

## ADJUSTING TO THE TIMES: THE FUTURE OF CAR DEALERSHIPS

By Justin Jakubiak



[Justin Jakubiak](#)  
Partner

t: 416.864.7605

[jjakubiak@foglers.com](mailto:jjakubiak@foglers.com)

I have been serving auto lenders, dealerships, dealer principals, salespersons, repair shops and other industry members for just over 12 years. Certainly not a lifetime, nor a career, but long enough to know that the auto industry is changing at an extremely fast rate - Bugatti Veyron Super Sport fast.

My most recent tweets [@carlawyercanada](#) are all about massive industry shifts that are happening now or in the near future: Volvo going mostly electric after 2019, France intending to ban all gas and diesel vehicles by 2040 and Tesla's market valuation overtaking BMW's.

My clients and their issues are changing as well. Dealer groups are getting bigger. Export dealers (both legal and illegal) are on the rise. Advertising is focused more heavily on various social media platforms.

Online dealerships and alternative lenders are on the rise as well. Numerous start-ups are trying to figure out how to revolutionize Canada's auto sales industry while maintaining compliance with what sometimes feels like outdated legislation. OMVIC and I are struggling at times to find workable solutions that balance modernity against some of OMVIC's more dated consumer protection policies.

As millennials are gaining purchasing power, they are in particular reshaping commerce all around us. From using apps to split restaurant bills to reserving vehicles online for car sharing, they have been instrumental in streamlining business and changing the economy.

### The Brick and Mortar Dealership

On the surface it appears the rationale behind traditional brick and mortar dealerships is fading. The availability of information online has made it so customers no longer need to visit dealerships to gather information in their quest to purchase a new vehicle. Credit is also available through online portals, and individuals can purchase and sell cars privately through websites such as Auto Trader, Craigslist and Kijiji to name a few.

Today, the internet is a parallel forum providing services and information previously only available at dealerships. The internet also provides information that dealerships can't deliver. With a click of a button, customers are now able to access a plethora of forums, videos and reviews detailing other people's experiences with the subject brand or model. These resources provide customers with often unbiased third-party information from sources that often hold no interest in the potential sale.

## Is There Still a Place for Conventional Dealerships?

Absolutely.

While I love the convenience of online shopping, there is nothing better than a great experience with a true sales professional that knows his or her product (and that of the competition). While I test drive cars for fun, I detest shopping for clothes. That said, my partners have made it clear I can't wear jeans and t-shirts to the office. So when I do shop, I go to places where I know I will get great service. The salespeople know me and the fact I have a neck the size of a tree trunk and lanky arms. These professionals are able to manage my disproportions and can even manage to make the buying experience bearable.

This is where the millennials are missing out. In getting caught up in the convenience and selection of the online marketplace, they have missed out on the opportunity to have a truly great customer experiences.

I recently purchased a car from a dealership in London, Ontario. I dealt exclusively with the salesperson over the phone and through email. He was better than excellent. He was able to deliver to me a great car at a price which was significantly better than anything I could find locally. The downside was he had the car delivered to my house; while super convenient, I have had the car for three months and haven't had time to figure out all of its features. I regret not having the opportunity to sit with a delivery specialist. In many respects, a traditional approach to buying what is often your second biggest asset is preferable. A car isn't a sweater you can easily return, or something which you can ignore in the back of your closet.

### The Test Drive

Despite the information and services now being offered online, the internet cannot provide a test drive. No matter how much information you read about a car's specs and other peoples' reviews of the car, physically sitting in a car and driving it for yourself is an experience that cannot be substituted.

Under the Motor Vehicle Dealers Act, trading off premises is prohibited. OMVIC has interpreted the legislation to mean that all test drives must start and finish at the registered address of the dealership. The effect on dealers is they are prevented from driving cars to their customer's homes or workplaces in an effort to make test drives more convenient.

This interpretation of the legislation is incorrect (in my opinion) and ignores the realities of today. People are busy; both parents are often required to work outside of the home and as a result family time and errands are often crammed into a Saturday or Sunday – leaving little time for car shopping.

When a customer test drives a car, there is no trading occurring off premises. The car speaks for itself and the role of the salesperson typically takes a back seat. If you don't like how a car drives, there is typically little a salesperson can say to change your mind.

Even if test driving that does not start and finish at the dealership can be classified as trading off premises, how is this different from test drives that originate at the dealership? The majority of the ride is occurring off premises, as customers are not restricted to the dealership's parking lot. If driving cars to customers for test drives is considered trading off premises, then it only follows that the traditional test drive, the majority of which occurs off the registered lot, is also trading off premises.

## The Role of Millennials

Millennials are used to purchasing everything online, from groceries and takeout, to electronics and clothing. The convenience and flexibility that online shopping offers is important to this generation. Dealers have or are addressing this fact through the launch of online platforms. These dealerships acknowledge that their role today is dramatically different than it once was because of the availability of online information and customers armed with research before ever entering a dealership. This has resulted in the decrease of the number of dealership visits customers make before completing a purchase.

Online dealerships can allow for more efficient competition in buying and selling used cars resulting in better pricing at both ends of the transaction. Online trading allows dealers to minimize redundant infrastructure and functions that do not add value. They open up options for purchasers by no longer limiting their search to dealerships that are within a reasonable driving distance. By providing customers with more options and allowing connections with dealerships that would have previously been out of the question, customers are more likely to find the car they are looking for in their price range.

## Conclusion

While the automotive world is clearly changing, it is important that dealerships and salesperson evolve carefully and in a manner which ensures continued compliance with their respective obligations under the MVDA. It is also important to be mindful of the many benefits that a more traditional dealership experience provides to customers. Dealerships need to not only evolve, but find ways to get millennials into the showroom to touch their products in a manner which is welcoming and allows them to experience the best of both worlds.

*This article was written with the much appreciated assistance of Amna Rehman, Summer Student.*

*Reprinted from The Ontario Dealer Magazine*