (Direct Sales)**

DS is based on commissioning Ward or Village Leaders (local civil authority) to recommend R2O service in their community. They distribute QR code and recommend potential clients to walk into R2O Offices with QR, where they are accepted as DS clients.

Rent 2 Own works with over 1,000 Ward Leaders, that recommend prospects to R2O in their communities. When prospects come to pick up ward recommendation letters as part of their requirements to get the bike leased, they suggest prospects to attend to R2O offices (instead of going to POS) where they can redeem 20,000 MMK Cash back

thus cheaper than buying them at POS. In such case, R2O denotes to those communities of wards and ask 10,000 MMK from dealers for bringing the clients to them in contrary to giving them commissions.

Prospects can apply for motorbike to be financed with mobile app. All required docs and application can be submitted in the app and when approved by UW, they can go to R2O Offices to have their docs verified and make the first payment and have the bike.

### **3.3.3 Cash Loan (Rent Back)**

RB is the loyalty scheme based on a cash loan upsell offered to clients with best payment behaviour and comes with Life insurance policy. This scheme is a way to extend “cash loan” to expired clients who have paid well their R2O contract. R2O “buy” their bike, and “rent it back” to them under a normal R2O contract. R2O offer them a cash loan repayable on 12 months, and it takes their bike as collateral. If the bike that was part of expired contract is no more in client’s ownership, another bike may be used. The amount of the cash loan offered depends on their previous contract’s payments (if they repaid 30,000 per month, they qualify for 3 lakhs loan, if they repaid 40,000 MMK they qualify for 4 lakhs etc....), between 3 and 10 lakhs. Cash loan is to be disbursed by TT, on client’s bank A/C in KBZ, CB or AYA.

## **CHAPTER 4**

### **ANALYSIS ON DEALER ATTITUDE TOWARDS THE PRODUCT OF RENT 2 OWN COMPANY**

This chapter presents the profile of sample dealers and analysis on dealer attitude towards the product of Rent 2 Own. Firstly, started with characteristics of the dealers such as location, years of POS established, Categories of bikes in inventory, Monthly sales volume, percentage of sales represented by cash down, HP, VC and other financial institutions and the attitude towards the product of Rent 2 Own.

Even Rent2Own has a range of sales channels, the core channel to most production comes from POS sales channel. Over the network, R2O has dealer agreements with over 400 POS. The key reason that R2O manage them tightly is that those POS are the source of business and Dealers itself are the ones who influence buying decisions of end-users. In other words, dealers itself are key clients for R2O. This survey therefore sought to assess insights, factors and attitudes of dealers towards the product of R2O.

#### **4.1 Research Methodology**

The methodology has been adopted to achieve and analyse designed objectives of the study. It includes research design, research questions, data collection methods and data analysis techniques.

##### **Research Design**

A research design focuses on dealer attitude towards the product of R2O and is considered as the framework or plan for a study that guides as well as helps the data collection and analysis of data. The research design may be exploratory, descriptive and experimental for the present study. The descriptive research design is adopted for this project.

##### **Research Approach**

The primary data is collected by face to face interviewing with Executives and management of R2O, and also survey is designed to acquire dealer upon their reception, and attitude towards the product with structured survey questionnaire. The questionnaire is prepared on the basis of objectives of the study.

## **Research Question**

The dealer attitude is examined by using the structured survey questionnaires. According to objectives in this study, the dealers have been surveyed the questions attached in appendix. The questions identify many significant differences in demographic group which includes location, years of POS established, Categories of bikes in inventory, Monthly sales volume, percentage of sales represented by cash down, HP, VC and other financial institutions and factors such as product, Processes, Customer Services and Marketing.

## **Data Collection Methods**

This study uses descriptive method based on primary data, collected from survey questionnaires of external parties of Rent 2 Own Company with random sampling method and secondary data is executed by interviews to Executives and management of Rent2Own Company, and sources of journals, books, internet, newspapers, reports and annual reports. 10% of Tier 1 Dealership, 30% each from remaining Tier of dealerships, representing 120 dealers of different tiers that have dealer agreements with R2O are selected for the survey.

