

## Chapter 1

# What's Happening to the Automobile Business?

### The Bad News

If you find your introduction to Killer and his world startling, and find the implications of some of these tales chilling, welcome to the Brave New Automotive World. Though the corporate and personal names in Killer's Day and throughout the narrative portions of *Don't Get Taken Every Time* are fictional, the scenarios are fact.

As Killer and his friends are happily going to show you, every aspect of the auto industry has been ripped apart, reinvented, interconnected, and energized in a titanic battle to “nail” you—“acquire” you—for life. Whether or not you own a computer, even if you think the Web has to do with spiders, every aspect of your contact with any part of the auto business from now on is going to be affected by this battle.

In just a few years, the stunning fusion of technology, databases, the Internet and Very Big Business has turned the disparate, highly fragmented, slightly old-fashioned, often shady auto business into the trillion-dollar blue-eyed baby everyone in the investment world wants to kiss. As traditional dealership-based business, often referred to as Brick commerce (representing actual stores), incorporates the vast resources of the Internet, called Click commerce (for the mouse), the changes hold disquieting implications for your legal rights, your privacy rights, your safety, and last, but certainly not least, your pocketbook.

In this battle, everybody is using the same seductive weapon: the mantra of “lifetime relationship-convenience-service-honest consumer information.” And “everybody” really means *everybody*.

“We want to develop an ongoing relationship with vehicle owners throughout the entire lifetime of their ownership,” Ford CEO Jac Nasser said when he announced Ford's “strategic

alliance” with Yahoo!<sup>1</sup> Even without Yahoo!, hundreds of Ford-related Web sites are waiting for you.

“We’ll work together to assist consumers throughout the entire ownership cycle,” says a General Motors release announcing its “strategic alliance” with America Online (AOL). Their alliance, says Bob Pittman, AOL’s CEO, will enable AOL GM “to deliver the most trusted, personalized automotive experience.”<sup>2</sup> AOL’s “personalized destination” includes “My Calendar,” which helps the consumer maintain a “comprehensive car ownership experience” with e-GM and its dealers.<sup>3</sup> Shortly thereafter, GM announced another e-related “strategic alliance” with Sears, one of e-GM’s dozens of auto-focused, Web-related “affinity relationships.” Even without AOL (which seems to own the world) and Sears (which owns one of the largest and most loyal customer databases in the world),<sup>4</sup> GM owns large numbers of auto-related Web sites.

The world’s third-largest automaker, Toyota, did Ford and GM one better: It formed a members-only Internet “shopping bazaar” to broaden its automotive and other services, and has very conveniently started issuing a direct credit card using “the latest integrated chips.”<sup>5</sup> Toyota is already considered by many customers and consumer groups to be very tough and sophisticated when it comes to sale tactics. Thanks to that credit card, Toyota will now have the legal right to assess your credit regularly without checking with you further. Credit card issuers have the privilege to do so. Knowledge about your credit is the single most important negotiating tool for a seller of cars.

Meanwhile, Toyota’s American dealers have formed their own clubs. One of the biggest Toyota dealers in America has fifty Web sites alone, and not many of them mention their relationship to any dealership.<sup>6</sup>

Carclub.com, the giant “service” consortium, offers “support you can trust throughout the life of your vehicle.”<sup>7</sup> You sign up, you fill out a questionnaire, and, boom, you’re a part of the club for life! Carclub.com promises you “pre-screened dealers who put your needs first.”<sup>8</sup> Carclub.com’s investors include Sun Micro Systems, Ford Motor Company, Chase Manhattan National Bank, G.E. Financial and First Union Bank.<sup>9</sup>

CarMax, owned by retailing powerhouse Circuit City, announced a lifetime experience through their affinity partner eBay, which announced it was building an online auction site, right after it announced it had completed a deal with banking giant Wells Fargo to provide credit card services for eBay.<sup>10</sup> AutoNation, “the largest new car retailer in the world,”<sup>11</sup> with over 450 new-car dealerships, made the most honest announcement about their “lifetime” plan for you, the consumer: “We strive to build shareholder value by creating customers for life.”<sup>12</sup>

*Money* magazine announced a “partnership” with Carsmart, claiming “Carsmart will become the trusted automotive information source for the nine million readers of *Money* magazine.”<sup>13</sup> Among other “customer modules,” Carsmart features an “accredited dealer network.” Accredited to do what?

J.D. Power and Associates, the most sophisticated automotive consulting firm, announced a joint venture with The Cobalt Group, a marketing group which “provides Web site design and support services for some 7,000 of the nation’s car dealers.” That’s roughly 30 percent of the dealers, and growing. Cobalt proudly boasts it has “been endorsed by sixteen manufacturers and the National Automobile Dealers Association.”<sup>14</sup> And what does this new partnership

plan to do? Give dealers “a fascinating twist on some well-established dealership selling techniques” when they are dealing with online customers.

