

Dealers challenged by smartphone car buyers

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Billy Franklin recently bought a 2007 Chevrolet Suburban for \$14,900 through eBay on his Android phone while eating dinner at Red Lobster.

The seller was in Brooklyn. Franklin, 38, and his wife were so satisfied with the deal that they stayed a couple nights in the Garment District, walked around Central Park and visited a couple decent restaurants. It was their first trip to the Big Apple.

No dealer. No test drive. No negotiating.

"That's the first time I've bought a vehicle sight unseen," Franklin said.

This is a pretty good time to be a car dealer. Americans bought 16.4 million new and 41 million used cars and trucks last year. Both numbers are expected to grow this year.

But a growing number of consumers are shopping and choosing their vehicles online, especially on mobile devices. McKinsey, the global consulting firm, released a study last year that found that customers physically visit an average of 1.6 dealerships before buying, down from five a decade ago.

Four of every five prospective car buyers compare prices and cars from an average of 10 dealerships. They go to third-party sites such as TrueCar, AutoTrader.com, Edmunds.com, eBay Motors and Dealer.com.

AutoTrader found that half of millennials - those born after 1980 - who

bought cars last year used their phone or tablets.

Conversion of online lookers into buyers is essential for dealers if they are to succeed in the increasingly digital retail environment.

Franchise laws may protect dealers from maverick entrepreneurs like Tesla Motors CEO Elon Musk, who wants to sell his luxury electric cars only from company-owned stores. But there's no protection from technology that is transforming auto retailing faster than ever.

Last month, TrueCar unveiled an app that collects data that will allow automakers to target customers by profile, activity and location. The app can also help predict who is going to buy a new car, what they may buy, where they'll buy it and when.

TrueCar officials say that about 4 percent of new vehicle sales or leases in the U.S. begin on their website.

As a growing portion of the other 96 percent sales flow through smartphones and tablets, competition to connect customers with dealers is growing. The challenge for TrueCar, Dealer.com, AutoTrader.com and eBay Motors is to convince traditional dealers that online services are effective tools, not competitors out to take sales away from them.

"We are not a retailer. We are a channel," said Bryan Murphy, general manager of eBay Motors, which can connect dealers with 155 million eBay users worldwide. "What differentiates us is scale. We can bring customers to a dealership regardless of geography. We just sold a \$1 million Bugatti here in the U.S. to a guy in Dubai."

Overlaying these new online opportunities is the explosion in personal data. Dealers and their online partners have access to a customer's credit history, income, insurance history and an array of information that may

not be relevant to the process of buying a car.

The mission of Jason Barrie, a senior director for market performance with Dealertrack Technologies, is to streamline the process at the end of buying a car when the consumer sits down with a finance and insurance specialist and signs a small pile of documents.

By shopping a prospective sales across Dealertrack's database of 1,500 lenders, Barrie predicts automakers, dealers and lenders will soon customize incentives based on what they know about the buyer.

For example, someone with a 770 credit score and two other fully-paid-off vehicles in his driveway will get a larger rebate or a lower interest rate on an identically equipped model than someone with a 700 credit score from a less affluent ZIP code.

Joe Laszlo, a 42-year-old telecommunications manager in Duluth, Ga., bought a 2014 Ford Flex XLE primarily with two smartphones, except for negotiating the trade-in value of his 2006 Chevrolet Suburban and taking delivery of the Flex.

What advice would he offer first-time online car buyers ?

"If you do go to a dealership, make sure your phone is fully charged," Laszlo said.

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