

# LEASING STUDY

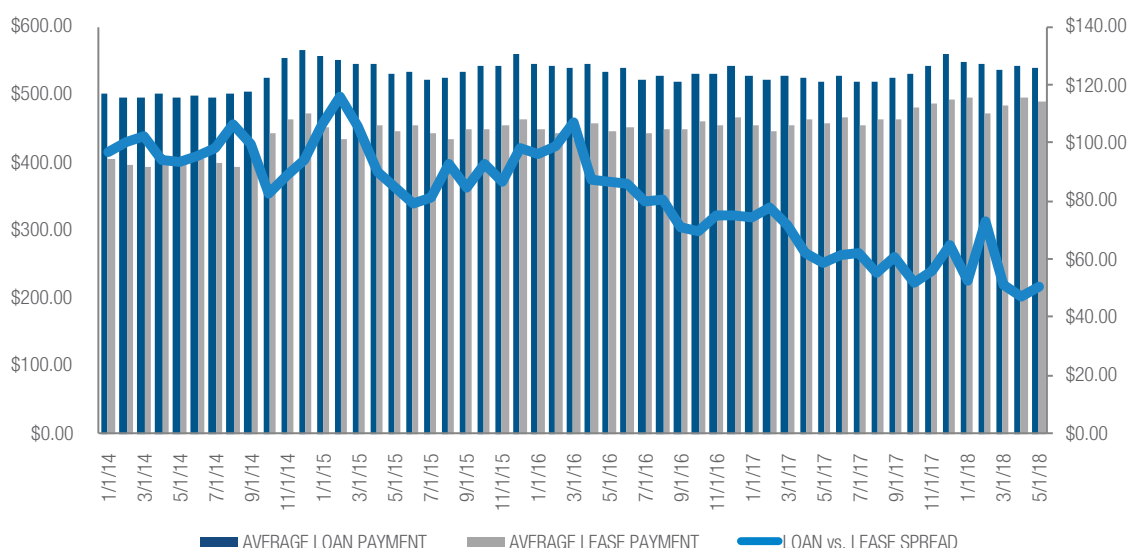
COX AUTOMOTIVE™

## MAXIMIZE RESIDUAL VALUE & MEET CONSUMER DEMAND THROUGH USED/CPO LEASING

### THE CHALLENGE

New vehicle leasing peaked in 2016 taking 32% of the market. Since then, the cost advantage of leasing over the average auto loan has decreased, causing the leasing penetration rate to drop (hovering between 25%-30% over the last two years).

Nearly 3.9 million off-lease vehicles are expected to re-enter the market in 2018,<sup>1</sup> potentially putting more downward pressure on residual values. As a result, new vehicle lease payments could continue to rise, causing even fewer people to consider leasing their next vehicle.



### THE SOLUTION

In this type of market (where interest rates are high and residuals are lower), Used and CPO vehicle leasing can restore the sought-after cost advantage of leasing while increasing opportunities to capitalize on residual value.

# 78%

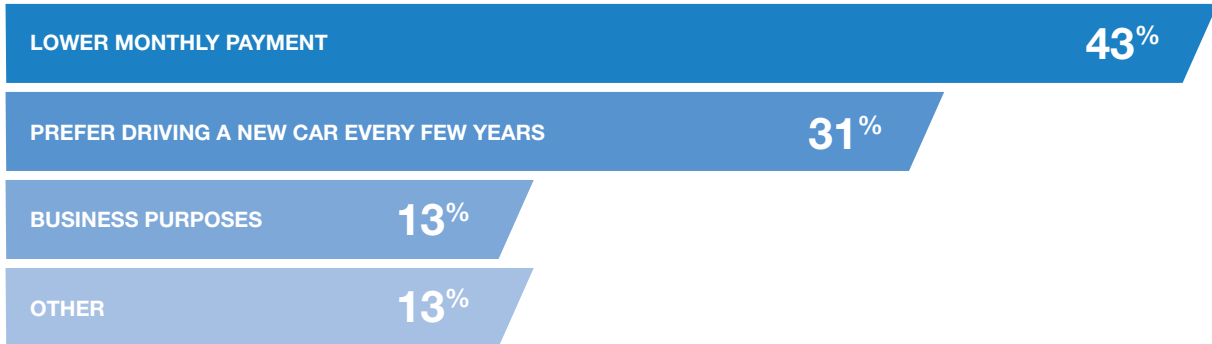
OF CONSUMERS WOULD CONSIDER LEASING A USED VEHICLE

