

# Price Right and Turn Often

## *Certified pre-owned programs boost profits, loyalty*

*By Mac Gordon*

**P**riced right, certified pre-owned vehicles help inventories turn more quickly and yield higher operating profits for franchised dealers.

That's the conclusion of several participants at the first CPO Forum in Dearborn, MI. Dealers, general managers and used-car managers from dealerships throughout the U.S. attended.

The caveat about "proper pricing" is stressed by keynote speaker Dale Pollak, whose vAuto firm assists dealers in setting competitive prices for pre-owned units via software that keeps used-car departments abreast of price fluctuations.

The growing role used-car operations are playing in boosting dealer profitability during the current new-vehicle slump is underscored by data from Cars.com, Experian Automotive, AutoTrader.com and Power Information Network.

While the surveys focus on the benefits of factory-backed CPO sales as brand and dealer loyalty boosters, questions are raised about the confusion in consumers' minds between factory and dealer "certified" vehicles, as well as how best for dealers to display and promote their CPO inventories.

AutoTrader executives Matt McKenna and Howard Polirer urge dealers to certify cars upfront, rather than using CPO as a negotiation tool.

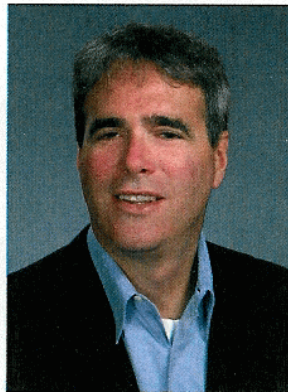
Pitching CPO vehicles on dealer websites is espoused as a drawing card, since many online shoppers shop exclusively for a CPO vehicle, according to data.

CPO owners are far more loyal to their brand and to the dealers from who the CPO vehicle was obtained than non-CPO buyers, according to Cars.com data presented at the forum.

Dealers with separate facilities for CPO sales say dedicated showrooms and CPO-only clusters in the inventory works best for them.

Floor discussions during the two-day session center on proposed legislation in several states amending franchise laws to define what constitutes a "certified" car.

Franchised and independent dealers would be barred from using the term unless it denotes a certification by the brand's automaker or a licensed independent warranty provider.



Dale Pollak: "Proper pricing."

CPO managers for nine automakers applaud the growth in CPO volume since its inception by Toyota Motor Sales U.S.A. Inc.'s Lexus Div. in 1993.

They forecast continued CPO growth and call on dealers to play up awareness of CPO programs in their advertising and in displays on showroom floors and even at their

local annual auto shows.

Separately, citing recent profit hits in new-vehicle sales, dealer accountant Barton Haag, of Portland, ME, advises dealers to maximize profit opportunities in their used-car departments.

"Maintaining a 30-day supply of inventory starts the moment the vehicle hits the lot," Haag says. "Move the units around the lot each week until they hit 30 days, at which point take them to the auction and sell them."

"The most profitable dealers we work with are extremely disciplined when it comes to inventory management. Waiting 60 days or more will most certainly mean a substantial loss." ■