GM Prods Dealers to Sell Cars Online

Software Lets Shoppers Bypass the Showroom

By Christina Rogers

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[General Motors](http://quotes.wsj.com/GM) Co. [GM +0.44%](http://quotes.wsj.com/GM) [**GM**](http://quotes.wsj.com/GM) **in** Your Value Your Change Short position plans to expand a new online shopping tool that allows customers to bypass showrooms when buying new cars.

The software, which keeps GM's 4,300 dealers central to the sale of its vehicles, will provide a high-profile test of whether the auto maker can better cater to online-savvy consumers without running afoul of state franchise laws that give dealers exclusive rights to sell most new cars.

By the end of this year, GM plans to extend a Web-based application, called Shop-Click-Drive, to its entire dealer network. The app would let new-car buyers use their computer screen to lock in the price of a new car, get an estimate of the trade-in value of their old car, apply for financing and even arrange a test drive or delivery of their new vehicle.

GM's app acts as an electronic door to its independent brick-and-mortar dealers, and so represents a cautious step toward adapting to consumers whose experience with online shopping for appliances and other goods has made them less willing to visit showrooms.

State franchise laws that protect car dealers mean their pivotal role in auto sales will remain intact. The dealers prefer doing business face to face because it also lets them sell auto buyers more-profitable service work, add-ons or finance and insurance products as well as new cars. New-car sales is one area that has been largely insulated from the online retailing revolution that already has pummeled booksellers and appliance stores.

[Tesla Motors](http://quotes.wsj.com/TSLA) Inc. [TSLA -1.32%](http://quotes.wsj.com/TSLA) [**TSLA**](http://quotes.wsj.com/TSLA) **in** Your Value Your Change Short position has tried to push the boundaries of franchise laws by selling its luxury electric cars exclusively through its website and a small number of company-owned stores. Tesla argues that franchise laws don't apply to its operations because it has never had franchised dealers.

GM dealers aren't required to participate in the project, and GM officials say they have had some dealers turn it down. One potential sticking point is that the auto maker for several years has pressured dealers to undertake costly makeovers of their stores—investments that could be undermined if more shoppers buy online. About 100 other dealers have signed up so far through a pilot launched in January in Michigan, Minnesota, Wisconsin and Arizona.

"My initial reaction was we have investment in brick and mortar, and they're trying to come up with an idea contrary to that," said Todd DeNooyer, general manager at DeNooyer Chevrolet in Kalamazoo, Mich., which was among the first batch of dealers to test GM's shopping app.

But Mr. DeNooyer said he was intrigued by the idea because he is an [Amazon.com](http://quotes.wsj.com/AMZN) [AMZN +1.38%](http://quotes.wsj.com/AMZN) [**AMZN**](http://quotes.wsj.com/AMZN) **in** Your Value Your Change Short position customer and was curious to see if a similar business model would work for autos. "We're trying to gear it to millennials who want to take it as far as they can online," he said.

GM also is aiming to win over shoppers like Debbie Mahaffy, of Gladwin, Mich., who said she didn't want to take time off work to go to a dealership to buy a car.

She knew exactly what she wanted—a 2013 Chevrolet Camaro—so she completed the entire process online and over email, ultimately buying the car from a dealership about 125 miles away and having it delivered to her workplace.

"I never even walked into the dealership or met my salesperson," said Ms. Mahaffy, a 46-year-old office administrator. "I never even test-drove it. I wanted to do everything strictly by email."

Only after hearing some feedback from friends about her experience did it strike her as unusual. "I just thought that's how people do things now," she added.

It certainly isn't how most new car sales are sold. "Other auto makers have looked into this, but GM is the first to bring it to prime time," said John Giamalvo, director of dealer strategy for car-shopping website Edmunds.com. "There has been a slow creep to this model for the last five years now."

GM says the program isn't intended to replace dealers or their showrooms, but rather to give its dealers a way to reach a growing group of customers, many of them young and tech-savvy, who prefer to complete transactions online and skip the showroom ritual.

"There are a lot of people who do things online, and those customers are asking the question: 'why can't I buy a car online?'" said Jim Bement, manager of the online-retailing project for GM. "This more or less satisfies that urge."

Of the 900 cars sold so far through the Shop-Click-Drive program, only five have been delivered directly to customers. The vast majority of buyers chose to pick up their new purchases at a showroom.

"When this was first introduced, there was a lot of talk: 'Well, GM is eliminating the dealerships. They want to be Tesla,'" said Lenny George, general manager at Berger Chevrolet in Grand Rapids, Mich., whose store was selected to test the program. "To me, this is just another way to close the customer [deal]," Mr. George said. "It's a selling tool."

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