## **Data Analysis**

After collecting the required data, they are analysed by using the statistical package, the acquired data from the survey are processed and analysed to conduct descriptive analysis. Since the data is qualitative in nature, content analysis is used to evaluate the response, draw conclusion and to derive recommendations. Content analysis consists of reading and re-reading responses, looking for similarities and differences in order to find themes and to develop categories. This is systematic qualitative descriptions of the composition of the objects or materials of the study.

### **4.2 Demographic Profile of Respondents**

This part of the chapter consists of location, years of POS established, Categories of bikes in inventory, Monthly sales volume, percentage of sales represented by cash down, HP, VC and other financial institutions. All questions on demographic characteristics are of closed types so respondents are required to chose the most appropriate answer out of all possible answers provided. The sample of 120 dealers are

collected by using structured questionnaires to gain dealer attitudes. The independent variables were the factors that includes product (Down-payment, Interest rate, Admin fees, Tenure, flexibilities and other services), Dealership (Commission, Payment to dealers, other incentives, transparencies and visibilities and Polices), Processes (application process, underwriting process, sales process, monthly payment process, phone collection and field collection), and customer service (merchant hotline, client hotline, local staff, HO, and management) and marketing strategies ( digital, marketing, visibilities and Promotion at POS).

### **Location of Point of Sales**

Rent 2 Own operates in 7 regions that are Yangon region, Bago east and west, Aya, Magwe and Shan south and Mandalay and dealers are asked about Location of POS.

**Table (4.1) Location of POS**

<b>Region</b>	<b>No. of Respondents</b>	<b>Percentage</b>
Yangon	11	9
Bago East	22	18
Ayeyarwady	31	26
Bago West	14	12
Magwe	15	13
Shan South	9	8
Mandalay	18	15
<b>Total</b>	<b>120</b>	<b>100</b>

Source: Survey data, 2018

As shown in table (4.1), Most respondents 31 are from Aya region, 22 dealers from Bago East, 18 are from Mandalay region, 15 from Magwe, 14 from Bago West, 11 from Yangon region and 9 from Shan South. It is represented that highest percentage goes to Aya region with 26%, Bago east is second highest with 18% and the least goes to Shan south with 9%.

### **Duration of Dealership with R2O**

R2O has been operating for 3 years and started operation on 27<sup>th</sup> Jan 2016 in Yangon region. Samples are classified into 5 that are less than 6 months, between 6 and 12 months, between 12 and 18 months, between 18 and 24 months and over 24 months.

**Table (4.2) Dealership with R2O**

<b>Duration of Dealership</b>	<b>No. of Respondents</b>	<b>Percentage</b>
< 6 months	10	8
>6 - <12 months	22	18
>12 - <18 months	32	27
>18 - <24 months	26	22
> 24 months	30	25
<b>Total</b>	<b>120</b>	<b>100</b>

Source: Survey data, 2018

According to table (4.2), 10 dealers have worked with R2O less than 6 months while 30 dealers has signed R2O more than 2 years ago. 26 have formed dealership with R2O more than 18 months but less than 2 years. Another 22 joined hands with R2O more than 6 months but less than 12 months and the remaining 32 have signed dealer agreement with R2O between 12 and 18 months and that is also the highest percentage that contains 27%, second largest portion is represented by 25% for those has worked more than 24 months. The smallest proportion of participants represented by those has worked less than 6 months is 8%.

### **Monthly Total Sales Production by dealer**

Dealers are asked regarding monthly average production and sample are categorised into 5 groups such as Production from 1 to 30, 31-50, 51 to 100, 101 to 150, and over 150.

**Table (4.3) Monthly Total Sales Production by Dealer**

<b>No. of monthly total sales Production</b>	<b>No. of Respondents</b>	<b>Percentage</b>
1 to 30	42	35
31 to 50	24	20
51 to 100	29	24
101 to 150	13	11
Over 150	12	10
<b>Total</b>	<b>120</b>	<b>100</b>

Source: Survey data, 2018

As the result of the survey, Outcomes vary from one to another. Average monthly production of 1-30 is represented by 42 respondents and this illustrates 35%, 29 respondents have monthly average production of 51 to 100, and this represents 24%, 24 respondents have average monthly production of 31 to 50 and represents 20%. There are only 12 respondents who have monthly average production of over 150 and represents 10% and those with monthly average production between 101 and 150 take 11%. While Rent 2 Own works with over 400 dealers, it could be assumed that 35% of total dealers have monthly production up to 30 bikes a month.

