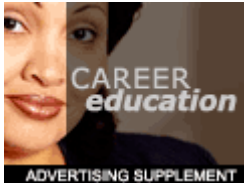


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Illustration by John Nebraska

Almost New

By JEFFREY STEELE, Contributing Writer

A Good Deal Gets Better

Sales of certified pre-owned (CPO) vehicles nationwide leaped from 506,322 in 2000 to 1.23 million last year, according to IntelliChoice, an automotive ownership cost and analysis firm, citing figures from CNW Marketing Research. One reason for the surge, says Los Angeles-based IntelliChoice publisher James Bell, is CPO programs have been around long enough to instill consumer confidence and build word of mouth advertising.

"Some [buyers] have bought their third certified pre-owned vehicle since the mid- to late-1990s, and word has gotten out that this is a great way to own a car," Bell said. "Another reason why certified pre-owned vehicles have grown in popularity is that on the new car side, some of the special incentives, financing and rebates make consumers wonder if they've gotten the best deal. On the certified pre-owned vehicles, the price is negotiable, but the customer doesn't need to be concerned that a better program could be had next week."

CPO vehicles offer a level of assurance buyers of used cars never have enjoyed. They boast manufacturer certification with specific standards for cars, and are backed by extended warranties and other protections not found on ordinary used vehicles. Pioneered by Mercedes and Lexus in the early 1990s, CPOs now are offered by all but a handful of carmakers.

The increased number of CPO programs helped push CPO vehicle sales to 38% of all used vehicles sold in 2003, up from 36% in 2002, said Mary S. Butler, managing editor of Chicago-based Cars.com, an online resource for buying, selling and owning vehicles.

"Manufacturers are investing a lot in certified pre-owned vehicles because they want to create a third class," said

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Butler, whose company has covered CPO vehicles since 1998. "Not just new or used, but also CPO. There are more manufacturers participating, they're trying to create more vehicles that are CPO worthy, and consumers are more aware of this."

Philip Reed, senior consumer advice editor with Santa Monica-based Edmunds.com, an automotive information website, agrees.

"When I first started working here four years ago, nobody really asked about certified pre-owned cars," he said. "About two years ago, people started saying, 'Hey, is this a good idea?'"

What CPO programs do particularly well is remove the uncertainty of a vehicle's condition, Reed said.

"If it's just an ordinary used car, [buyers] have to take it to a mechanic," he said. "But with a CPO vehicle, that's already been done. And not only has it been done, but the manufacturer is standing behind the vehicle, saying if there are any unpredicted breakdowns, you're covered under a bumper-to-bumper warranty. The risk has been removed."

Changing perceptions

The growing consumer respect for CPO vehicles is demonstrated in recent research findings from Maritz Research, a Maumee, Ohio-based provider of custom research to the automotive industry.

In 2003, the company conducted a study of 1,000 vehicle owners, asking them about their perceptions of CPO versus new and uncertified used vehicles.

Almost four out of the five respondents were aware of CPO programs. When respondents were asked what kind of vehicle they would consider for their next purchases, CPO vehicles were named three times more often than uncertified used vehicles. And almost as many would consider buying a CPO vehicle as a new vehicle, said Dave Ensing, director of research and development.

"We also asked people to rate CPO, new and uncertified used vehicles on nine different characteristics," he said. "Examples were value for the money, quality, inexpensive to own and operate and good resale value."

"In general, people rated CPO vehicles closer to new vehicles than to uncertified used vehicles," he said. "And interestingly, on the question of 'value for the money,' people rated CPO vehicles higher than new and uncertified used vehicles."

Asked why they would consider CPO vehicles, respondents said they would do so to reduce the risk of buying increasingly expensive vehicles and to own a make or model they would not be able to afford new.

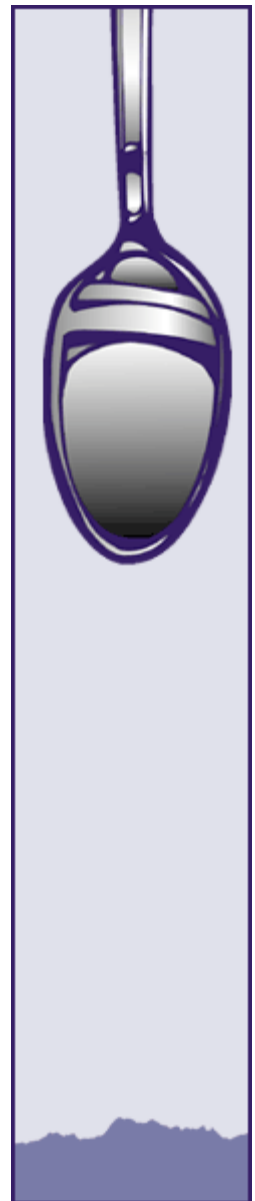
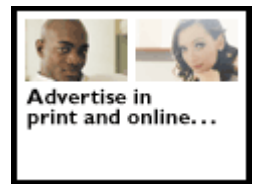
"They know it's in good condition, they get a longer and better warranty and can buy a higher class of car or truck," Ensing said.

Those who reported being unlikely to consider a CPO vehicle on their next purchase indicated they either wanted a new vehicle or felt the incentives offered by manufacturers on many new cars made them nearly as affordable as CPO vehicles, and therefore more appealing.

Last month, IntelliChoice announced the winners of its sixth annual ranking of CPO vehicle programs. Jaguar and Cadillac were named the two best CPO programs in the luxury class with Volkswagen and Honda capturing the top two slots in the non-luxury rankings.

Jaguar has walked off with top luxury honors for four years running. That showing is attributed to the automaker claiming first place in the warranty and inspection list, Bell said.

In non-luxury vehicles, Honda had taken first place five out



of the past six years, but was topped by VW this year on the basis of the European manufacturer's new two-year, 24,000-mile warranty on CPO vehicles. That warranty is offered on top of any existing new-car warranty that may remain applicable, Bell said.

"Honda is still a strong No. 2, and they're pretty sure they're going to be back on top of this study next year," he added with a chuckle.

Despite their mushrooming popularity with buyers, don't look for CPO vehicles to comprise most dealers' used-car inventories, Butler said. In order to have certification mean something to buyers, manufacturers have to ensure quality isn't diluted.

"That's one of the reasons you'll see the age and mileage standards remain in place," she said. "That means you'll always see only a percentage of cars made into CPO vehicles."

Jeffrey Steele is a freelance writer based in Chicago.



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