

THE INTERNET CAN NEVER REPLACE LOVE, MY DEAR

Try as they might, thus far, the Internet has turned out to be wet squib for international motor-car companies, trying to sell brand new vehicles to private buyers.

The cost of establishing a dedicated website for the sale of new vehicles, at anywhere up to \$US100 million (about \$HK156 million), is prohibitive for most people and companies, considering the returns that one may expect from such a capital expenditure in the next 5 years or so.

According to DaimlerChrysler AG, which established a subsidiary, MCC smart GmbH, just for the purposes of selling its motor cars, via the Internet, considerably less than one percent of its total sales were conducted via this channel.

The plan, which backfired in terms of the net results of MCC smart GmbH, being a profit-centre in its own right, was aimed at allowing private, prospective motor-car buyers, anywhere in the world, to buy new vehicles *'blind'*.

'Blind' is the latest term, employed in the automotive industry, for a motor car that is purchased online without the customer, having test-driven the vehicle or even having seen it up close.

The central idea of MCC smart GmbH was to allow a customer, online, to configure his motor car in every detail, within limits, selecting colour, the bells and whistles, the tyres, the audio system, the number of doors, the size of the engine, etc, etc, etc, all the way up to and including the signing of the sales and purchase contract and the preferred method of payment.

The long and the short of the grand plan is that DaimlerChrysler, so far, has bombed out with regard to this idea.

In other pilot projects, similar in many respects to that of MCC smart GmbH, the number of new motor cars that were sold was of negligible numbers.

Two other companies that paid good money to try their luck at this method of motor-car distribution, making use of the Internet as a channel to private consumers, were Opel (of Germany) and Volkswagen (of the US).

It would be fair to state that, so far, no motor-car company, anywhere in the world, has discovered the Holy Grail via the Internet.

According to a survey, conducted in 2001 by Ernst and Young, the international accounting firm, only in Japan and the US have there been any positive indications that could be said to indicate any modicum of success in selling new motor cars to private consumers, online.

This may be due to the amount of trust that the average Japanese places in his country's motor-car companies, where service, good manners, and a fair degree of honesty is expected in business, in general.

And in the US, the private customer has a large degree of protection, via numerous organisations, such as consumer watch-dog entities, in addition to statutory protection, afforded in most states, as well as Federal Law to guard consumers against fraudsters.

However, even in these 2, high-trust countries, it is questionable as to whether or not the returns on investments, made in websites, dedicated at selling new motor cars to private individuals, is commensurate with the amount of capital employed in the venture.

Where the Internet has proved useful to motor-car manufacturers is to introduce new models to prospective purchasers.

But, other than Internet portals, which are adjuncts to automotive titans – Daimler Chrysler, Ford, General Motors, Saab, Porsche, BMW, Fiat, Volvo, etc – no operator of an Internet portal, dedicated to the sales of new motor cars to private individuals, has yet to turn a profit of any significance.

That is not to say that, in the future, the role of the Internet in respect of the sales of new motor cars to private consumers will not come to pass, but the question of definition of the Internet's role has yet to be determined.

That the Internet will support traditional channels of distribution of motor cars in most countries would appear to be the obvious role, at this juncture.

The cost in the establishment of an Internet portal for the sales of new motor cars to private individuals is high, to be sure, but it is questionable that it will, ever, replace the traditional distributional channels.

In the US, where land is plentiful, it is unlikely that the new car dealer of General Motors, Ford, Chrysler, etc, will not attract people, just to come to view new models, to run their fingers over the chromium parts, to peer at the insides of the vehicles and to smell the leather trim.

And, once inside the showroom, those private buyers, who have the slightest inkling of seeing themselves behind the wheel of a new motor car, may well end up, driving their dream car off the lot.

Whenever Rolls Royce or Bentley brings out a new model, people stop to view it as it sits in the showroom.

There will, always, be that aura, surrounding the latest technological marvel of automotive engineering – and the Internet cannot replace a private individual, being within smelling distance of that new vehicle.

Where the Internet may well come into its own is in the field of Mr Dirty Richman, ordering that motor car of his dreams, complete with engine specifications, to the actual design of the chassis – the type of vehicle that is ordered by Eastern potentates to cruise the desert dunes.

But that market will, always, be very limited: There are not that many multi-millionaire oil sheikhs, these days.

That the sale of new motor cars via the Internet is in its infancy need not be stated because, according to surveys, fewer than a few thousand new motor cars were sold, blind, to private individuals in most European Union countries, during the past few years.

While motor-car manufacturers could well afford to discount a new motor car by 10 percent or more, when that motor car was ordered via the Internet, prices on the Internet are, by and large, non-negotiable and will always be so, most likely.

And price can easily be the determinant factor by the private purchaser, making a final determination on whether or not to unzip the purse-strings.

Another consideration is that, although the Internet may well save initial costs to the private purchaser, there is still the ongoing matter of servicing the vehicle and repairing it when parts fail, as they do from time to time.

The traditional method of selling new vehicles, via the distributor, appointed by the motor-car manufacturer, permits prospective buyers to bargain and to obtain, what he/she considers, soft benefits in the shape of repairs, servicing, the latest updates of onboard gadgets, etc.

Further, many customers, long satisfied with the service of a certain distributor, are unlikely to move to the Internet as a means to purchase the next new vehicle because, most likely, they have established a good rapport with management of the motor-car distributor, over a period of time.

Conclusion: It is likely to be a very long time before new motor cars will be purchased by private individuals in any volume via the Internet.

The costs of setting up a website for the purpose of enticing the private individual to make the purchase of his dream car, online, is prohibitive in today's world, considering the potential returns to be expected.

To buy a personal computer (PC) on the Internet has proved to be a success because of the nature of the PC, being as it is, a box with unseen electronics that perform a function in accordance to stated specifications.

The motor car, however, is a much more personal item and private individuals will, probably, always want to get within smelling distance of it, rather than buy it, blind.

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