#### **Monthly Cash-down sales**

After production of monthly average, respondents are asked towards monthly production of cash down sales and results are classified in Table (4.4).

**Table (4.4) Monthly Cash-down sales**

<b>Monthly Cash-down sales</b>	<b>No. of Respondents</b>	<b>Percentage</b>
1 to 15	53	44
16 to 30	24	20
31 to 50	14	12
51 to 100	20	17
Over 100	9	8
<b>Total</b>	<b>120</b>	<b>100</b>

Source: Survey data, 2018

53 dealers respond to monthly production of cash sales from 1 to 15, that demonstrates 44%, 24 respond to category of 16 to 30, and this illustrates 20%, 14 respond to 31-50, 12% is represented, 20 responds to the category of 51 to 100, and this represents 17% and lastly those that produce over 100 cash sales are responded by 9 dealers and represents 8% of the tally.

### **Monthly sales contract with R2O**

Dealers are also asked to provide volume of monthly financing with R2O in the samples, classified in 1-15, 16-30, 31-50, 51-100, and over 100, as shown in table (4.5).

**Table (4.5) Monthly sales contract with R2O**

<b>Monthly sales contracts with R2O</b>	<b>No. of Respondents</b>	<b>Percentage</b>
1 to 15	70	58
16 to 30	27	23
31 to 50	14	12
51 to 100	8	7
Over 100	1	1
<b>Total</b>	<b>120</b>	<b>100</b>

Source: Survey data, 2018

According to table (4.5), it is found that sample includes 1 over 100, 8 from 51-100, 14 from 31-50, 27 from 16 to 30, 70 from 1 to 15. In terms of percentage, category of volume of monthly financing with R2O 1-15 presents 58%, category of 16-30 represents 23%, category of 31 to 50 represents 12%, category of 51 to 100 represents 7% and lastly category of over 100 represents 1% in general. It could be seen that only 19% of dealers finance over 30 bikes with R2O monthly.

### **Working with Competitors/ Vendor Credit provided**

Dealers included in the sample are classified for their partnership with competitors or vendor credit as shown in table (4.6).

**Table (4.6) Working with Competitors/ Vendor Credit provided**

<b>Working with Competitors/ Vendor Credit provided</b>	<b>No. of Respondents</b>	<b>Percentage</b>
Yes	67	56
No	53	44
<b>Total</b>	<b>120</b>	<b>100</b>

Source: Survey data, 2018

Table (4.6) shows 2 responses towards partnership with competitors and vendor credit provided. 67 dealers respond that they are working with competitors and 53 dealers respond that they are only working with rent 2 own. In terms of percentage, partnering with competitors/ vendor credit provided represents 56% and percentage of those only working with R2O represents 44%.

#### **Name of Competitors R2O Dealers are also working**

Dealers included in this sample are also classified into which competitions they are working with as 56% of R2O dealers declared partnership with Competitors/ vendor credit. Table (4.7) lists all competitions in the market of equipment leasing in Myanmar.

**Table (4.7) Name of Competitors R2O Dealers are also working**

<b>Name of Competitors</b>	<b>No. of Respondents</b>	<b>Percentage</b>
Bank HP	31	26
Group Lease	12	10
CSV/EFF	11	9
Mo Mo	5	4
Daung Capital	2	2
Aeon	1	1
Vendor Credit	5	4
No Competitions	53	44
<b>Total</b>	<b>120</b>	<b>100</b>

Source: Survey data, 2018

According to surveys as shown in table (4.7), 31 respondents are enrolled to Bank HP. 12 dealers are working with Group Lease, R2O biggest competitor, 11 dealers are working with CSV/EFF, 5 dealers work with Mo Mo, 2 dealers work with Daung Capital, 1 Dealer works with Aeon, and lastly, 5 dealers provide their own credit. In percentage, 26% goes to Bank HP, second biggest 10% goes to Group Lease, 9% goes to CSV/EFF, 4% goes to Mo Mo and another 4% goes to VC. It could be assumed that first comer in the market has more advantage than late comers as Bank HP was developed quite earlier than other NBFI.

