

AutoTrader.com Reveals Findings Of The 2014 Certified Pre-Owned (CPO) Study

Consideration of certified vehicles is on the rise among shoppers while CPO owners exhibit strong loyalty to dealerships and manufacturers.

ATLANTA, Nov. 7, 2014 /PRNewswire/ -- Just in time for a coming wave of Certified Pre-Owned (CPO)-eligible vehicles, AutoTrader.com today released the findings of its annual CPO study. According to the study, shoppers are increasingly considering CPO vehicles, and once shoppers turn into buyers, they are satisfied, loyal and many are likely to turn into new-car buyers for future purchases. In its fourth year, the study has been a key source of insights into consumer awareness and consideration of CPO, and this year's study has been expanded to include the CPO owner experience.

"Over the next few years, more than nine million certifiable vehicles will be hitting the market, making now the time for consumers, manufacturers and dealers to pay close attention to the CPO landscape," said Rick Wainschel, vice president of customer insights at AutoTrader.com. "The insights from this study clearly show that consumers are more open than ever to CPO vehicles, and if dealers and manufacturers can turn shoppers into owners, they are well-positioned to build long-lasting relationships with those consumers."

Key findings from the study include:

- **Familiarity with and consideration of CPO are on the rise.** Familiarity with CPO is at an all-time high, with 75 percent of new car shoppers and 45 percent of used car shoppers familiar with CPO. Further, the number of new and used shoppers considering CPO for the first time has doubled in just one year. In 2014, 44 percent of new car shoppers are considering CPO for the first time, up from 22 percent in 2013. Similarly, 30% of used car shoppers are considering CPO for the first time, up from 18 percent in 2013. This increase in consideration is in part due to the economy, according to the study.
- **Exposing shoppers to CPO definition increases consideration.** Most shoppers still believe that vehicle certification comes from the dealership; however, their consideration increases when exposing them to a comprehensive definition of CPO (recent/newer model vehicles that have passed a detailed inspection provided by the manufacturer and typically come with a warranty). Among new shoppers, 59 percent indicated that they would consider CPO, but when exposed to the definition, that number increased to 84 percent. For used car shoppers, 50 percent initially indicated that they would consider CPO, but that number increased to 69 percent once exposed.
- **More shoppers are willing to pay a premium for CPO.** CPO vehicles command a premium price over their non-certified counterparts, and the study revealed that more shoppers are now willing to pay that premium. Among new car shoppers, 84 percent are willing to pay more for a CPO vehicle, up 22 points since 2013. For CPO shoppers, that number is 83 percent, up 17 points since 2013. And for used car shoppers, 51% are willing to pay a premium, up 17 points since 2013. However, the amount of the premium has decreased since 2013, with the biggest decrease seen among new car shoppers. In 2014, new car shoppers said they are willing to pay a premium of \$2,032, down significantly from \$2,940 in 2013. CPO shoppers are willing to pay \$2,244, down from \$2,434 in 2013; and used car shoppers are willing to pay \$2,085, down from \$2,163 in 2013.
- **"Peace of Mind" is the top reason to buy CPO.** New, CPO and used car shoppers all reported that the peace of mind that comes with purchasing a CPO vehicle is the key motivator. Affordability and the warranty also ranked within each shopper group's top five reasons for considering CPO.
- **Most CPO owners are satisfied and loyal.** Not only are the majority (75

percent) of CPO owners satisfied with the CPO experience, that satisfaction turns into loyalty to the dealership and the brand. Seventy-seven percent of CPO owners are likely to buy the same brand again, and 85 percent of CPO owners are likely to buy from the same dealership.

- **CPO can be the gateway to new vehicle sales.** CPO programs not only breed loyalty, but they also act as a gateway into new vehicle sales for many manufacturers: 49% of CPO owners are likely to buy a new vehicle from the same brand. Men are more likely to buy a new car of the same brand, with 56 percent of males compared to 45 percent of females indicating that they will buy a new car from the same brand.
- **CPO owners can get entrenched in buying CPO.** While CPO can act as a gateway to new vehicle sales, manufacturers and dealers must work diligently to help shoppers convert up within the first few purchases before they become set in a CPO buying pattern. According to the study, 52% of first-time CPO owners are likely to buy a new vehicle from the same brand, but only 40% of repeat CPO owners are likely to buy a new vehicle from the same brand.
- **Millennials settle for CPO but they really want a new car.** Several studies have indicated that the Millennial generation has high aspirations for vehicles, but those aspirations are rarely matched by their financial situations, leading some to settle for a CPO vehicle. Overall, Millennials are less satisfied with their CPO purchase, with only 72 percent satisfied, compared to 78 percent of those age 35+. Additionally, Millennials cite "It's Used" more as a CPO disadvantage (24 percent of Millennials versus 14 percent of those age 35+). However, the silver lining is that Millennial CPO owners are more likely to buy a new car from the same brand for their next purchase (54 percent of Millennials versus 43 percent of those age 35+).

"CPO vehicles provide shoppers with a good value, but the key to getting them to buy the vehicles is education," added Michelle Krebs, senior analyst at AutoTrader.com. "CPO still isn't clearly understood, so dealers and manufacturers need to ensure that they are communicating clearly—early and often—about what CPO is so they can capitalize on these opportunities to build lifelong, happy customers."

About the Study

To understand shopper perceptions of CPO vehicles as well as the CPO ownership experience, AutoTrader.com conducted two quantitative online surveys, which together comprise the 2014 AutoTrader.com CPO Study. For the shopper portion of the study, AutoTrader.com completed a total of 450 interviews among shoppers, split evenly among new, used and CPO considerers who were planning to purchase a vehicle in the next 6 months. To understand the CPO ownership experience, AutoTrader.com surveyed 1,195 current CPO owners. Both surveys took place in August 2014.

About AutoTrader.com

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