This new program, being installed in dealerships right now, can “identify certain non-verbal cues that customers give either in their speech patterns or in their writing...which slot the customer into one of four basic behavioral types.” Using their knowledge about these four behavioral types, “The Cobalt Group trainers have created four distinct response ‘matrices’ that track to the customers motivational ‘hot buttons’ and communication style while working online.” In other words, you’re being analyzed as you visit the site, folks, and the company is proud of that. “The [J.D.] Power researchers have applied the scientific principles of statistical probability to the car dealership sales management process,” the company proclaims.<sup>15</sup>

So what is the ultimate purpose of this new company’s eerily invisible product? To “avoid some of the pitfalls that are costing dealers gross profits on their Web sites,” says Kevin Root of The Cobalt Group, and to “identify certain variables in the way sales leads are managed that can tip the odds of closing the sale sharply in favor of the salesperson.”<sup>16</sup>

There’s also Lifeminders.com, a “permission-based, opt-in service,” that will send you lots of e-mails on auto-related issues and products. Then, “...the proprietary Lifeminders.com technology compiles e-mail messages and advertising that match individual members’ interests, and those messages *are improved over time as members interact with their e-mail.*” That last quote, with my emphasis added, was in a Lifeminders release to potential investors, not its members.<sup>17</sup>

MyCarPage.com sends you an e-mail when you need service on your car, among other consumer conveniences. It also analyzes that data for dealerships and provides dealers a “customer value matrix that places customers,” among other criteria, “in segments based on spending patterns.”<sup>18</sup>

Edmunds, Inc., for years hated by the dealers because they provided consumers the true inventory cost of new cars, has now announced that Edmunds.com is adding “...the aggregation of automotive transaction provider information” to the company’s “business model.”<sup>19</sup> Excuse me? Could we be a little clearer? Could that mean Edmunds is compiling all that information about us and sharing it? That same day Edmunds announced “partnerships” with Autobytel.com, AutoNation.com, Carorder.com, DriveOff.com, and Greenlight.com. That’s in addition to its already existing partnership with GM BuyPower<sup>20</sup> and MSN CarPoint (that’s Microsoft).<sup>21</sup> Edmunds and the car dealers have become economically intertwined.

And then there are the other 20,000-plus individual new-car dealerships and dealership Web sites with all of their various car clubs—most with “lifetime” memberships. Finally, there are literally thousands of other big and small Web sites that purport to help you in your auto interests. Scratch the surface of conglomerates or technology players today, from the owners of Chiquita Banana (they own “Wheelmongers”) to Michael Dell, founder and CEO of Dell Computers (he’s a big backer of carsdirect.com) and you’ll find an auto connection, particularly if you look at the high-tech guys.

They have focused on the auto industry for several reasons. “Existing inefficiencies in the car-selling system, the belief that car buyers hate going into car dealerships, and the size of the overall industry,” are some reasons according to Robyn Meredith of *The New York Times*. “There is a massive opportunity that’s sitting there. It’s a \$1.3 *trillion* business,” Meredith concludes.<sup>22</sup>

**“Well, what’s wrong with all of that?”** you may ask. “What’s wrong with the high-tech companies, with any company, sending me helpful information? Isn’t the Web a great place to gather information? And aren’t all those buying clubs and car services a lot easier to deal with than the pressure-cooker boys down at the dealership, anyway?”

There’s a lot wrong here, if you’re not wary—that’s what this book is about—and it starts with the mantra of “lifetime relationship-convenience-service-honest consumer information.” With the exception of relatively few sites, this mantra uses Alice-in-Wonderland definitions, which are the opposite of what they appear, and old-time auto industry code words that hide their true message: “spend more money.” The mantra “lifetime relationship-convenience-service-honest consumer information” also masks the true agendas of the companies and Web sites that mouth it.

**“Thanks! I needed that!”** *Convenience* has always been an automotive buzz word. “Oh, it’s more ‘convenient’ for you to finance here at the dealership than to have to call your credit union,” a finance person may say, for instance. True, perhaps. But what the finance manager forgot to tell you about was the cost of that convenience. In a test project in Austin, Texas, University Federal Credit Union analyzed the finance contracts of 607 members who had chosen the convenience of dealership financing rather than taking the time to call or visit their credit union. This group of members seemed to have thought, “Just how much could convenience cost anyway?” Well, for these 607 people, the cost of convenience was \$1,200,000. That averages \$1,976 per person. Would you be inconvenienced for an hour or two to save that kind of money?<sup>23</sup>

And that \$1,976 wasted was the needless profit the consumers had paid on just the *finance* aspect of the vehicle-buying transactions. How much do you suppose they may have wasted in other parts of the transaction? In the Brave New Automotive World—where you can conveniently finance online in thirty seconds, conveniently sell your old car online in minutes without leaving your house, and conveniently have that shiny new chariot delivered to your home with a ribbon tied around it!—a gullible and unwary shopper is going to throw away a lot more than \$2,000.

Convenience has one more meaning for the auto industry that involves your pocketbook. Although all those clubs and Web sites may wish to forge a lifetime relationship with you, their even stronger goal once they’ve “tied you down” (their jargon for getting a deposit) is to sell you very fast. “Turn a five-hour transaction into a one-hour transaction!” says TargetLive.com’s top online trainer.<sup>24</sup> That’s more convenient, you see. “Three clicks to a sale!” is another hymn of Web-based automobile marketing.<sup>25</sup> Sell them in three clicks of the mouse—a very fast transaction, and in the auto business, speed almost always leads to wrecked budgets and worse.