### Monthly sales contracts with competitors by R2O Dealers

Volume of bikes financed by competitors are classified into 5 classes which are 1-15, 16-30, 31-50, 51-100, and Not working with Competitors. The results are as shown in table (4.8).

**Table (4.8) Volume of bikes financed monthly by competitors**

<b>Volume of monthly financing with R2O</b>	<b>No. of Respondents</b>	<b>Percentage</b>
1 to 15	39	35
16 to 30	19	16
31 to 50	3	3
51 to 100	3	3
*Not working with Competitors	56	44
<b>Total</b>	<b>120</b>	<b>100</b>

Source: Survey data, 2018

As shown in table (4.8), the average volume of bikes financed monthly by competitors is found that that of 1 -15 with 35%, 16-30 with 16%, 31-50 with 3%, 51-100 with another 3%, and \*Not working with competitors with 44%. Overall 51% of R2O dealers also get up to 30 bikes, financed monthly by also competitors.

### 4.3 Analysis of Dealer Attitude towards the Product of R2O

In this study, factors that influence level of dealer attitude towards the product of R2O are measured with 27 statements. Elements of product itself is measured with 5 statements, Services provided by R2O towards dealership measured with 6 statements,

Processes with 7 statements, Customer services with 5 statements, Marketing strategies with 4 statements. Each statement for dealer attitude is measured on five point Likert scale (1= Strongly Disagree, 2= Disagree, 3= Neutral, 4= Agree, and 5= Strongly Agree). The mean score for each statement is calculated and discussed. Since each statement is measured with five point Likert scale, the minimum, the middle and the maximum value of mean score is 1, 3, and 5. Therefore, if mean score is higher then 3, it can be assumed that dealers are satisfied and agree while if the mean score is lower then 3, it can be assumed that factors towards attitude are underperforming. As shown in survey findings below, the variables are influencing factors as follows.

### **Dealer attitude towards the product provided by R2O**

As shown in Table (4.9), dealer attitude towards the product provided by R2O is influenced by 5 factors, which are down-payment, Interest rate, administration fee, tenure, flexibilities and other services.

**Table (4.9) Dealer attitude towards the product provided by R2O**

<b>No.</b>	<b>Elements of Product</b>	<b>Mean</b>
1	Down-payment	3.54
2	Interest rate	3.92
3	Administration Fee	2.71
4	Tenure	4.90
5	Flexibilities and Other services	2.71
	<b>Overall average Mean</b>	<b>3.56</b>

Source: Survey data, 2018

As the results, the mean score for Tenure is 4.90, meaning that dealers like contract durations the most when it comes to product. The least mean scores (2.71) received are Administration fee and flexibilities and other services. It could be said that these two are not very popular among dealers when it comes to product. Down- payment and interest rate receives 3.54 and 3.92 respectively, meaning that they are, to some

extend, acceptable for dealers. Overall level of dealer attitude towards the product provided by R2O is 3.56 thus it could be said that dealers are satisfied with the elements of R2O product provided.

#### **Attitude towards dealership**

In table (4.10), attitude towards contents of dealership is measured with 6 factors, which are commission given to dealer, amount payment transferred to dealer, other incentives given to dealer, interaction with other departments within R2O, Transparencies and visibilities of R2O towards dealers, polices.

**Table (4.10) Attitude towards Dealership**

<b>No.</b>	<b>Dealership</b>	<b>Mean</b>
1	Commission given to dealer	6.38
2	Amount payment transferred to dealer	3.16
3	Other incentives given to dealer	4.64
4	Interaction with other departments within R2O	3.16
5	Transparencies and Visibilities of R2O towards dealers	2.83
6	Polices	3.74
	<b>Overall average Mean</b>	<b>3.98</b>

Source: Survey data, 2018

As the results, the highest mean score (6.38) received is for the fact that commission given to dealer. Dealers seem to like commissioning scheme a lot. The least score (2.83) is received for transparencies and visibilities of R2O towards dealers. It could be assumed that dealers don't like current practice and R2O needs to have more transparencies towards dealers regarding pricing, short term, long term changes. Amount payment transferred to dealer and interaction with other departments within R2O receive 3.16 each respectively and policies receive the mean score of 3.74. However, overall

average mean is 3.98 thus it could be stated that dealers agree with current practices of dealership.

