

2016 CPO STUDY

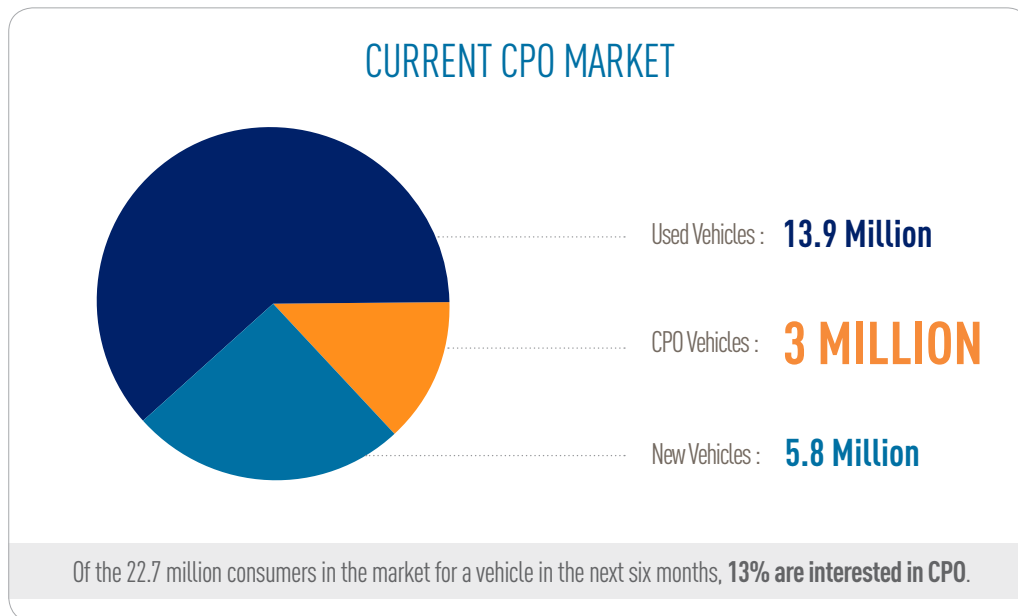
MAXIMIZING MARKET POTENTIAL



THE FUTURE IS BRIGHT FOR CPO SALES

Certified Pre-Owned (CPO) sales are on the rise and the pace is projected to increase. Of the 22.7 million consumers in the market, 3 million are interested in a CPO vehicle. That could rise to 5.2 million by 2020 with the right education and sales approach.¹ In fact, **helping shoppers understand the different vehicle types lifts interest in CPO by 71%.**

The benefits for dealers are clear. CPO vehicles sell an average of five days faster than non-CPO used vehicles, resulting in 20% more turns per year.² And while it's an investment for dealers to certify a vehicle, it can pay off in increased margins and customer loyalty.



¹US Census Bureau, American Community Survey, 2013 Data Release; total market, 18-64 year olds

²Cox Automotive: 2016 Dealer Profile Study (conducted with Vital Findings)

THE RIGHT INVENTORY IS KEY TO ATTRACTING CPO SHOPPERS

Dealers underestimate the value shoppers place on CPO by more than \$1,800 on average, signaling the opportunity for higher margins. When prospects arrive on the lot, however, the conversation should start with their preferences for make, model, year and style, not

with CPO. While the peace of mind offered by CPO warranty coverage is important to shoppers, inventory selection – and whether or not the particular make/model is right for them – is the top priority for consumers.

CONSUMERS' PERCEPTION OF CPO VALUE*



Shoppers value CPO **\$3,144 more** on average over the same non-certified used vehicle.*

*While customers perceive the CPO designation to add an average of \$3144 to the value of a vehicle, this does not necessarily reflect any extra amount a buyer may be willing to actually pay as part of the deal for a particular CPO vehicle.

**Dealer MROC 8/31-9/7/16

MOST IMPORTANT CRITERIA FOR VEHICLE PURCHASE

1. Make/model
2. Model year
3. Style preferred (sedan, SUV, etc.)
4. New/used/CPO
5. Warranty coverage

MESSAGE & EDUCATION ARE VITAL

CPO shoppers are looking for the essentials—the elements like certification, inspection and warranty that build confidence and peace of mind. What shoppers say they are willing to pay more for, though,

is related to the vehicle itself, including condition and technology. Dealers can emphasize that CPO vehicles not only have the essentials, they also have the latest technology because they are newer.