**“Service? So that’s what service is!”** *Service* is the second part of the New Automotive World’s mantra. Selling extended warranties that cost \$150 for \$1,900 is presented as “service” at some dealerships and buying clubs. Charging you \$495 to register your car, when it only costs \$7, is considered a service by many dealerships and online sites. Offering to “happily take your old car in trade” is a “service” with almost all online buying sites. Oops, they forget to mention that’s where you may be ripped off the most. Offering to finance your car is presented as a “service” by just about everybody. Recently, Ford Motor Credit, whose dealers

happily say, “Oh, we just handle the financing and insurance as a courtesy to you,” announced a net profit of \$1.9 billion. The dealers made even more than that.<sup>26</sup>

“Service,” whether it is smoothly mouthed by a dealership employee or is an online catchphrase, carries hidden meanings in the auto industry. Consider it a caution light, not a green light.

**“Just the friend I was looking for....”** The new automotive mantra’s promise of “true consumer information” is generally an illusion if you’re dealing with a “commercial” Web site—a site that benefits financially in any way from the information it provides you. General Motors, for instance, may send you an e-mail about an official recall concerning your vehicle. Good for them. The manufacturers are required to contact you during an official recall, and e-mail contact is certainly cheaper than mail contact. But the manufacturers aren’t going to send you an e-mail inviting you to read their e-mails to dealers that discuss the many “secret warranties” the manufacturers are offering right now.

A Toyota or Honda dealer may be nice when they offer to call you up or e-mail you about an upcoming service visit. But they aren’t being nice when they review your entire history before that visit, review your credit, then assign the dealerships’ best sales person to talk you into buying when you’re perfectly happy with your old car.

And neither AOL nor Yahoo! nor the best online buying services in the world are going to do any better. If it’s a commercial site, they’re going to leave out what you really need to know, refrain from criticizing their “affinity partners,” or create information that looks consumer friendly, but isn’t. In the world of big business, “true consumer information” is an elusive reality. You won’t find much of it on commercial sites.

**“Well, okay. If you think the mantra is an illusion, what is the Brave New Automotive World’s true agenda?”** The true agenda has two objectives: First, to “data mine” your life—to gather every possible bit of information about you, then refine that information. Second, to make you so comfortable in that on-going, supposedly consumer-friendly relationship that you throw caution away and open your pocketbook wide. “How do you disarm that customer?” an online trainer on TargetLive.com asks enthusiastically, after talking about the importance of establishing an on-going relationship with customers. “How do you turn them into a sale? It’s all about that sale! All about making money!”<sup>27</sup> And to do that, a business has to make its Web site “sticky.” Only customer loyalty or a deposit certifies “stickiness.”

The battle to nail your file before the next combatant can nail it is happening as you read this. And it doesn’t matter if you’ve never surfed the Web, it doesn’t matter if you have decided to drive your current vehicle until the wheels fall off, it doesn’t matter if you never go near a dealership, it doesn’t matter if you service your own car. It doesn’t even really matter if you *own* a car yet or are even old enough to drive!

It goes beyond auto dealerships. You are probably going to be nailed from the moment you visit an auto supply store, apply for a bank loan for that big-screen TV, change your insurance company, enter an “Auto Buffs” chat room, use a credit card, use a relocation service when you move to another city, or subscribe to some consumer magazines.

You are, of course, fair game if you like surfing the Web. Your file is going to be nailed by lots of folks if you log on to AOL or any of the other Internet Service Providers (ISPs); any auto-related Web sites such as a manufacturer's home pages (Ford, alone, has over 100 Web sites),<sup>28</sup> dealer's pages, used-car sites, finance sites, leasing sites, or budgeting sites; even if you log on to some of those "yellow page"-type sites. And, sisters and brothers, you will most certainly be nailed if you visit any dealership—or even call a dealership on the phone!

**“Okay, I’ll take all that abuse, as long as I don’t have to deal with a dealer or go near those places.”** That’s what most people feel and that’s why the Internet is chockablock with “direct” auto services, services that supposedly cut out the dealership. And that’s the really funny part of the Brave New Automotive World.

### **The Grim Reality No Buying Service Wants You to Know: Dealers are intimately involved in every Internet and buying service transaction**

The Web site and buying-club hype about “independence” from dealership influence is a myth. Why? Direct vehicle sales between the automobile manufacturers and Web-based “buying services” or brokers of any kind do not exist. *All buying services and brokers must buy their vehicles directly from dealers.* And because the dealers control the flow of vehicles, they in many ways control the buying services and brokers.

### ***The Dealer’s Stranglehold on Vehicle Internet Sales and Pricing***

Thank your state legislators for allowing dealerships to prevent meaningful competition on the Internet. State automobile franchising laws, heavily lobbied for by the dealers, have always required that brokers must buy their vehicles from dealerships, not from the manufacturers directly. Those laws are being beefed up as you read this to make sure dealerships now also control every aspect of the manufacturer’s relationship with you on the Internet.

**Many new state laws mirror the recent legislation passed in Arizona.** Arizona’s law is very crafty, and very bad for consumers. It first states that the manufacturers cannot provide direct financing to a consumer. When you go to the GMAC Web site, for instance, that site is now required to send you to a GMAC dealership for financing.