### **Attitude towards Processes**

As demonstrated in table (4.11), dealer attitude is measured with 7 elements. They are application process, UW Process, Sales process, OB Process, Monthly Payment Process, Phone Collection, Field Collection.

As the results, the highest score (3.92) received is for OB process. It could be said that dealers like current practice of OB process. Second highest mean score (3.71) received for field collection and third (3.71) received for monthly payment process. UW process and Sales process and Phone collection process receive 3.06, 3.19 and 3.16 respectively. It could be illustrated that merchant seems quite neutral with those processes. The most unpopular process among dealers is application process, just receiving the mean score of 2.83. Overall Average mean for dealer attitude towards processes is 3.37. It could be demonstrated that Dealers like current processes.

**Table (4.11) Attitude towards Processes**

<b>No.</b>	<b>Processes</b>	<b>Mean</b>
1	Application Process	2.83
2	UW Process	3.06
3	Sales Process	3.19
4	OB Process	3.92
5	Monthly Payment Process	3.71
6	Phone Collection	3.16
7	Field Collection	3.71
	<b>Overall average Mean</b>	<b>3.37</b>

Source: Survey data, 2018

### **Attitude towards Customer Services**

Dealer attitude towards customer services are measured with 5 factors, that are merchant hotline, client hotline, local staff, HO and management.

As demonstrated in table (4.12), Merchant hotline with the means score of 3.71 is assumed to be the most popular out of customer services and local staff with the mean score of 2.79 is assumed to be the least popular. It could be said that local staff need to be trained. Client hotline, HO and Management with the mean score of 3.27, 3.12 and 3.19 respectively and they all could be assumed to be neutral among the dealers. Overall score of 3.21 thus assumption could be taken that dealers are ok with current means of customer services.

**Table (4.12) Attitude towards Customer Services**

<b>No.</b>	<b>Customer Services</b>	<b>Mean</b>
1	Merchant Hotline	3.71
2	Client Hotline	3.27
3	Local Staff	2.79
4	HO	3.12
5	Management	3.19
	<b>Overall average Mean</b>	<b>3.21</b>

Source: Survey data, 2018

### **Attitude towards Marketing Strategies**

Attitude towards marketing strategies are measured with 4 elements. They are digital, marketing, visibilities and promotion at POS.

**Table (4.13) Attitude towards Marketing Strategies**

No.	Marketing Strategies	Mean
1	Digital	3.16
2	Marketing	3.06
3	Visibility	3.16
4	Promotion at POS	3.08
	<b>Overall average Mean</b>	<b>3.12</b>

Source: Survey data, 2018

As illustrated in table (4.13), Overall marketing strategies with the mean score (3.12) could be assumed that dealers are ok with it but are not that much impressed with practices of marketing strategies. Digital and visibility of marketing strategies receive 3.16 each, and marketing and promotion at POS only receive 3.06 and 3.08 respectively and they could be just assumed that dealers are neutral with the practices.

## **CHAPTER 5**

### **CONCLUSION**

This chapter is intended to analyse the dealer attitude towards the product of Rent 2 Own Company. Out of 400 dealers, 120 are selected for the interview by using structured questionnaires for date of their attitude. In this chapter, major five factors that influences dealer attitude are elements of the product, elements of dealership, processes and customer services and marketing strategies. Therefore, this chapter explains the findings of the product provided by R2O and analyses dealer attitude towards the product of R2O, suggestions and need for further study.

#### **5.1 Findings**

This study explores products provided by R2O and analyses the dealer attitude towards the product of R2O. R2O offers financial products of motorcycle leasing through 2 sales channels and and cash loan called Rent-Back. According to survey results, it could be said that most of the POS are concentrated in Aya region and Shan South in contrary. It could be for the reason that R2O has the most offices in Aya region then any other regions in the country.