ITEMS LOOKED FOR IN A CPO VEHICLE

1. Certified/backed by OEM/dealership
2. Passed a detailed inspection
3. Extended warranty
4. Vehicle history report
5. Scheduled maintenance from dealer

ITEMS SHOPPERS ARE WILLING TO PAY MORE FOR IN A CPO VEHICLE

1. Mechanically perfect
2. Better condition than used
3. Latest tech features

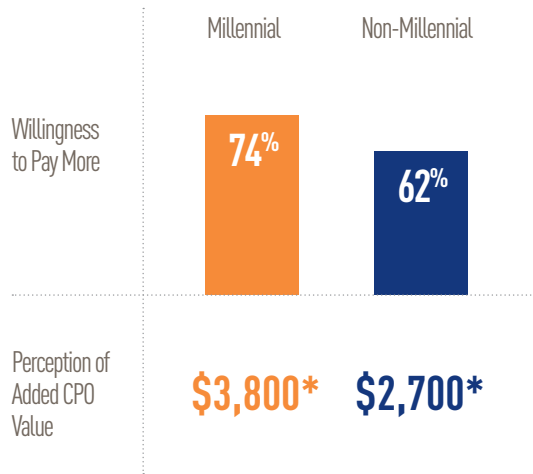
Shoppers look for peace of mind, but are willing to pay more for great condition and technology.

CPO IS A WAY TO TAP INTO THE MILLENNIAL MARKET

CPO vehicles are also a powerful tool for reaching Millennials, who place a higher value on CPO compared to other age groups. Millennials are willing to pay

more for extended warranties and technology, and dealers can use these features as a selling point.

MILLENNIALS PLACE A HIGHER VALUE ON CPO*



A HIGHER PERCENTAGE OF MILLENNIALS ARE WILLING TO PAY MORE FOR WARRANTY & TECH

	Millennial	Non-Millennial
Extended Warranty	53%	37%
Latest Tech Features	50%	41%
Mechanically Perfect	50%	65%
Better Condition Than Used	47%	50%

*While Millennials perceive the CPO designation to add an average of \$3800 to the value of a vehicle, and non-Millennials perceive the CPO designation to add an average of \$2700 to the value of a vehicle, this does not necessarily reflect any extra amount a buyer may be willing to actually pay as part of the deal for a particular CPO vehicle.

ACCELERATE THE CPO OFFER WITH BENEFITS PACKAGES

Dealers can build interest in CPO vehicles by boosting peace of mind through benefits packages centered around concierge, security and maintenance services.

Offering all three packages lifted interest an average of 61% compared to offering no packages.

INCREASE IN LIKELIHOOD TO PURCHASE CPO



Concierge

+9%



Security

+17%



Maintenance

+44%



All Packages

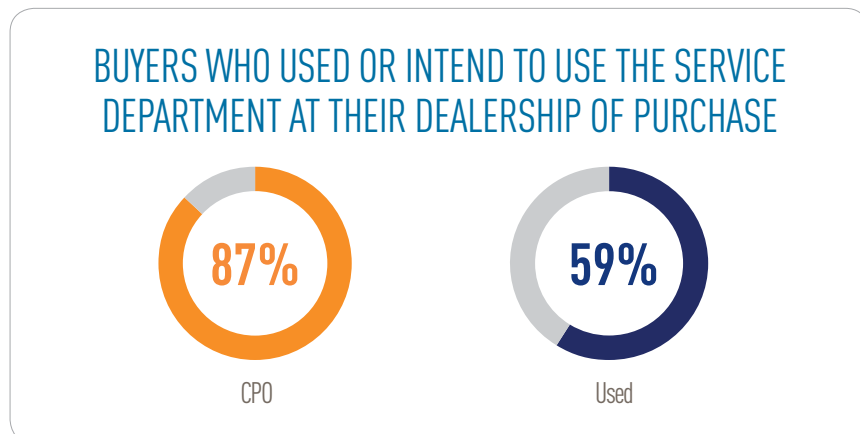
+61%

Purchase interest increases as CPO benefits packages increase.

CPO DRIVES DEALERSHIP LOYALTY

Keep in mind that it's not all about packages—highly rated dealers can command a premium on experience. When all things are equal with the vehicle and packages offered, top-rated dealers generate interest from almost one in four CPO shoppers. CPO vehicles also provide consumers with a positive experience—93% of CPO owners are

satisfied with their purchase. This creates loyalty for dealers: Almost all CPO owners say they have or will use the service department where they made their purchase. **Additionally, almost twice as many CPO owners as used car owners say they will make their next purchase from the same dealership.**



ABOUT THIS STUDY

To understand shopper perceptions of CPO vehicles as well as the CPO ownership experience, Autotrader conducted two quantitative online surveys, which together comprise the 2016 Autotrader CPO Study. For the shopper portion of the study, Autotrader completed a total of 436 interviews

among shoppers, split among 138 New, 150 Used and 148 CPO considerers who were planning to purchase a vehicle in the next 6 months. To understand the CPO ownership experience, Autotrader surveyed 907 current CPO owners (and 116 Used owners for comparison).