The law then states that the manufacturers “cannot control final vehicle sale prices without dealer permission.”<sup>29</sup> That vague wording just prevented the manufacturers from continuing to post a very useful piece of information on the Web: the actual average sales price of each model that real customers had paid at dealerships.<sup>30</sup> This information gave consumers a realistic guideline when making an offer on a vehicle. The dealers have now stopped that.

The Arizona law finally states that the manufacturers “cannot withhold leads from a dealer generated in his or her marketplace.”<sup>31</sup> What’s the practical impact on you? If you click on a manufacturer’s site, the manufacturer is now required to send your information to a local dealer. So much for your privacy there.

**Would-be independent brokers have failed to change these practices.** People as powerful as Michael Dell, founder and CEO of Dell Computers, have attacked these state franchise laws to no avail.<sup>32</sup> And most manufacturers, who would dearly love to sell to you directly, to open stand-alone service departments, and generally to buy back all their dealerships, have given up on this fight. Even worse: They would like to destroy Internet broker sales entirely.

**The manufacturers, kowtowing to dealer pressure, go after the Internet brokers.** Take Ford, who according to an article in *Automotive News*, “wants to deny new vehicles to online auto brokers.”<sup>33</sup> In a communication to its dealers, Ford and Lincoln Mercury dealers were threatened with severe penalties for selling new vehicles to Internet brokers.<sup>34</sup> “We wanted to remind dealers that it is a violation of their sales and service agreement to sell new vehicles to *anybody except direct customers*,” [emphasis added] Ford spokesperson Anne Doyle concluded.<sup>35</sup>

**The impact on you?** When you buy or lease a car on the Web or through a buying service, that car is coming directly through the dealership’s own Web site, coming from a “broker” who buys it from a dealership and sells it to you, or coming from a “direct” Web service that owns its own dealerships. Any way you drive it, a dealership and its particular slippery, misleading profit gimmicks will be involved in the transaction.

**Many dealers see nothing wrong with a misleading gimmick or two, either.** Consider Mark Phillips, manager at a Ford dealership in Arizona, who matter-of-factly shared this story with *Automotive News*. After receiving a price quote from the dealership on a Mercury Cougar, his customer decided to check that price with Ford’s “e-price” on the Web. “The e-price was \$400 less than what we had originally submitted to them,” Phillips was quoted as saying, “so we *dropped the cash on their trade by about \$400*”<sup>36</sup> [emphasis added]. The net result of that drop? By “lowballing” the customer’s trade-in, allowing the customer \$400 less than it was really worth, the dealership completely cancelled the \$400 savings in financing for the customer. And thank you, ma’am or sir, for shopping on the Internet!

So it’s worse if you’re trading in your old car. Even at a “direct” site that sends someone to your house and hands you a check for your old car, you are dealing with the same used-car wholesale dynamics and used-car “road hogs” who have made the wholesale used-car business a bit slimy to the touch for years.

### ***The Dealers Co-Opt the Online Buying Services***

Now that the dealers have the manufacturers in their grip, the big dealer chains are getting a direct grip on the buying services. Take Sonic Automotive, a huge chain of over 180 dealerships. Sonic has taken an “equity interest” in Greenlight.com, which bills itself as “the fastest-growing Internet car-buying site.”<sup>37</sup> “Greenlight.com goes well beyond the referral model,” says Sonic’s Vice President of Retail Operations.<sup>38</sup> The “referral” model means simply handing your name and address over to a dealership. But Greenlight.com does more than that. The Greenlight.com buying experience “includes the dealer in the purchase and delivery process.”<sup>39</sup>

Sonic's happiness with this new venture is particularly interesting when you listen to the words of Sonic's President and CEO Scott Smith. Mr. Smith didn't like Web selling at first. "We signed on with one of the largest online car-buying services for a few years. We found that they delivered us the exact type of customer which we want the least to work with. The grinders, 'show me your invoice,' practically fleet buyers—plus many folks would take our quote elsewhere and *buy from the first dealer who would beat it...*"<sup>40</sup> [emphasis added]

Mr. Smith's impatience with customers who actually want the best deal and think they have the right to shop one dealership's prices against the other is very typical of the dealer community. Dealerships are supposed to control those customers, not let them find a better price! "We're working on bringing Internet sales in-house, *so we have control*,"<sup>41</sup> Mr. Smith concluded. [emphasis added] In the same press release announcing Sonic's equity interest in Greenlight.com, Greenlight.com also announced that the company now has a "promotional agreement with Amazon.com to introduce Greenlight.com to Amazon.com's more than 17 million experienced shoppers." The megadealer is now aided by a "direct" buying service it just happens to influence and by a blue-chip company like Amazon.com! Now, *that's* dealer heaven.

**"Well, hasn't the involvement of all those blue-chip conglomerates and high-tech geniuses made the auto business a safer place for the consumer?"** It's done the opposite in my opinion. The job of big business is to boost its stock price, not hold your hand. The conglomerates didn't invest in the auto business as a public service. They've taken to it because they smell money. Don't you think most conglomerate hot shots reading the tale of Ford manager Mark Phillips and his \$400 "lowballing" of a customer will chuckle at the deceptive ploy rather than cringe?

