

Online car sales - destructive disruption or unique opportunity?

By [Marius du Toit](#)

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If you're a medium-sized traditional retailer in the USA or Europe without the know-how to sell your goods online, you probably aren't a fan of the internet.

Giants like Amazon and eBay are crushing your margins by relentlessly discounting products, while larger retail chains like Walmart and Tesco are eating what's left of the market. And while this isn't yet the case in South Africa, it is only a matter of time before our own SME retailers face a similar crunch.

In 2016 more than 1 million cars were sold online in China alone. In 2017, during the annual "Singles Day" sales, Chinese car dealers sold 100,000 vehicles online in 24 hours. Tesla has sold the vast majority of its 350,000 vehicles either online or from online leads. These are exceptions at the moment, but they will soon become the norm.



Marius du Toit, founder and managing director of Beat The Price

New possibilities

If the online car sales boom follows the same pattern as retail, you might assume that most small to medium car dealerships will suffer the same fate - being shut out of this new market and unable to compete. But we see a different possibility - one in which the internet empowers these dealerships to reach new customers at lower costs.

A great example of how this works in practice is Airbnb. The platform is a classic matching marketplace - matching travellers with property owners willing to share their living space for a fee. While this is bad news for large hotel chains that have long enjoyed comfortable margins, it is great news for both travellers and small property investors.



Source: pixabay.com

For a small fee per booking, Airbnb essentially gives homeowners access to a marketplace with tens of millions of travellers. That marketplace is now broad and deep enough to support everything from one bedroom holiday apartments to stately mansions and everything in between.

This allows property owners to compete effectively with large hotel chains and formal B&Bs and also expands the total market for travel. It is highly unlikely that AirBnB will ever replace hotels - many people simply prefer the certainty of formal accommodation - but it has resulted in a mini-boom for individual property owners.

Connecting car buyers

Our long-term vision for the online car sales market is the same as Airbnb's - to connect new car buyers with dealers across the country (and eventually the world). This gives a dealership in Kuruman the same opportunity to reach a customer as a dealership in Sandton.

Our model is born out of a simple insight: the demand for different models of cars is not evenly distributed throughout the country. So a dealer in one city may have an oversupply of model X while there is unmet demand for that same model in another city.



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Small and medium-sized dealerships generally don't have the marketing budget required to sell nationally and shift that kind of stubborn stock. What's more, the delivery costs will often eat up any profits. At Beat The Price, we use a reverse-auction model to connect willing buyers and dealers regardless of their location. A dealer can factor any delivery costs into any sale to ensure they still make a profit, while the car buyer gets the best possible price.

Many dealers are suspicious of our model at first, but they soon realise that we are able to connect them to guaranteed sales for vehicles they are sometimes struggling to sell. There are also many benefits for car buyers: convenience, no

negotiations required and fair pricing. We focus on the win-win-win scenario - every participant in our marketplace should feel like they have received a fair deal.

At the moment Beat the Price is fairly unique, both in South Africa and in the world, but we fully expect many other online marketplaces to develop around car sales. We welcome the competition. We believe that online marketplaces are not just the future - they are the best way to ensure the industry as a whole thrives.

ABOUT MARIUS DU TOIT

Marius du Toit is the founder and managing director of Beat the Price. His love of cars and having contact with people motivated him to build a successful career in the car industry for more than 30 years. He started his career working as a business development officer for motor vehicle and business financing firm WesBank.

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