



Advantages of Buying a Car Online

Thanks to the Internet, buying your next car could be a hassle-free, haggle-free experience.

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By James McCommons

Be a Smart Consumer

The first time Alva Foster bought a car, she negotiated a price on the sales lot, took the dealer financing and, at the salesman's suggestion, purchased clear-coat protection for the paint job and waterproofing for the interior.

"I went for all the extras, and I know now that I paid thousands more than was necessary," says Alva, who works as a paralegal at the Pentagon in Washington, D.C.

That was several years ago. More recently, when she went to buy a sport-utility vehicle, she brought along on her shopping trip a binder filled with pricing and product information, safety reports from the National Highway Traffic Administration, preapproved financing from her credit union, and, most importantly, a firm and fair price of what she wanted to pay. A few hours later she drove away in her vehicle of choice -- purchased on her terms, with no expensive extras or add-ons.

What made the difference was the Internet.

Like tens of millions of Americans, Alva invested time in online research, becoming a well-educated consumer before ever kicking a tire. She learned about invoice prices and hidden rebates, and she received several price quotes from dealers before she ever left home. Although she did her own negotiating at the store, she could have even avoided that, too, and purchased through an online referral/broker service.

E-commerce has changed buying a car in America, though not to the degree envisioned a few years ago. Back then, experts predicted the demise of dealerships and a future where consumers bought direct from the factory.

Most buyers still want test-drives, still want to touch and smell the car before driving it off the lot. Dealers who feared being marginalized by the Internet pressured car companies and state legislatures to strengthen franchise laws, even outlaw direct-buy Web sites. As a result, you cannot buy a car direct from the factory, and dealers are part of any Internet purchase, even if you're going through a broker.

Savvy Starts Online

Yet dealers aren't entirely in the driver's seat. They have had to adjust to Internet buyers who are increasingly savvy. By browsing free Web sites -- such as Edmunds.com, KBB.com, and Autobytel.com -- buyers can peruse consumer reviews of cars, discover exactly what the dealer paid for the car (invoice price), uncover undisclosed manufacturer-to-dealer rebates, and learn about "holdback" (the built-in 2 to 3 percent rebate dealers receive on every unit sold).

By going to person-to-person sites such as Ebaymotors.com, buyers may bypass dealers entirely and strike a deal for the price they want on the car they want -- even arranging to have it delivered to their doorstep. The vast choices offered at Web sites have definitely put buyers in a better position to bargain than ever before.

"Knowing dealer costs and incentives ahead of time helps avoid the shell games that happen at dealerships," says Jeff Ostroff, who operates CarBuyingTips.com. "The salespeople know you've done your homework. Today, there is no reason for anyone to go into a dealership without having good information."

The Internet isn't just about pricing. It's about educating yourself and shaving hours off the time spent at a dealership. Sophisticated carmaker-sponsored sites offer virtual tire kicking, video tours, and 360-degree views. At independent sites, such as National Highway Traffic Safety Administration (www.nhtsa.gov) and Consumer Reports (www.consumerreports.org), buyers can compare rollover data, child safety statistics, crash tests, and recalls -- items salespeople may avoid during a sales presentation.

Buyers can use features at online sites to calculate loan rates, find financing and insurance, and even pull their own credit reports. Car shoppers can walk through the buying process at a Web site, get advice on negotiating, and discover formulas for determining what is a fair price for the auto they desire.

The Web Watches You

As great as these sites are, they aren't exactly free. They make money by selling online advertising and linking visitors to vendors selling financing, extended rebates, or other services, says Remar Sutton, a former car dealer and cofounder of the Consumer Task Force for Automotive Issues (www.autoissues.org).

"A lot of these sites make money on things you can do yourself," says Sutton. "It's not as simple as clicking a mouse a few times and you get a good deal on a car and financing. There's more to it than that."

For example, hot links to e-loans may not offer any better deal than your local credit union or bank. Meanwhile, you're being watched. If you've clicked on a manufacturer's site, it's likely your local dealer knows you've been there and what models you've browsed.

"While you're browsing, they collect information, and pass it on to salespeople," Sutton adds. "That's something you should be aware of when you're out there."

About 90 percent of all new car dealers have interactive Web sites. However, many of these sites are filled with little more than advertising and do not reveal invoice prices or even some rebates. And free sites sometimes have dated or inaccurate information, so it's always a good idea to go to several sites and cross-check the information. At his site, Ostroff recommends buying the accurate pricing information available from such sites as consumerreports.org and fightingchance.com. "The \$20 or \$30 you pay to get good pricing information may save you thousands," he says.

Some buyers take product and pricing information, and head down to the dealership to negotiate on their own. Others stay online and solicit bids from dealers through referral buying services. Dealers then e-mail or phone fixed prices to customers. If a vehicle isn't in high demand, many dealers are willing to sell cars at invoice or a few hundred dollars above invoice -- the so-called "skinny" deal.

But getting deals like that requires more than a little homework. Phyllis and Kristopher Knipe thought they had a "done deal" when they went into a New Jersey dealership to buy a new Honda last year. Phyllis, director of finance for a record label in Manhattan, had solicited e-mail bids and checked those against invoice prices. A dealership near her home had what seemed to be a fair price.

But Phyllis did a little more digging online and discovered the dealer's true cost for the car was lower than she realized. With this new information, the Knipes went to the dealership and negotiated a deal that was lower than their original quote. The couple got their new price, but then had to deal with a high-pressure pitch from a finance and insurance manager.

It's not an unusual scenario, says Sutton. Dealers can sell at invoice but still make big profits by selling financing; adding on fees for advertising, preparation, and licensing; convincing buyers to purchase extended warranties and towing/rental insurance; and, especially, lowballing (giving you a poor price) trade-ins.

The best advice is to keep the deal simple, says Sutton. Negotiate only the price of the new car, don't wrap the trade into the deal. Negotiate that separately or sell the car yourself -- you'll always get more money. Check out financing before you get to the dealership, then you'll know which rate is best. It's usually better for a buyer to take a big rebate from a dealer, then finance at a slightly higher rate through a credit union.

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