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Leasing is Back in Style at Boch Honda

Leasing is coming back in a big way. Just ask Ernie Boch, president of Boch Automotive, which has dealerships in Norwood and North Attleboro, Mass., covering Toyota, Scion, Honda, Ferrari and Maserati. "Leasing is really, really getting hot right now," he declared.

Then again, leasing never fell entirely out of favor at his Honda store in Norwood. In 2009, Boch Honda's sales volume was over 6,000 units, and leasing comprised about 20 percent of the total business. "It's always been a big part of our business," said General Manager Mark Doran. "If you're looking at just new car business, [leasing] is probably 30 to 35 percent."

Boch Honda has been the number-one Honda dealership for sales volume in the country for the last four years. Thanks to Boch's father, the late Ernie Boch, Sr., the family name is one that has long been associated with the automotive retail business in the Boston area. "I grew up in New England and they've been THE automobile people in the New England market for a long time," said Doran.

Boch said the store has remained relatively strong in leasing because of "spectacular" residual values for Honda vehicles. "And," he added, "the factory is incentivizing the leasing program, so they're making it even more attractive ... If the residual is correct and the manufacturer gives some incentive on the



At Boch Honda, in Norwood, Mass., leasing is regaining popularity among car buyers. About one-third of the dealership's new car business is leases. The dealership leased about 1,200 vehicles in 2009.

leasing, you can't lose. It's a win-win for everyone."

Looking at the industry as a whole, Boch acknowledged, "Leasing does go in and out of fashion. Over the last couple of years until very recently the domestics didn't lease at all because the residuals were just too low to make it worthwhile ... but with the imports, leasing has always been strong." However, he said, "When the interest rate gets so low, leasing isn't as attractive ... and the rates have been so low over the last couple of years that leasing took a backseat." He added, "Last year was tough because of the economy, but leasing is coming back very, very strong right now."

He reported that his store began seeing an uptick in lease business in the first quarter this year, and he predicted a 10 to 15 percent increase by the beginning of the fourth quarter.

That Boch Honda has maintained favorable levels in its leasing business is not altogether surprising when one considers the fact that about 70 percent of the store's advertising budget is directed at marketing the lease program. "We're mostly electronic – radio, TV, Internet – with a small amount of print," Boch said. The dealership also has a monthly newsletter and sends various promotions two or three times per month via e-mail.

As a result, Doran said, "We get a large segment of the customers that come in and ask for lease numbers." Another reason so many customers visit the dealership with an interest in leasing is simply that today's consumer is better informed. Doran believed that to be due at least in part to the amount of information readily available to today's average consumer via the Internet. "I think the consumer's much more educated on the benefits of leasing than they were 10 years ago," he stated.

Boch agreed, adding that there are fewer misconceptions about leasing than there used to be. "I think [consumer perception] is a lot better than it used to be because the consumer is much more educated," he said. "It's not like in the 80s when leasing had such a bad reputation ... Now leasing is well-entrenched into the market as a viable option."

Although a larger number of customers than ever inquire about leasing, many still come to the dealership with the intent to make a conventional purchase. "There's another segment, I'm going to say maybe 20 percent, that we convert from a retail [purchase] to a lease because of the affordability," said Doran.

"We pitch it right at the beginning," added Boch. And, while he believed customers on the whole are more educated about and open to the concept of leasing, he also acknowledged

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Dealer Ernie Boch expects leasing to see a 10 to 15 percent increase by the start of the fourth quarter of 2010. About 70 percent of the store's advertising budget is directed at marketing the dealership's lease program.

that there are a few who are still wary of the idea. "It's like overcoming any perception; it just takes education and working it through with the customer," he stated.

Boch continued, "The best example we give them is, during the last gas crunch when these big SUVs were worth nothing, the people that leased them came out smelling like roses, and the people that financed them or purchased them for cash just got killed in the depreciation. If you lease a vehicle, a popular vehicle, for three or four years and then all of the sudden the market changes or that vehicle becomes unpopular, you're protected. At the end you're guaranteed that that vehicle is worth X amount of money. When you finance a vehicle, there's no guarantee what it's worth [when you're ready to sell or trade]. You're at the mercy of the market."

