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BY JOHN HUETTER



LEVERAGING BRANDS LIKE LUCAS OIL - THE FUTURE OF F&I

The Lucas Oil name consumers know from retail aisles, a NFL stadium and a Kyle Busch race car has come to the automotive finance and insurance space through a partnership with F&I product company Dealer Advantage Group.

The companies have teamed up for Lucas Oil-branded appearance protection and engine coverage products dealership finance managers can sell consumers.



The arrangement has been successful and represents the future of F&I, according to Dealer Advantage President Shawn McCool: Use a brand familiar to consumers rather than one known only within the industry.

"I think this is the beginning of the rob-and-duplicate era of, 'Let's go out and find other consumer brands,' " said McCool, whose F&I product company had an exclusive deal with Lucas Oil but has begun to offer licensing to fellow F&I providers in auto retail and sectors such as powersports. He said June 18 that he has verbal commitments from five other F&I product companies.

"I really think that this will be the beginning of others doing something similar," McCool said.

An F&I sale might involve asking a customer to quickly make a decision about buying a \$4,000 service contract from a brand they've never heard of, he said.

"It's logical that customers would say no," McCool said, describing part of the consumer's reasoning as, "I don't know, therefore, I don't trust the brand.' "

McCool said he recently spoke to a dealership sales manager who had switched from another company's appearance protection program to Lucas Oil's and saw an immediate boost in business. The brand resonates with customers, he said.

McCool said he anticipated this kind of customer response from his Lucas Oil venture, but was surprised to find the brand also drew a positive reaction from dealership employees. Dealership staffers don't need to be prodded to mention and sell the products, he said.

"They just want to talk about it," he said. "They have an attachment to it as well."



LUCAS OIL PRODUCTS

Dealer Advantage and Lucas Oil announced their partnership in October 2023 and McCool said in January 2024 he crafted the initial F&I products around goods he found in the Lucas Oil portfolio.

"Today's dealers want the ability to provide premium protection options from brands they know and trust, which is why we are thrilled the Dealership Advantage Group is now offering these world-class Lucas Oil products to dealers through these programs," Lucas Oil President Morgan Lucas said in a statement last October. "We have been looking for a way to introduce new vehicle owners to our products, which is why we chose to partner with Dealer Advantage Group. They have a deep understanding of the F&I process and are experts at creating customized programs helping dealerships provide the best products and services to their customers."

Lucas Oil appearance protection involves interior treatments and a ceramic exterior spray from the company bundled into a single offering for the consumer.

The Lucas Oil Engine for Life program covers any vehicle engine repairs or replacements indefinitely — as long as a bottle of Lucas Oil stabilizer is added to the engine every 10,000 miles. It's simply poured into the same spout as regular oil, allowing independent dealerships without a service department to participate.

This is akin to the "why buy here" engine coverage guarantee many dealerships offer free, McCool said. However, he designed this F&I product as coverage that could also be sold to a customer.

McCool predicted the Engine for Life program would mean a lower claims tab for a provider than a traditional engine protection coverage program, though it was too early to tell. He recommends dealerships give customers the \$10 bottles of stabilizer free, treating it like a marketing expense to generate service lane traffic.

Dealer Advantage also offers a "wrap" variant of the engine protection where the coverage is incorporated into a Lucas Oil-branded vehicle service contract, McCool said.

McCool anticipated creating more Lucas Oil F&I products, but he said they would have to fit the brand. For example, launching Lucas Oil-branded key coverage even though Lucas Oil doesn't compete in the key market was "not fair to anybody," he said.





SCALING

Dealer Advantage piloted its Lucas Oil initiative at the end of 2023 and went live Jan. 1, McCool said. As of late January, it had about 25 to 30 dealerships. As of mid-June, the retailer base had increased to around 100 dealerships, about 80 percent of which were franchises, he said.

"We're growing well," McCool said. So far, this network had a 0 percent churn rate, he said June 18.

Other early metrics support McCool's hypothesis of brand power. He said the industry's combined interior and exterior appearance protection F&I products typically have a penetration rate of 20 percent, meaning dealerships see one-fifth of their customers buy the two vehicle treatments. Lucas Oil's interior and exterior appearance bundle so far has achieved a 40 percent penetration, he said.

Mike Coyle, co-owner of Coyle Chevrolet Buick GMC and Coyle Nissan in Clarksville, Ind., has sold the Lucas Oil appearance protection bundle at both his dealerships and offered the Engine For Life program at his General Motors store for months.

"The product resonates very well with not only the customer, but our sales team and our management team, everybody," Coyle said of the Lucas Oil appearance protection package. "The Lucas name carries a lot of weight in our industry. So, we've had some good success with it. Really good success."

Coyle told Automotive News he'd only seen "mild success" with sales of interior and exterior bundles in the past, with penetration typically in the 10 to 15 percent range.

"We're well over 20 percent," he said of the Lucas Oil version. "I think we have some kinks we could work out and probably get some better numbers beyond that."

Coyle said Coyle Chevrolet Buick GMC includes the Engine For Life program on all its in-market sales, new and used. He said the idea of selling the coverage as an individual F&I product was considered, but concern arose over whether doing so would reduce the dealership's vehicle service contract sales.

Including engine protection as a benefit with most vehicles doesn't seem to have affected the dealership's service contract business, according to Coyle. The store has also seen some customers buy the Lucas Oil service contract wrap upgrade, mostly on used vehicles, according to Coyle.

Though Dealer Advantage could have hoarded the Lucas Oil brand for itself under the exclusive deal, it allows independent F&I agents to sell the products, too, and extended a licensing offer to competing F&I product providers.

"Lucas Oil didn't ask me to pivot" to competitors, McCool said. The decision was a matter of scaling quickly and efficiently, he added.



SCALING CONTINUED

Dealer Advantage "can sign a lot of business" on its own, but greater scale was possible if several F&I companies with their own networks of agents —and, in some cases, automaker relationships to boot — offered Lucas Oil-branded goods, McCool said. He said he's also seen interest in the Lucas Oil suite within the publicly traded dealership groups.

But without licensing, a public group's long-term contractual relationship with an F&I provider would preclude those sales.

McCool predicted in June that about 1,500 dealerships would be selling Lucas Oil F&I products a year from now, a figure which included international stores, non-automotive retailers and stores affiliated with other F&I product providers who licensed the ability to use the Lucas Oil brand. He said Lucas Oil had a goal of reaching 2,500 dealers within three years. "That's their objective, which becomes my objective," he said.

McCool predicted within a year, a much bigger company than Dealer Advantage Group — a player on the scale of a JM&A Group or automaker, he said —also would look to the consumer space for a brand to leverage.

"It just makes too much damn sense," he said.

For example, McCool said, JM&A is a large company, "but go ask 100 of your friends if they've heard of JM&A."

The Dealer Advantage-Lucas Oil deal was announced about two weeks after another F&I company revealed plans to capitalize on a famous name. Endurance on Sept. 15, 2023, announced it had signed former race car driver Danica Patrick as a spokes person. (Dealer Advantage added a celebrity in May, revealing Lucas Oil F&I product marketing featuring Kyle Busch.)

Discussing the Endurance-Patrick deal, McCool called the spokes person strategy "tried and true" and predicted Endurance would find success and generate some brand awareness.

"But ... if you really want to win the game, I think you go out to the consumer space and you bring in someone on the level of Lucas Oil," McCool said. "I think that's really kind of the next, I would say, evolution of the F&I business."

