

Proof that selling cars on the internet works

Autoquake sees online car sales grow from 600 in 2007 to 5,000 a year later

Conventional wisdom is that people will not buy cars online. They'll carry out research, fire off emails, book services or test drives, but they won't commit to buy without first visiting the dealership to 'kick the tyres'.

That wisdom has been blown to pieces by a new company which last year sold 5,000 cars via the internet.

Autoquake was set up by Fredrik Skantze and Jeanette Moskovits in 2005 as a part-time project taking cars from leasing companies and large fleets and advertising them online. It claims to offer fleets access to a retail margin that they've not previously had, unless they went down the precarious route of setting up their own dealership sites.

Chief executive Garry Hobson joined the business in October 2006 after a career with Inchcape, CD Bramall, Carland, Masterlease, Pendragon and, latterly, Dixon. He believes dealers themselves are the reason why online transactions have not taken off.

Garry Hobson (left) and co-founder Fredrik Skantze



"Dealers don't want to sell online because it's a transparent, low cost opportunity so the price comes down," he says. "Dealers have manufacturer standards and showrooms that mean high overheads to cover so they need the margins."

He claims Autoquake prices are typically 16-17% lower than a franchised dealer, equating to a saving of £1,200. However, he doesn't rule out raising prices to shrink the difference.

More satisfied

"In a dealership you are sold a car; on the internet you are buying a car. That means you are in control and it means you tend to be more satisfied with the service," says Hobson.

For leasing companies, the Autoquake service is a chance to boost profits by on average 14%, or £400 a unit, compared to auction.

Autoquake takes 3-4% from the deal. It also sells finance, insurance and warranty with penetration of around 20% "and growing".



"We understand the real price of the car because we look at UK retail prices and we are always at the lower end because our aim is to be on the first search page when we advertise on eBay, Auto Trader, Motors, etc," says Hobson.

Vital to online selling is trust, transparency and openness. Autoquake displays more than 50 studio photos of each car and is at pains to point out any scratches or dents. It offers a seven-day/1,000-mile 100% money-back guarantee and buyers have the choice of collecting the car from one of Autoquake's handover centres in Leeds and Birmingham or having it delivered door for a small premium. Just under 30% opt for home delivery.

Of those that visit the handover centre, around 90% complete the transaction. Less than 1% of people have returned the car within the seven-day money-back period.

Autoquake has around 600 cars for sale at any one time and last year launched an email alert service for customers. It sends out around 30,000 alerts a week.

On average it sells cars in 22 days. If a model exceeds 30 days (only 5% do), it will be advertised as a 'last chance car' with the price lowered daily until sold.

Bread-and-butter cars are three to four years old with 60,000-80,000 miles, volume and premium, with a

typical price of £6,000-£15,000.

Growth over the past year has been phenomenal. Unique monthly visitors have grown from 5,000 in November 2007 to 220,000 a year later. They spend on average eight minutes visiting nine pages.

More handover centres

In 2007 it sold 600 cars; in 2008 it sold 5,000. It expects to sell 15,000 in 2009, although if its third handover centre opens in the south as expected in summer, that target rises to 20,000. Another three centres will follow within the next year in Manchester, Scotland and the south-west.

Future plans include a move into mainland Europe. Germany will happen by the end of the year. Funding isn't an issue, with the company now backed by venture capitalists Accel Partners and Highland Capital Partners.

Autoquake is in discussions with leasing companies about pre-selling cars before they come off the fleet.

Hobson estimates the potential for his business model in the UK is around 5% of the used car market, or 300,000 cars a year, with Autoquake taking a "significant" share.

The concept isn't unique: Cars Direct offers fleet cars to consumers, but primarily via its online auction. However, Hobson expects more rivals to launch.

Will dealers come around to his way of thinking? "They either can't or won't because of the margins issue. You have to stand outside the industry to see what can be done differently," Hobson says.

"I couldn't see it myself when I was involved," he adds.

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