And the high-tech involvement? The cutthroat, crash and burn, light-speed nature of Web-based entrepreneurship makes Killer's worst action seem positively saintly. People and companies that deal in gigabytes of information in a nanosecond, that reach millions of "acquired targets" and "delineated affinity pods" in a thirty-word e-mail directive sent simultaneously to 30,000 employees, that deal in billions of dollars in potential profits at the touch of a "send" button aren't generally too concerned about you as an individual. Think about the last time you dueled on the phone with a computer; think about the mindless, smug, invulnerability of that recorded voice. The mentality that believes you deserve *that* now rules the auto business.

To make a bleak sky a bit darker, the latest owners and partners in the Brave New Automotive World have absolutely no street-level experience in the auto industry. So what did these newcomers do? They hired the most successful street-people in the auto industry. Who are the most successful people? Generally speaking, those who do the worst things to your pocketbook. What do the new rulers of the auto business want from these executives? To duplicate the most profitable tactics the executive used against the customers at one dealership so that they can be used at hundreds of dealerships to grab thousands of dollars from vulnerable consumers. As you read this, some of the worst (for the consumer) car sales personnel in the world are speaking live to legions of new, young, enthusiastic auto employees on Web sites and buying clubs and large automobile dealership chains around the world. None of those sales personnel are speaking about ways to help you fill *your* piggy bank, only theirs.

Those are the people who send you those nice e-mails, and make you feel so comfortable when you're shopping for a car on the Internet.

**“If it's really that bad, won't the media tell me about this nationally? And won't my local newspaper and television consumer reporters cover local abuse?”** In the past, most of the serious fraud and abuse in the car business, even though it might involve the manufacturer or some other national company, happened at the local dealer level. And the fraud was widespread. Ask your state attorney general's office, if you have any doubt. For six years before 2000—during the very same time dealers crowed about their new-found professionalism and concern for the customer—the fifty state attorneys general offices received more complaints about the auto business than any other businesses in your state. The worst horror stories keep your local consumer attorneys busy day and night.

But how many times have you seen your favorite television station's consumer reporter cover shenanigans at local new-car dealerships? How many articles on dealerships ripping off local consumers have you seen in your local paper?

In the past you haven't seen much of that coverage, if any, because local auto dealers have always been the local media's biggest source of advertising revenue. Just look at your paper or count local dealer commercials on television. Dealers running full-color, full-page ads and snappy television commercials aren't exactly shy in their response when the local media does go after their bad tactics. In fact, dealers are vicious, relentlessly demanding, and fast in their wolf-pack response to even the smallest criticism by the local media.

“Pull our advertising!” is the first knee-jerk response. In Washington, D.C., a local network affiliate lost \$250,000 in dealer advertising in a week when it ran a hard-hitting exposé on tactics at one dealership chain.<sup>42</sup> Around the country, dealers continually pull their local advertising at even the hint of a negative story.

“Fire the reporter!” is the dealers' second response. Can that really happen? Are dealers that vindictive and powerful? Ask Silvia Gambardella, former consumer reporter at WCCO Television in Minneapolis, Minnesota. Silvia was fired *twice* for her continuing consumer reports on local auto dealers, after the dealers pulled over \$1 million in advertising from the station.<sup>43</sup> Silvia is in Hollywood now, writing a screenplay about her adventures with car dealers.

“Shoot the messenger!” is the dealers' third knee-jerk response. In the middle of a live “How to Buy a Car” radio interview in Louisiana, I was physically pulled out of the studio by the station's very nervous general manager and pushed out the station door. For twenty-four hours the station ran on-air “apologies” to local dealers, each apology saying how wonderful the local dealers were, and each apology attacking me personally.

Why on earth would a station do such a thing? The local dealers *ordered* them to. Can the station get away with that? Usually, but not this time. With the help of the Media Access Project in Washington, D.C., we went after the station's license and eventually forced the station to run on-air apologies to me and pay damages to a Louisiana consumer group. Can dealers get away with their actions? Of course. The dealers weren't sanctioned in this case, the media was. The day after the settlement, it was business as usual at the dealerships and radio station. And you can bet inviting me for a return how-to-buy-a-car seminar won't be part of “business as usual.”

**If you don't think this stifling dealer attitude prevails in your market, talk to your local consumer reporters.** All of them will know a dealership war story to pass along informally. And most of them will tell you there's just no margin in bucking the system. The best investigative reporters have to make two decisions when they consider a story: 1. Can I get it on the air? and 2. Will the grief the story brings me be worth the effort? When it comes to covering local dealer problems, the answers are usually, no, you can't get it on the air and, no, it isn't worth the grief.

And even if you cover the story at the network level, the grief may not be worth it. One week after ABC's *20/20* aired a very mild interview with me highlighting abuse in the dealer sales system, Barbara Walters aired a *mea culpa* which closed out that show by apologizing to car dealers. Why would *20/20* do that? How much pressure would that take?