It could be also seen that most of the dealer have been working with R2O between 12 and 18 months thus it may be right to say that out of 400 dealers working with R2O currently, most of the dealers have formed partnership with R2O between 12 and 18 months. Regarding the monthly average volume of sales by dealer, it could be assumed that 35% of the dealer sells up to 30 bikes a month, cash-down represents almost 50% of their monthly average sales.

Out of their average monthly sales, most of the dealers push up to 15 bikes with R2O leasing contract. It could be also seen that out of the dealers that work with R2O, 67% also work with competitors or provides their own credit to their clients. Lastly 35% of the dealers also sell up to 15 bikes average monthly with other competitors. In consideration of elements of factors that influence attitude towards the product provided by R2O, Tenure of the contract receives the highest mean value and it could be said that it is quite popular among dealers and the least favourite is administration fee. As the result

of the survey regarding attitude towards dealership, commission given to merchants receives the highest mean score and the least one is policy. It could be said that dealers like current commission scheme a lot. Regarding processes, it could be assumed that OB process is the one that ticks dealers and application process isn't. Merchant hotline is the most popular among dealers and local staff are the least liked. Lastly, in regards with attitude towards marketing strategies of R2O, it could be assumed that most of the marketing strategies are quite neutral for dealers.

In brief, to analyse all factors of product, dealership, processes, customer services receive the average mean score of more than 3, thus overall it could be put into assumption that they are generally delivering minimum expectations. However, factors that define dealership receives the highest average mean score, and the minimum received is factors that define marketing strategies.

## **5.2 Suggestions**

On large footprint of 9 regional branches and 25 sales areas, with the network of over 400 dealers and along with base (and data) of 80,000+ customers, Rent 2 Own couldn't achieve it without the best partnership with Dealers. As stated before, POS are the source of business, where dealers introduce end –user to R2O, thus it is essential for R2O to maintain, develop and enrich relationship with dealers and rectify those that are not popular among dealers.

Out of factors that influence attitude towards the product provided by R2O, it could be suggested that R2O needs to adjust admin fee and reviews flexibilities and other services available to R2O. Regarding elements of dealership, R2O needs to display more transparencies and visibilities towards the dealers, in regards with processes, application process has to be revamped. In general, more marketing needs to done and more words of month need to spread. It also needs to shorten the time it takes to process clients when underwrites, and it also needs to retrain the staff to enhance customer journey, experience, and satisfaction through touch points.

It is suggested that R2O should focus in the short term on refreshing its offer and reaffirming its dominance on its core motorcycle market, by making its products more

attractive and by instilling a new dynamic with its merchant partners. Also it is strongly believed that R2O must be prepared for the next steps, medium to long term, if it wants to remain in the lead of the consumer finance revolution in Myanmar.

On large footprint of 9 regional branches and 25 sales areas, with the network of over 400 dealers and along with base (and data) of 80,000+ customers and insight into data of 7,000+ clients who attempted to default, it can envisage to diversify its activities over a range of new products, provides areas of growth and it needs to make use of its data to upsell, cross-sell and enlarge its public, tackle urban areas where it can deploy more sophisticated risk control procedures, speed up its client data acquisition by financing small-tickets and clarify its upsell strategy, deploy a strong digital presence. In addition, R2O should continue its Rent-Back program, a cross-sell cash loan product.

### **Need for further study**

This study only focuses on products provided by R2O and only analyse the dealer attitude towards the product of R2O. Industry of equipment leasing is very broad and essential to SMEs and there are a wide range of equipment to be financed in response to demands of the market. In order to be market leading provider of such financial products, understanding target customers and maintenance of the best dealership is the key to essence of this nature. Thus common interests of dealership have to tapped every now and then.

Moreover, similar studies should be conducted to dealers that are only working with competitors, dealers of products other than motorcycles, collection of bigger sizes of samples, samples of target customers and different practices of values and processes.

