

New car dealers move toward online transactions

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Car dealers really turn Ashley Marshall off – and away.

After a bad experience last year at a Dallas Toyota dealership, "I decided that whatever car I buy, I want to keep it for 10 years so I don't have to go back through that whole ordeal every three or four years," said Ms. Marshall, 40, a supervisor for the Dallas Independent School District's hospital/homebound program.



By luck, she says, she came across a Web site for Subaru of Plano and Subaru of Dallas that allows consumers to pick a vehicle, get a firm price, trade their current vehicle in, purchase "extras" such as extended warranties and secure their financing – all online.

REX C. CURRY/Special Contributor

Ashley Marshall did almost all of her purchase of a new Subaru on the [Subaru of Dallas](#) transaction site. Software developed by [Ai-Dealer](#) of Dayton, Ohio, is allowing consumers to get a firm price on a vehicle, do a trade-in and secure financing.

"We said, 'What if we did a transaction site where you could do as much of the sales process as you wanted online?'" said David Thomas, managing partner of the two dealerships and chairman of the New Car Dealers Association of Metropolitan Dallas. "Would you create something that demystifies the car-buying process?"

Although the new program is still being refined by its developer, [Ai-Dealer](#) in Dayton, Ohio, Mr. Thomas is encouraged by what he has seen.

Ms. Marshall is one of two customers who completed virtually all of their purchase online and came to the dealership just to sign the papers.

"The consumer is in control – not the salesman," Mr. Thomas said.

Mr. Thomas' dealerships and [Huffines Auto Dealerships in Plano](#) are among 20 nationwide that are testing the program, which has been in use for about three months.

"We're still perfecting it, but it's working," Mr. Thomas said.

At a time when almost any retail product can be bought online, the Ai-Dealer program could have a significant impact on the 20,000 new car dealerships in the U.S. Many dealerships already get far more traffic on their Web sites than in their showrooms.

"Do you remember how the first generation of dot-com people were going to replace car dealers? This is not going to do that," said [Brian Hoecht](#), the program's inventor and chief executive of Ai-Dealer. "But it could replace a third of the nation's [dealership] salespeople with the shopping cart."

Virtually every new car dealer in America has a Web site where consumers can look at its inventory and make tentative selections. But few give consumers a firm price, and most are just lead generators to enable the dealership to contact the Web customer, Mr. Hoecht said.

"All it is today, is an interactive Yellow Pages," he said. Most online dealer efforts aren't any more sophisticated than "If I can get you in here, I have the chance to sell you."

Mr. Hoecht's program, which he began developing about three years ago, gives consumers a firm price after they choose a car.

After telling the dealership who they are, it also allows them to proceed as far into the sales process as they choose – including getting a trade-in value for their car, securing financing and selecting or rejecting products such as detailing, window tinting, gap insurance and extended warranties that dealers typically push in person.

In the Ai-Dealer program, consumers can make those decisions free of sales pressures. Mr. Hoecht says his program is "the missing piece" between traditional dealership Web sites and letting consumers complete the entire sales process – including signing the documents – online.

"This is the beginning of a pretty significant change," he said.

Ms. Marshall, who bought a 2008 Subaru Outback online, said the process worked so well for her that she might try it again in a few years – years ahead of her vow to wait a decade before purchasing another new car.

"I loved the experience," she said. "I really did feel comfortable doing it. I manage my bank account and pay bills online, and I was so happy to be able to do this online."

After four months of trying the program at a Hyundai dealership in Plano, Huffines is adding it at two other dealerships, said John Meadows, Huffines Auto Dealerships' director of e-commerce and business development.

Web visits rise

Over the last year, showroom traffic at Huffines dealerships has declined about 10 percent while visits to the dealerships' Web sites have increased by twice that amount, Mr. Meadows noted.

"No one has fully purchased a car yet online," he said. "But I think in five years, this will be the only way people buy a car."

Drew Campbell has his doubts. For one thing, sales documents in an auto transaction must be signed at the dealership or in the presence of a dealership official.

And he thinks only a "niche" of consumers will feel comfortable buying something as significant as a car on the Internet.

"I think this is interesting, but not for everyone," he said. "Will this be a growing segment of our business? Absolutely. And I do think as the Internet generation gets older and with energy prices at \$4 a gallon, you're going to see more of this."

Some caveats

Paul Taylor, chief economist of the National Automobile Dealers Association, agrees that Internet sales have potential – but mainly for buyers who either know exactly what they want or don't care what they buy as long as it's reliable.

Trade-in values could also be difficult to establish online as values get pushed up and down by soaring fuel prices, he said.

"It might work perfectly well for some people," he said. "But for a process like that to potentially work, it has to have software that is flawless and a customer that is neither a people person nor a touch-the-product person."