**In the national and local media, censorship and self-censorship ("I just won't suggest that story") permeate any thought of covering negative auto issues.** That's probably why on the day I wrote these words, the highly respected, 4,000-member Investigative Reporters and Editors organization (IRE), listed only *one* investigative reporter who considered the automobile industry his primary field of interest—even though the complaints from their own consumers list the auto industry as their number-one complaint.<sup>44</sup>

As one of my favorite sayings goes, it's always darkest before it gets even worse. In the past, reporters or shows like *20/20* only needed to worry about offending their advertisers. Today, they have to worry about offending their parent company, which now probably owns a very lucrative piece of the auto business itself or has a very lucrative "affinity relationship" with the auto business. Some time ago, CBS for example, announced a "relationship" with AOL that would feature CBS News online. Did that relationship bring with it any form of censorship? The day the CBS/AOL affiliation was announced, a leading and powerful CBS reporter called me and said, "Well, I guess I won't be suggesting that AOL story tomorrow morning."

Media giant Cox Communications owns nine newspapers, five major television stations, fifteen radio stations, and over twenty interactive media companies; they own pieces of AT&T, Sprint PCS, the @home Network, The Discovery Channel, The Learning Channel, and Speedvision.<sup>45</sup> They provide cable television and Internet service to over six million people. For years, Cox has owned the highly profitable Manheim Auto Auctions for used cars, a business primarily directed at automobile dealers. Now their auto businesses include Internet-based selling of used vehicles and "services to help independent dealers find retail credit, warranty, and insurance sources for dealers' customers."<sup>46</sup> Cox, the media giant, is also in the finance, warranty, and insurance business—sometimes murky places in the automobile world. Do you think any Cox reporters or on-air talents would further their careers if they suggested a story on the potential conflicts of interest Cox might face because of its new business ventures?

And then there's that little company called AOL, the "World's largest online service with services in fifteen countries and seven languages."<sup>47</sup> AOL, with 90,000 employees, now owns CNN ("Accessed by 1 billion people"), HBO (34 million subscribers), the "most technologically advanced cable systems," CompuServe, Netscape, AOL MovieFone, and Digital City. It also owns Digital Marketing Services, a company specializing in "on-line rewards programs and on-line market research." And it owns, of course, Time-Warner (120 million magazine readers), TNT, *Time* magazine, *People* magazine, *Sports Illustrated*, Warner

Bros., Time Warner Cable (13 million cable subscribers), and Looney Tunes.<sup>48</sup> Might there be any potential conflicts of interest here? Any concerns about data sharing of your most private information? Any potentially serious consumer issues? And how enthusiastic will all those now-AOL-affiliated reporters be to pursue automotive stories?

If you think the coverage of auto abuse was rare in the old days, just watch what isn't happening now. We are in the Brave New Automotive World of Looney Tunes news, not serious investigative automotive reporting.

**“Okay, my dependable consumer group will protect me from harm.”** There are hundreds of magnificent groups with thousands of committed consumer staff members who will do all they can to help you make the right decisions in the auto transaction. And many of these groups will do all they can to alert you to major abuse and help you seek redress if that abuse happens anyway.

But the consumer movement, from the Consumer Federation of America to the Center for Auto Safety, from the Media Access Protect to many of the attorneys general offices around the country, to Ralph Nader himself don't have the time or resources to adequately keep up with the terrifyingly rapid and complex Internet-related abuses happening in the auto business. Some of the best consumer groups don't even have Web sites! They want them, they just can't afford them.

“There probably hasn't been a time in which consumers face more risk in a financial transaction,” says J. C. Pierce, director of the Consumer Task Force for Automotive Issue's “Web evaluation” project. “It's like a parakeet trying to survive in a hurricane.”

**“So, are you really saying that most of these people are crooks?”** No I'm not, as we'll see. But the nearly blind faith some consumers put in the accuracy of Web-based shopping has already cost tens of thousands of consumers untold thousands of dollars. Do you, for instance, think all those online services that list the invoice “cost” on a new vehicle provide you the accurate cost? If you believe that, and relied on that “cost” figure to make an offer on a vehicle, you may have thrown away a pile of money. According to a study by CNW Marketing, widely quoted throughout the automotive and media industries: “Automotive price misinformation on the Web by some of the country's best known names is rampant, misstating actual prices by upwards of thousands of dollars.”<sup>49</sup> According to the study, carsdirect.com, certainly a site that strives to be honest and accurate, missed the cost on a Lexus LS400 by \$461. Carprices.com missed the price on the same car by *\$2,696.00*.<sup>50</sup> Simply appearing on a Web page does not necessarily make any information accurate.

The Brave New Automotive World has also created some enormous ethical and legal issues and has probably already wreaked havoc on some of your credit and privacy rights. Some of the worst problems aren't technically illegal, either.

For instance, you make an innocent call to a dealership one spring day simply to sign your kid up for the softball team the dealership is sponsoring. Do you really like the idea that your call can automatically generate a file on you—can “nail” you? Would it bother you to know that the guy who cuts your grass but also works weekends at the parts counter at a local dealership can read through your credit report and loan application for fun during his lunch break at the dealership? Both things are happening right now.<sup>51</sup> If a dealership has ever pulled a credit report on you, the parts man *or anyone* at that company can legally peruse your credit

file. Credit reports are pulled for companies, not for individuals such as the finance manager, and loan applications are part of credit files.