## REFERENCES

- (1) Günter Verheugen in European Commission. “The new SME definition: User guide and model declaration.” Brussels: Enterprise and Industry Publications, 2005.
- (2) Beck, Thorsten and Demirguc-Kunt, Asli. “Small and medium-size enterprises: Access to finance as a growth constraint.” *Journal of Banking & Finance*, 30 (2006): 2932.
- (3) <https://www.ifmr.com/credit-research/motorcycle/>
- (4) <https://www.forbes.com/sites/chynes/2017/08/14/to-alleviate-poverty-microfinance-institutions-must-work-on-much-longer-time-scales/#300943cb54fe>
- (5) <https://www.omicsonline.org/open-access/the-role-of-micro-enterprises-in-employment-and-income-generation-a-case-study-of-timergara-city-dir-l-pakistan-2162-6359-1000318.php?aid=70660>
- (6) <https://www.inc.com/encyclopedia/equipment-leasing.html>
- (7) <https://scholarworks.umass.edu/cgi/viewcontent.cgi?article=1275&context=jhfm>
- (8) <https://www.myaccountingcourse.com/accounting-dictionary/operating-lease>
- (9) <https://economictimes.indiatimes.com/definition/capital-lease>

**RENT 2 OWN FINANCIAL SERVICE COMPANY  
QUESTIONNAIRES**

The following questions ask your attitude or experience towards the product or service that R2O provides at your Point of Sales. Please tick where suitable. We are grateful for your corporation.

**Part A  
Demographic Profile Analysis**

Please tick in the box that best describes you.

1 Which region is your POS in?

- |                |                          |
|----------------|--------------------------|
| (a) Yangon     | <input type="checkbox"/> |
| (b) Bago East  | <input type="checkbox"/> |
| (c) Ayeyarwady | <input type="checkbox"/> |
| (d) Bago West  | <input type="checkbox"/> |
| (e) Magwe      | <input type="checkbox"/> |
| (f) Shan South | <input type="checkbox"/> |
| (g) Mandalay   | <input type="checkbox"/> |

2 How long have you been working with R2O?

- |                      |                          |
|----------------------|--------------------------|
| (a) < 6 months       | <input type="checkbox"/> |
| (b) >6 - <12 months  | <input type="checkbox"/> |
| (c) >12 - <18 months | <input type="checkbox"/> |
| (d) >18 - <24 months | <input type="checkbox"/> |
| (e) > 24 months      | <input type="checkbox"/> |

3 How many Bikes altogether do you sell monthly?

- |               |                          |
|---------------|--------------------------|
| (a) 1 to 30   | <input type="checkbox"/> |
| (b) 31 to 50  | <input type="checkbox"/> |
| (c) 51 to 100 | <input type="checkbox"/> |

- (d) 101 to 150
- (e) Over 150

4 How many Bikes do you sell Cash-down monthly?

- (a) 1 to 15
- (b) 16 to 30
- (c) 31 to 50
- (d) 51 to 100
- (e) Over 100

5 How many Bikes do you sell with R2O financial service monthly?

- (a) 1 to 15
- (b) 16 to 30
- (c) 31 to 50
- (d) 51 to 100
- (e) Over 100

6 Do you also work with Competitions/ Provide VC?

- (a) Yes
- (b) No

7 Which competitions do you work with?

- (a) Bank HP
- (b) Group Lease
- (c) CSV/ EFF
- (d) Mo Mo
- (e) Daung Capital

(f) Aeon

(g) VC

(h) No Competitions

8 How many Bikes do you sell with Competitions monthly?

(a) 1 to 15

(b) 16 to 30

(c) 31 to 50

(d) 51 to 100

(e) Not working with competitors

**Part B**

**Analysis on Dealer attitude towards the product of Rent 2 Own Company**

Please indicate to what extend the statement are valid regarding the product of Rent 2 Own.

