

# San Fernando Valley Business Journal

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## Internet Takes on Bigger Role

By Chris Coates - 3/5/2007

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Back in the early 1990s, Toyota of North Hollywood staked a claim in a new -fangled venture: the Internet.

The dealership at Lankershim Boulevard and the Ventura (101) Freeway snapped up an address, hired a web developer and starting wheeling and dealing online.

It was a novel concept and not everyone was convinced car-buyers would bite. But more than a decade later, that little website accounts for a considerable chunk of the company's business, said Noel Graham, who runs the dealer's Internet sales department, which has swollen to 10 employees in recent years.

"The Internet's been around long enough that it's helped a lot of people get a better price on a car because they know ... where the market is," Graham said.

Toyota of North Hollywood is hardly alone. Across the Valley, dealerships have grabbed onto the web as a key advertising avenue and revenue generator. Dealers are developing ever-complex sites that provide far more than just technical information about cars, from online quotes and finance pre-approvals to extensive contact information and even biographies about dealership staff. (Volkswagen of Van Nuys, for example, has photos of company President Fritz Pflock right down to Shop Foreman Wolfgang Schutze.)

Galpin Motors, which sells nine car brands in the Valley area, lets customers value their trade-in, order parts and schedule service. Galpin's site also has a feature that allows would-be buyers to input features they want in a car and view it online.

Dealers say the features are worth the considerable investments because so many car buyers are turning to the web to research cars. A study released last fall by Westlake Village-based J.D. Power and Associates found that 87 percent of consumers are visiting at least one website in the car-buying process.

For dealers, getting their name out front is important, but Dave Baker, Internet marketing manager for the Van Nuys dealership DriveTime said the other benefit is that buyers are far more educated when they show up at the lot.

That's helped level the playing field between dealers and buyers, which have historically not always seen eye-to-eye.

"Let's face it: many people have an instinctive distrust of used car dealers," Baker said. "If a customer comes to a dealership after doing a lot of research about makes and models and so on, that customer is going to feel better prepared to make an informed decision."

And it's not just the economy brands – indications are that luxury car buyers are more likely to thoroughly research what they're buying, possibly because the vehicles represent a larger investment.

Tim Smith, president and CEO of Bob Smith BMW in Calabasas, said the vast majority of customers buying cars at his lot have looked at the web.

He said car dealers that don't have an online presence are at a major disadvantage. "The dealers that have embraced the Internet as a marketing tool do really well," Smith said. "They're ahead."

### Benefits dealers

But as the web has taken off, so too has the authority of non-dealer sites, such as those run by Edmunds, the American Automobile Association, Kelley Blue Book and Auto Trader.

Howard Polirer, director of industry relations for Auto Trader, which specializes in both auto research and classifieds, said third-party resources are accepted because they're seen as objective and unbiased.

"It's very consumer-driven," he said. "It's because of the consumers."

But among dealers, some of the sites raise doubt. Graham said it's sometimes a challenge for consumers to figure out what sites are legit and what information is important.

"We're starting to see it backfire," Graham said. "There's so much information out there that what some customers are doing is they're coming in and trying to start at that lower price and negotiate from there."

That's triggered an odd role reversal – dealers find themselves being pressured into making a sale.

"It puts (all dealers) in this weird position," Graham said. "Every dealer out there says 'no haggle,' 'no hassle,' but we're kind of forced into that position because we have to artificially put the Internet price at least a couple hundred dollars higher than we normally would just to give us that extra wiggle room."

"I wish they would do a better job educating (consumers) about a realistic price to pay for a vehicle," Graham said later.

That tension could increase as the tech-savvy younger generation of today starts to purchase vehicles and dealers start adding more and more web features.

"They accept this technology and will expect interactive advertising," Polirer said.

With more and more online features, it begs the question: are physical dealerships on the way out?

Baker doesn't think so – cars are just too nuanced, not to mention being a significant investment and car-buyers need to see what they're buying up close.

"Bricks-and-mortar dealerships will still continue to be a critical component, but much more of the shopping will begin online. It's just too convenient not to begin at your own computer," he reasoned.

But it will certainly change, Pollier said. A generation from now, he expects the typical car-buying experience will start by consumers looking at some type of virtual showroom that offers consumers reams of information about various cars. The test drive and kicking the tires, however, will remain, he said.

"The consumer will do all their researching as much as they can in the virtual world, but ultimately they'll have to go in to touch and feel the car," he said. "That won't change."

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