In the past, this possibility hasn't been a serious problem except at the most unethical dealerships. Though your credit file may technically have been open to any employee, the finance manager's office had the only real access to it. But at many dealerships now, particularly at the big dealership chains, your credit file is readily available to anyone from any dealership computer. And dealerships are rapidly installing free-standing computers throughout the dealerships to make customer "intelligence" more readily available to all employees, including parts department employees.

For instance, the Dealerkid Customer Relationship Management System is one of dozens of software systems available to dealerships around the country. "Dealerkid allows any employee to access all customer information on the computer system," says a Dealerkid press release,<sup>52</sup> "since any customer-contact employee—salesperson, service advisor, accounting clerk, parts clerk—has instant access to all our information pertaining to a given customer."<sup>53</sup> "It's an enormous benefit to the dealership," says Charles Shamblee, president and founder of ADIS, Inc. "With a single click of a button, a dealership employee can call up all customer information. Because all the information is instantly accessible, *the dealership employee can see at a glance the customer's value to the dealership*"<sup>54</sup> [emphasis added].

At Extreme Dodge in Jackson, MI, (the dealership's real name) the Dealerkid software suite helped create a prototype for the Brave New Automotive World's dealerships. "We have twenty-eight work stations for thirty-two employees," says Wes Lutz, owner. "And those twenty-eight PC's are connected to the telephone and the Dealerkid system."<sup>55</sup> "This system takes the Caller ID concept to a new level," says Dealerkid. "As soon as the phone rings...the Dealerkid computer screen displays customer information, even a picture of the customer...."<sup>56</sup> The system also automatically prompts the call-back process, logs each Internet "hit" or phone call, and times the duration of each incoming and outgoing call. It then automates the scheduling of follow-up letters. Very comprehensive. And the boss is always watching and listening, too. "Mr. Lutz adds that Dealerkid's reporting functions allow him to monitor all customer contact, including incoming and outgoing phone and Internet communications...."<sup>57</sup>

"Probably illegal, but not tested in the courts yet" is another troubling reality in the Brave New Automotive World. For example, credit reports aren't supposed to be shared between companies, even if the companies are owned by the same parent company or same person. A Ford dealership generally can't legally share your credit report with a Chevrolet dealership down the road. But what if the Ford and Chevrolet dealership are under the same roof? What if they share the same finance manager? What if a company that owns 300 car dealerships with 300 separate finance departments incorporates those 300 separate finance departments into one corporation? Can 300 dealerships now share your credit report?

For instance, companies certainly can't sell your credit report. But can a megachain of automobile dealerships sell a list of their "highly preferred customers"—those with perfect credit scores and credit histories—to others? Conversely, can that same chain sell or share its list of persons who were declined credit to subprime lenders or to their own subprime used-car operations?

**And just what is happening with all that “intelligence” those Internet sites are collecting on you?** Who decides what is confidential and ethical? Who decides if you have “customer value” and does that rating by itself constitute a credit rating, subject to fair credit reporting guidelines? Because these issues continually develop with the speed and ethical blindness of the Web, the privacy, legal and ethical problems in the auto world will continue to grow for a long, long time, and should concern you. Some of these questions are beginning to be tested in court, but any clear outcomes legally can and will take years.

With some exceptions, most of the persons and companies running the Brave New Automotive World are like most of us, ethically and work-wise. If we were working on their side, we'd probably do many of the same things. Do you own any stock in AOL or some other high-tech company? Do you root for that stock to keep climbing? Except for your own car transaction, wouldn't it be best for you if AOL's auto affiliates hire the toughest sales people and fight for every penny of profit they can find?

Honestly, if you were a local reporter, would you cover a car story in your hometown if you knew it might cost you your job? Would you cover a story like that every week?

If you were a car salesperson, would you automatically cut the price of every car to the absolutely lowest amount your dealership would take, or would you try to make a little money? If a customer offered you a \$2,000 profit, but you knew you were authorized to take as little as a \$200 profit, what would you do? Your commission on that \$2,000 would be at least \$500. Your commission on that \$200 profit would be \$50. What would you do?

The Brave New Automotive World is terrifying because it has such great potential to damage an unwary consumer. It's terrifying because it is hard to understand and follow. But it isn't necessarily filled with more ogres than any other big business.

### **Is There Any Good News Out There?**

If you're big on the concept of yin and yang, you know what's coming now: For all the negative realities we've been talking about, the Brave New Automotive World offers an equal amount of positive realities for the adventuresome and wise. For all the real and potential abuse the Internet has brought to the auto industry, it has also certainly brought the cure for that abuse, and much more. No one in their right mind has to pay much profit on a vehicle anymore, thanks to the astonishing competitiveness that the Web has opened up in comparison shopping. A very careful person can actually shop finance rates online and find the best rate if they know how. For the first time, it's potentially easy to find the exact used car you want without leaving your home. Finally, you can really research vehicle safety and reliability issues thoroughly without spending weeks of your time. At home, in your own sweet time, you can be the master of it all, fight your way through the quagmire of misinformation, gather the right information to help you make wise and seasoned decisions, and save yourself thousands and thousands of dollars in the process. You just need patience and ammunition for that fight.

