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New GM/eBay Promo Must Ensure Total Transaction Transparency

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The General Motors/eBay “click and buy” promotion in California advances an alternative retailing concept and further empowers the consumer. Aligning technology with process changes will be key to the program's success.

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NEWS ANALYSIS

Event

On 10 August 2009, General Motors and eBay Motors announced a promotion that enables consumers to browse, ask questions, negotiate prices and arrange financing on new 2008 and 2009 Chevrolet, Buick, GMC or Pontiac vehicles and select 2010 vehicles from any of more than 225 California dealers — all through a common eBay Web site.

Analysis

The timing of this month-long promotion is fortunate, falling smack in the middle of the “cash for clunkers" program, officially known as the U.S. Car Allowance Rebate System (CARS). Nonetheless, the ultimate success of this trial will depend on two things: the number of cars sold and its effect on customer satisfaction with the new, Web-initiated buying process.

While dealer listings of new and used vehicles online is an established practice — AutoTrader.com and Cars.com have been around for some time — the fact that this program provides the option to look around hundreds of dealers’ lots electronically and initiate the sales process for a new vehicle online is new. This can empower consumers by using a familiar online destination and providing a customer-friendly way to engage with dealers. The true test will be to see if consumers who try out the process are happy with the outcome or become frustrated with a promotion that cannot deliver what it seems to promise: pricing and transaction transparency.

Challenges

To make the most of the “click and buy” promotion, dealers will need to extend this new virtual car lot into a customer-centered buying experience. They must understand that this collaboration with eBay is not just another Web 2.0 storefront, but rather an opportunity to change their process so that consumers find themselves being truly satisfied. Dealers must resist falling back into old patterns of responding with: “Come into the dealership and we’ll talk,” manipulating sale prices or not responding to legitimate price offers by consumers.

The second challenge will be to make this more than just another standalone marketing campaign. For the new “click and buy” sales process to work effectively, GM must integrate the technologies needed to support real-time inventory management, lead management and campaign management — for example, incentive optimization — across its dealer and OEM systems.

To offer accurate pricing, apply incentives and create unique customer experiences in real time, GM also needs to ensure that its dealers leverage existing CRM applications and even integration into captive finance applications. A tight integration of all these technologies among the dealer, the vehicle manufacturer and its technology partners will be essential to optimize the total process.

RECOMMENDATIONS

- Other OEMs should take note of the GM/eBay initiative. The timing is right for the U.S. automotive industry to explore new retail and marketing initiatives and to motivate dealers to sell (and consumers to buy) a car. Develop and refine a transparent “click and buy” process to help make car-buying a less-stressful and more-transparent experience for the consumers.

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- Don’t expect this to be the right approach for every OEM, brand or dealership. “Click and buy” is more suited to volume brands than to luxury or premium vehicle brands that are less price-sensitive. Dealers providing such pricing transparency (and exposure to competing dealers) may have to offset lower margins with higher sales volumes and therefore may limit their interest to promote excess inventories.
- Strive to optimize an online buying experience by making it customer-centric. That will require strong system integration to ensure that information about vehicles available, prices available, incentives and so on are synchronized between dealers and OEMs. It also requires that sales personnel receive adequate training to ensure a consistent response and sales process.

RECOMMENDED READING

- “Hype Cycle for Automotive Demand Chain and Supply Chain Technologies, 2009” — Leveraging innovative technologies across the demand and supply chains will become the foundation for successful and agile automotive organizations. **By Thilo Koslowski and Marc Halpern**
- “Predicts 2009: The Auto Industry's Hope for Sustainable Growth Requires New Focus” — The success of auto companies requires investments in operational process improvements as well as the development of technology solutions that will ultimately change the automobile's value proposition. **By Thilo Koslowski**

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