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Independent Certifiers Prosper

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By Chrissie Thompson

The recession has cast some sunshine on one sector of automotive business: independent certified used-car programs.

Independent companies that certify used cars say business is booming. Dealers are turning to them as a way to bolster their used-car business to make up for weak sales of new cars.

"It's perfect timing," says Larry Dorfman, CEO of Automobile Protection Corp. in suburban Atlanta.

In December, Automobile Protection launched its Motor Trend Certified Advantage warranty program, which is affiliated with the auto enthusiast magazine and now has a dozen participating dealers.

Franchised dealers use programs such as the Motor Trend one to provide warranties for vehicles that are too old to qualify for their automakers' certified program or are made by an automaker whose brands they don't carry.

Dealers also sometimes choose an independent certification program if they want to offer a warranty longer than the factory's warranty on certified used cars. Like factory programs, the independent certification programs require dealers to perform an inspection and make any necessary repairs.

Steve Landers Jr., president of the Landers Group, has increased gross profit at his four Arkansas dealerships by \$400 per vehicle since he started a used-car certification program two years ago through the Warranty Group, of Chicago.

With this program, Landers can sell used vehicles to customers who want a specific brand. If his stores don't carry that brand's factory-certified used cars — no problem. "It enables us to convert a certified customer from another brand," Landers says.

All cars covered





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Warranty Group is willing to certify any vehicle on a store's lot as long the dealer agrees to inspect it. Thus, the company's 600 client dealers can use the certification to advertise a 100,000-mile powertrain warranty on every used car on their lots.

"Your sales force can say, 'Pick any vehicle you want. Every vehicle we sell comes with a 100,000-mile [powertrain] warranty,' " says Tom Murray, COO of the Warranty Group's Resource Automotive division.

The length of the warranty can be flexible, so the cost ranges from \$40 to \$360 per vehicle. The program can even add extra years to a manufacturer's warranty for new cars.

Many Warranty Group dealers offer a warranty matching Hyundai and Kia's 10-year, 100,000-mile offer.

The Motor Trend Certified Advantage program goes further, covering not just powertrain repairs but also repairs to systems such as the air conditioning and heating system, brakes and electronics.

The warranty, which at minimum lasts six months and 7,500 miles, also comes with dent repair, key replacement and concierge service. Consumers can extend the warranty, and dealers can add on the extra Motor Trend coverage to existing factory warranties. Cost to dealers varies by vehicle, but most run from \$300 to \$400.

Similarly, **JM&A Group**, of Deerfield Beach, Fla., offers a certified warranty that covers vehicles up to 12 months and 12,000 miles. Its coverage level ranges from powertrain-only to include items such as brakes, suspension, heating and cooling and electronics.

Cost to the more than 750 dealers that use the program varies with coverage levels. A 30-day, 1,000-mile powertrain warranty costs about \$120, while warranty coverage for 12 months or 12,000 miles costs about \$430.

Automakers' programs typically cover vehicles less than six to eight years old. Among major brands, **Toyota** certifies models with the most miles — up to 85,000. Most automakers' certified warranties provide some coverage up to 100,000 miles or a specific vehicle age, whichever comes first.

Competitive edge





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Brian Beechuck, a sales manager at Wade Ford outside Atlanta, says the Motor Trend program has helped the dealership sell more used cars during the recession.

"You've got something that the competition doesn't have," he says. "In a tough market, that's a good thing. If the market turns the way we hope, what's nice is we're going to be at the head of the pack."

Other dealers also appear to be seeking an edge. Last year, more dealers signed up for Warranty Group's program than at any time in its six-year history.

Tom Gill Chevrolet outside Cincinnati has raised gross profits \$300 per used vehicle since it joined the Motor Trend program in December, compared with its used-car grosses in 2007.

Company President Tom Gill says the benefits stretch beyond the numbers. "In a negative environment, it's really provided excitement in my store," he said. "There's a lot there that you can offer a customer. It allows [the sales staff] to go out with confidence."

