

Maximizing Close Ties Between CPO, F&I Office



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More than three-fourths of all certified pre-owned sales in the first quarter included financing, according to J.D. Power and Associates.

This point certainly helps back up the assertion that CPO and financing are “highly co-dependent” on each other, as Kia’s Brad Beer put it.

“It is the last piece of the transaction left for the dealer with true upside gross profit based on the products they can sell,” said Beer, the national manager of CPO and branded contracts at Kia Motors America. “The dealers I see that do it well have a menu that is presented to every single customer that reaches the F&I office.

“KMA partners with JM&A to train and implement products and menus, and word tracks. Our base CPO warranty is 12 months/12,000 miles, and the wrap and other products are entirely optional,” he continued.

“All of the ancillary products are upsell for the dealer. Our CPO front-end grosses have been trending up for the last 12 months as well,” Beer added, indicating they’ve climbed 28 percent over 12 months.

“I believe some of that increase is industry and availability driven,” he said.

Industry-wide, J.D. Power breaks down first-quarter CPO sales as follows: Cash deals represented

23.8 percent of the certified market; 76.1 percent of CPO sales included financing; and 0.1 percent were leases.

In Q1 of 2012, those numbers were roughly similar. Cash deals were at 24.4 percent, financing took a 75.5-percent share and leasing was at 0.1 percent.

Those numbers jibe with the certified pre-owned finance statistics Volkswagen CPO and fleet analyst Marcus Gunter shared with *Auto Remarketing*.

He said about 76 percent of VW's certified sales include financing, and about 40 percent of those are financed via Volkswagen Credit.

As far as the finance penetration for Kia's CPO program, Beer did not have a specific number to share, but indicated that "in my travels over the last six months visiting dealers, it is a high majority of payment driven customers."

The chart below from J.D. Power illustrates the cash/financing/lease rundown within the CPO market in further detail:

Category	Q1 2013			Q1 2012			Q1 '13 vs. Q1 '12 [ppts]		
	Cash	Finance	Lease	Cash	Finance	Lease	Cash	Finance	Lease
New	18.7%	57.3%	24.0%	21.2%	58.5%	20.2%	-2.5	-1.2	+3.8
Used	31.7%	67.6%	0.7%	33.2%	66.2%	0.6%	-1.5	+1.4	+0.1
CPO	23.8%	76.1%	0.1%	24.4%	75.5%	0.1%	-0.6	+0.6	-

Leasing & CPO

As seen in the J.D. Power's data set, leasing appears to play only a minimal role of the retail sale side of the certified market; however, it obviously has a huge impact on the supply side, given that off-lease vehicles can often be the bread-and-butter crop of CPO-worthy units coming in to a dealership.

And this represents another way in which the F&I office can be closely tied to the CPO side.

At Kia, the automaker's financing arm – Kia Motors Finance – works with the certified program in transitioning end-of-term lessees.

"We partner with KMF, and they have introduced a comprehensive lease end kit for the customers and the dealers," Beer said. "They have also implemented a new comprehensive CRM system with Oracle/Siebel. Our lease customers receive communication starting at six months out via email and a personal URL."

Beer explained in further detail how this works and what is involved with the communications to end-of-term lessees, while also touching on the lease pull-forward programs and the positive impact on CPO.

"We have also been running some pull-forward programs on Sorento, which entices the customer to get out five months early and into a new vehicle," Beer noted. "The 2010 Sorento's recently (coming) off lease have had so much equity in them that in some cases, dealers have bought the vehicle without using the pull forward and still put the customer in a new vehicle.

"The customer cannot have their vehicle certified. It must be purchased by the dealer and go through certification inspection to be eligible for CPO. During the final six months, the customer is sent offers

monthly of our current new vehicle programs so that they know their options as they decide what to do," he continued.