Doran commented that another one of the factors contributing to

the store's success with leasing is the longevity of employment among the store's sales staff of 40. "We're very fortunate to have a solid sales force, and that helps us with being in the leasing business," he said. He reported that employee turnover for the entire dealership is very low, around one percent. "We have 166 employees at the dealership. Our turnover rate is 1.6 in the first quarter, which is incredibly low."

He said 38 of the 40 people have been with the dealership over a year, and through weekly training sessions, the salespeople have "become more comfortable with and knowledgeable on the whole leasing process ... We spend a great deal of time educating our sales staff on the benefits." Low employee turnover is also helpful for customer retention. "There's a comfort level. People come in, they have a great experience, they come back and they refer people back to the salesperson that they had that experience with," he stated.

Of course, leasing can be much more conducive to customer retention than purchasing. "The whole concept of leasing, where the customer comes back to you, is one of the greatest plans, as opposed to financing with somebody or paying cash," said Boch. "With leasing, at least you have a tether on them."

"They're some of our best customers because they're back in the market 24 or 36 or 48 months down the road," said Doran. "They're repeat customers and we try to cater to them throughout the entire process."

Looking after lease customers is a job that falls to Boch Honda's leasing manager, Chris Lozanski. It's up to him and his two-person department to cultivate relationships with current lease customers and prevent them from defecting.

He explained that his primary duty is contacting and continually following up with customers in the months before their leases

expire to help them explore their options and determine the best course of action. Despite the fact that more consumers are better-educated on the benefits of leasing, he said many customers still need some education and assistance when it comes to concluding a lease. "You'd be surprised. A lot of people just really don't understand the process," he stated. "Even though the manufacturer sends them the information of how to go about getting out of the lease, they still don't know the proper steps."

He added that the information sent by the manufacturer can be rather lengthy, so customers often need a little help in deciphering what it all means. "There are people that are lease savvy and they make their own calls and their own decisions, but a good percentage of the people really don't understand how to terminate the lease or re-lease ... We really try to educate them in that respect."

Lozanski stated that he believed Honda to be the most "lease-friendly" auto manufacturer. GAP coverage is included in the lease, and there's a \$1,500 damage waiver. He speaks from both personal and professional experience. He admitted, "I never leased before I started working in the car business, and I started here six years ago." After a little research he discovered that leasing would be the best option for his growing family, and the GAP coverage was great to have when another driver T-boned the family's Odyssey. "They've been very user-friendly for me personally. I think it's a great program," he stated. "It makes a lot of sense, especially when people are on a tight budget."

As far as back-end products are concerned, Lozanski said there are two he will usually recommend. "Honda has what they call a Sentinel program, which is kind of like Triple-A on steroids,"

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he said. He explained that the program includes things like oil changes at the recommended intervals, roadside assistance and mechanical breakdown protection. "I find that most people that opt for it ... are giving the car to a child who's going off to college or something of that nature," he said. He also recommends the paint and fabric protection. "A lot of people do opt for that because that way when the car comes back off lease they don't have to worry about any stains or anything like that."

Doran said product penetration tends to be lower on leased vehicles than on purchased vehicles. "These customers are turning over their vehicles in 36 months, for the most part, so they're not really concerned with the long-term maintenance packages that are available," he stated. He said that alarms and remote starters seem to be somewhat popular for lease vehicles. However, he added,

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– Ernie Boch, President, Boch Automotive



"Often these cars are not accessorized because, again, they're just using these vehicles for a period of time." He said they're always on the lookout for things that might help them increase product penetration, but said there was no single product that does extremely well with lease customers.

All three men seemed to be optimistic not just for the leasing business at Boch Honda in the

coming months but for leasing in general. "I know right now in our zone we have 22,000 customers coming off lease this year," said Lozanski. "That's a lot of people coming off lease, especially for our demographics for the Boston area."

Doran stated, "Leasing might not be for everybody, but there is certainly a number of people that it's a perfect fit for." He added, "In our particular

dealership, because of the high residuals that Honda has, leasing is always an alternative on all these vehicles, and Honda's been very aggressive in their programs."

"As long as the manufacturer continues to support the programs," said Boch, "[and] if they do incentivize the right models throughout the whole year ... I think it'll be good." **ADM**

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