

Automotive News

Kia says free maintenance won't hurt F&I sales

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Automotive News | May 22, 2013 - 12:01 am EST

DEL MAR, Calif. -- Kia's first-ever offer of free scheduled maintenance, on the new 2014 Cadenza, shouldn't affect dealership sales of extended-service contracts, the carmaker says.

"Overall, the feedback from the dealers has been very positive," said Tom Loveless, executive vice president of sales for Kia Motors America.

Kia told dealers about the offer this month. Within two weeks, 95 percent, or 727, of Kia's 765 U.S. dealerships signed up to participate, Kia said. The program includes reduced labor rates for dealerships.

"It is optional," Loveless said. "It's limited to participating dealers."

Anything that might impede the sale of extended-service contracts could be of concern for dealers. But Loveless said he doesn't expect any conflict between the new offer and sales of other F&I products.

He said Kia-branded service contracts are designed specifically to cover what the manufacturer warranty doesn't cover. Kia's partner for private-label extended-service contracts is F&I administrator JM&A Group.

There will be a "wrap" opportunity to sell products that pick up where the warranty and free maintenance leave off, Loveless said.

The 2014 Kia Cadenza is the South Korean brand's first luxury sedan. It shares a platform with the Azera from corporate partner Hyundai.

Kia is fighting a lingering reputation for poor quality from its early days in the U.S. market beginning in 1993. To counter that, for its first luxury sedan, Kia added scheduled maintenance at no extra charge for 36 months or 37,500 miles on top of its standard 10-year/100,000-mile new-car warranty. That offer applies only to the Cadenza, Loveless said.

Several other brands, such as Audi, BMW, Cadillac, Jaguar, Land Rover and Volkswagen, offer some form of scheduled maintenance at no extra charge. Most offers are limited to the first one or two service intervals and basically include oil changes and inspections.

Orth Hedrick, product planning director for Kia, said the company's offer also includes a major scheduled maintenance action at 30,000 miles.

According to JM&A, in general, free-maintenance offers have not cut into sales penetration for extended-service contracts. Separately, the Power Information Network reported this year that overall extended-service contract penetration was up in 2012 vs. 2011.

Said JM&A spokeswoman Sheba Munn: "Based on many years of working with dealers and OEMs that offer free-maintenance programs, it has been our experience that service contract sales typically are level or

improved on vehicles with free maintenance."



To overcome any quality concerns with the Cadenza, its first luxury sedan, Kia has added scheduled maintenance at no extra charge for 36 months or 37,500 miles on top of its standard 10-year/100,000-mile new-car warranty.