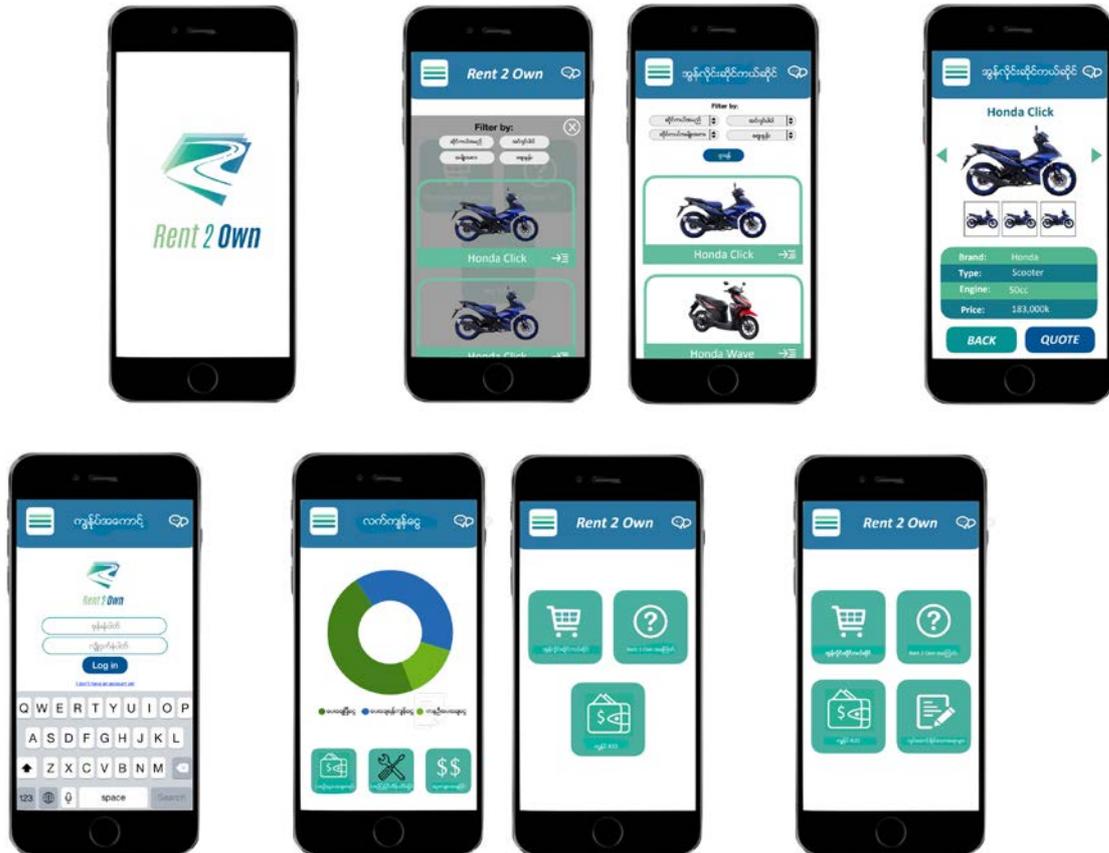
**(1) Strongly Disagree (2) Disagree (3) Could Not Decide (4) Agree (5) Strongly Agree**

Q. No	Factor	1	2	3	4	5
<b>Attitude towards the product provided by R2O</b>						
1	Downpayments are fairly structured.					
2	Interest rate is fair.					
3	Administration Fee is ok.					
4	Tenure is rightly adjusted.					
5	Flexibilities and Other services are good part of end-user contract.					
<b>Attitude towards dealership</b>						
1	Commission given to dealer is well put.					

2	Amount payment transferred to dealer is fast.								
3	Other incentives given to dealer are fair.								
4	Interaction with other departments within R2O is quite good.								
5	Transparencies and Visibilities of R2O towards dealers are clear.								
6	Polices currenly placed are good.								
<b>Attitude towards the processes of R2O</b>									
1	Application Process is straight forward.								
2	UW Process is fast.								
3	Sales Process is well thought.								
4	OB Process is fair.								
5	Monthly Payment Process is clear for end-users.								
6	Phone Collection process is well put.								
7	Field Collection process is good.								
<b>Attitude towards Customer Service of R2O</b>									
1	Merchant Hotline is helpful.								
2	Client Hotline is user friendly.								
3	Local Satff are well trained.								
4	HO provides good communication.								
5	Management is easy to talk to.								
<b>Attitude towards Marketing Strategy of R2O</b>									
1	Digital strategy is good.								
2	Marketing campaign is well linked to sales needs.								
3	Visibility at POS is strong.								
4	Promotion at POS can attract target clients.								



Direct Sales Mobile App



Source: Rent 2 Own Company, 2018