

Car brands, dealers to fully embrace online shopping

 By Ernest North

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I'm not a petrolhead, so I don't get too excited about the latest car models and how quickly they get from 0-100km/h. But I am passionate about getting a great deal and using technology to make my life easier. This is why it's exciting to see the automotive industry start to catch up with the seamless and transparent digital experience we already take for granted in banking and retail.



Ernest North, cofounder of insurance platform Naked | image supplied

Taking a step back, even three years ago, most car purchase journeys unfolded on the dealer's floor. Most people wanted to visit the dealer to check out the options, get advice, inspect the car and take it for a spin, and finally, negotiate the price and pay. But after the virtual lives we led during the pandemic, most of us are more comfortable carrying out these tasks online, and consumers are increasingly adopting this way of buying a car.

In fact, online allows you to browse more cars and dealers, alongside professional and user reviews, giving you more choice and more insight into pricing trends. Once you've read the reviews, looked at the videos and evaluated your budget, it's easy enough to book a test drive for the model you choose at your nearest dealer. If they're not offering a good deal, you can order online from someone who is.

And as the tech gets better and the process gets slicker, you may not even need that test drive. For example, we can expect seven-day no-questions-asked returns to become a standard feature in online car sales, especially used vehicles. Further down the track, you'll be able to get a feel for the car via immersive virtual reality experiences that will feel increasingly lifelike.

A seamless purchase journey

In a society where you can get 60-minute grocery deliveries or open a bank account online, car buyers are becoming increasingly impatient with the days of paperwork, phone calls and dealer visits it takes to finance, buy and insure a car. It is a big purchase, and you want to do it right. But the inefficiencies don't really add any value in helping you make the best

decision.

This is why we are seeing many car brands and dealers embrace a fully online process. Some prestige brands already allow you to order a car online and customise the colours, the engine size, the sound equipment and even how soft you want the leather to be. If you can pay, the order can be processed at 23:17 on a Sunday night and the countdown to delivery will start.

But this is just the beginning. It's only a matter of time before you'll be able to browse cars (second-hand cars or new vehicle offers from all over the country), click the buy button, apply for finance and get it approved/processed, and get it insured, all in a single, integrated online process of three or four minutes. No call backs, emails, or paperwork. Insurance has made that transition, and it's only a matter of time before the integrated car ownership journey will take off.

Transparent pricing

Let's look at one of the other challenges of the old way of buying a car—knowing how much is fair to pay for it. As an example, in the case of the 2016 VW Polo 1.2 Highline, current online prices range from about R150,000 to well over R200,000. The car and insurance trades speak about three different 'values' for a car, and it helps to have this information at your fingertips:

- Retail value, or the average amount you would pay if you were to buy this car from a dealership or a private seller. The current retail value for the 2016 Polo is R179,900
- Trade value, or the amount you would get if you trade your car in or sold it to a dealer. The current trade value for the Polo is around R155,900
- Market value. Some insurers define the market value as the average of the retail price and the trade price. In our example, this is R167,900

Yet unless you're in the motor trade or know a lot about buying cars, you might not know just how hard to negotiate. Mileage, scratches, service and accident history and other maintenance factors influence the price. But it's also about supply and demand, and the relative negotiating power of the parties. Hardcore negotiators get good deals, the rest of us overpay.

And many of us focus so much on the price of the car we're buying that we forget to negotiate on the trade-in value of the old car. One of the benefits of car sales going online is that this subjective negotiating layer will start to disappear. Prices will start converging. This will remove much of the uncertainty as to whether you're paying the right price.

Swipe left or right?

Of course, just like online dating isn't for everyone, there will be some people who prefer to buy cars the old-fashioned way. And dealers will continue to play an important role in offering advice on the car purchase journey. Yet it's worth keeping an eye on the trends and even trying to shop online the next time you're in the market for a car. Who knows—you just might

swipe right.

ABOUT ERNEST NORTH

Ernest North, one of the co-founders of Naked, is a fully qualified short-term insurance actuary with more than 15 years' experience working for leading insurance companies in South Africa and abroad. In 2016 he joined forces with two fellow actuaries to start building Naked.

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