You provide the patience, and this book will provide the ammunition. That ammunition includes the “Don't Get Taken Every Time” Web site, [www.dontgettakeneverytime.com](http://www.dontgettakeneverytime.com).\* The site works with this book and provides an up-to-date look at dependable online informational services plus breaking auto news that might affect your safety or your wallet.

The Don't Get Taken site is a "cookie free" site, too. It won't track your every click or share your vital statistics with anyone.

## **Want to Stop Other Sites from Tracking You While You Explore the Brave New Automotive World (or Anything Else) Online?**

You *can* control some of the invasions of your privacy online. Read Should You Disable Your "Cookies"? Sidebar below, before you begin to use the Web. Then go ahead.

Killer is waiting for you, as we take a look at the people you're going to be meeting—whether in person or behind the scenes—as the battle for your personal pocketbook begins.

*You're being analyzed as you surf automotive Web sites!*

*The parts man can legally look at your credit information.*

\*You don't have to use the Web to benefit from what's here. But you'll benefit a lot more, if you do. Don't have computer access at home or work yet? Try your local library.

Cookies, in basic lay language, are files installed on your hard drive by other computers somewhere out there on the Internet in order for these other computers, wherever they are and whoever may be running them, upright person or not, to get a handle on you and your life.

In the opinion of Microsoft or AOL or just about anybody else who benefits financially from "cookies," you are a lucky person indeed to have these voracious, relentlessly incessant, and non-blushing little creatures set up house in your private space.

A Cookie's humble purpose in life, says a chirpy article posted on Microsoft.com's Profile Center, is "To tell the server [the stranger's computer] that you have returned to that Web page."<sup>58</sup> This soothing, made-for-a-child explanation is roughly equivalent in its disclosure to a cat burglar saying, "What I do, really, is to just go into places."

## **Should You Disable Your "Cookies"?**

I much prefer explanations from people who aren't making money on me when it comes to the significance and potential danger of cookies—folks like those at [www.junkbusters.com](http://www.junkbusters.com), one of my favorite sites. JunkBusters gives you the real McCoy on computer privacy, and I heartily recommend that you visit that site before checking anything else out.

“Imagine that your television remote control informed stations the second you switched to them,” JunkBusters says on their home page. “Imagine that the queries you type are probably being logged and analyzed.” Then imagine that the cookies that made most of this possible (called “persistent cookies”) remained attached to your identity for years, even if you change computers, perpetually sneaking away with some of your most cherished possessions, including your privacy and your personal interests. Folks, *that’s* really what cat burglars do, metaphorically speaking, in the real world.

“Don’t let them use your browser as a tool of surveillance,”<sup>59</sup> says JunkBusters, and, wow, do I agree with that sentiment. If you agree with me, either turn your cookies off entirely (“disable” them), or make them visible. If you see them, you can at least decide which strangers will be tracking and, in all likelihood, selling information about your habits and private interests.

Cookie Monsters (those folks that send bad versus good cookies to your computer) chuckle at all this concern, of course. “We don’t share information,” they seem to say collectively, “or at least we don’t share it without permission. Or, if we do share it with permission, it’s with people we trust like our moms...well, maybe like our mother-in-law’s new boyfriend...er, you know we’re not really responsible for what other people do with all those goodies about all those strangers out there. Now while you’re here, can I tap your brain? I’m particularly interested in that time three years ago you visited that “sex without love” Web site....”

You have probably already seen the impact of this on your privacy. For instance, have you ever simply dragged your cursor over a Web site without opening it? Maybe you visited a lending site momentarily, found out the site was pushing subprime loans, then left the site without even clicking on it. You don’t have to click on a Web site for a cookie to be installed. Days later, you find an unsolicited piece of mail from some other subprime lender in your e-mail box. Welcome to Cookieland.

“Without the consumer’s thoughtful permission, the process of identifying the virtual user has begun,” says Michael Firmin, a computer and investment expert in Great Britain. “The cookies normally remain resident indefinitely, continually updating and notifying their creator of your latest activities.”

Don’t be a part of that rather chilling process unless you are comfortable with its potential downside, particularly as you begin to use the Web to research your auto interests. The auto industry has a history of running over privacy rights at high speed—and that was even before the advent of high-technology and computers. Starting years ago with Ralph Nader (General Motors’ private detectives followed him) up through right now with untold numbers of dealerships and dealership chains, the auto industry remains the Godzilla of privacy monsters.

If you worry at all about this, spend a few useful minutes researching your privacy concerns and how to address them without losing the usefulness of the wonderful World Wide Web and Internet. Remember that the great Wizard of Oz was only a bad guy until he was unmasked by the sweet and innocent Dorothy.

- Go to <http://www.junkbusters.com/ht/en/cookies.html>. JunkBusters is the computer marketing industry’s nightmare, which makes it one of my favorite sites. JunkBusters gives you real-time information on unfolding privacy issues and tells you how to disable or

make visible your cookies. They also show you how to clean those nasty critters from your hard drive. JunkBusters also sends you to other powerful sites which show you good delectable tricks, like how to make your e-mails private.

- Go to <http://www.microsoft.com/info/cookies.htm>. This site, after trying to convince you to leave their sweet babies alone, gives you clear instructions on how to throw cookies out with the bathwater.
- Simply type “disable cookies” in your search engine, and you’ll find literally thousands of other sites on this issue.