Source: KBB.com Leasing Survey, November 2017

## WHY IT'S IMPORTANT

Lower monthly payment is the primary reason consumers choose to lease a vehicle instead of buying.

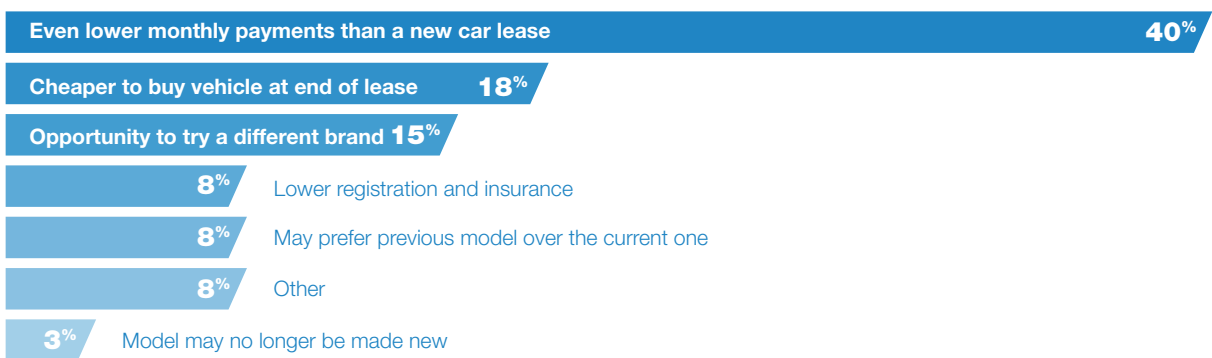
### PRIMARY REASONS TO LEASE



Source: KBB.com Leasing Survey, November 2017 – Among those who said they intend to lease or consider both lease and buy

In addition to lower monthly payments, Used/CPO leasing also offers other sought-after leasing features, including flexible/more frequent vehicle replacement options and the peace of mind that comes with extended warranties and maintenance plans.









### PRIMARY ADVANTAGE OF USED LEASE



Source: KBB.com Leasing Survey, November 2017

## WHY IT'S GOOD FOR OEMs & DEALERS

### USED/CPO LEASING CAN:

- 
**Maximize the ROI** of off-lease inventory residual value
- 
 Provide pricing and make/model options that create **more in-market shoppers**
- 
**Enable upselling of payment-focused consumers** who are interested in (but otherwise would not consider) more expensive vehicles/more frequent upgrades
- 
**Offset the costs** of CPO certification, recon and merchandising
- 
**Boost customer loyalty** CPO leasing can increase brand/make loyalty<sup>2</sup> and lessees are more loyal to make, model and dealer than New buyers<sup>3</sup>
- 
**Increase service retention**
- 
 Provide incentives in the form of **special lease agreements that are more friendly to brand image** than “cash-on-the-hood” or other traditional incentives
- 
**Counter the trend toward longer-term loans** that keep consumers out of the market for longer periods of time

Sources: <sup>1</sup>Cox Automotive 2018 Used Car Market Report and Outlook, <sup>2</sup>Overby, J. (2016, April 7). Why used-car leasing makes sense for Ally and industry. Retrieved April 9, 2016, from SubPrime Auto Finance News., <sup>3</sup>2016 Autotrader Sourcing Study,

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