

Automotive News

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HOUSE OF BRANDS

There's a brawny new dealer-services giant in the industry: Cox Automotive, which built itself into a \$5.9 billion a year enterprise through aggressive acquisitions. Cox Automotive's multiple companies are each involved in some aspect of the retail experience. By pulling those companies together, President Sandy Schwartz says, Cox touches three of every four U.S. vehicles. A special report begins on **PAGE 18** |

Dealers open fire on Caddy retail plan

It 'picks winners and losers,' they say

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Some state dealer groups are demanding that Cadillac scrap its controversial new dealer-incentive program, Project Pinnacle, claiming brand chief Johan de Nysschen's vision for transforming the retail network would violate franchise agreements and intentionally cull smaller stores.

In a sharply worded letter to de Nysschen dated Aug. 3 and obtained by *Automotive News*, seven state dealer association heads say Project



De Nysschen: His vision draws dealers' rebuke.

Pinnacle would create several tiers of "effective pricing," as Cadillac funnels a disproportionate amount of money to larger, urban stores that are better able to make pricey investments in services such as complimentary roadside assistance.

Project Pinnacle "picks winners and losers," the letter says. "The winners can make the required investments and prosper. The other dealers face business failure."

In a separate letter to de Nysschen from Automotive Trade Association Executives dated July 22, the group, which represents executives from state and metro dealer associations, says Project Pinnacle's tiered structure might run afoul of state franchise laws that prohibit manufacturers from price discrimination among dealers.

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FOURTH IN A 9-PART SERIES | HYUNDAI-KIA

future product pipeline

And Genesis makes 3

South Korea's auto brands once struggled for legitimacy in the U.S. Now they're pursuing a path to domination, arming themselves to compete in every corner of the market, from green cars and crossovers to luxury and performance. The global talent and product plans of Hyundai, Kia and now Genesis tell the story of their evolution.

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Genesis New York Concept

INSIDE TODAY



GM's Dan Nicholson

Industry buzz

Heard at last week's Management Briefing Seminars in Traverse City, Mich.: EPA indicates it'll stand its ground on the 54.5 mpg CAFE target. **PAGE 4** | GM is eager to replace VW as the U.S. diesel sales leader. **PAGE 8** | VW lays out plans for three new EV platforms. **PAGE 36** |



Dealers get savvy on recall repairs

Dealers have long complained that there's no easy way to check the used vehicles on their lots for open recalls. Oregon's Carr Auto Group found a solution that's also helping its service business. **PAGE 15** |

Child heat deaths: Thorny issue, few fixes

Industry, lawmakers urged to do more

■ Three parents' tales | **PAGE 38** |



The 2017 GMC Acadia has a new feature that reminds drivers to check the vehicle's back seat.

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On a hot Sunday in July, a father in Mississippi tried to coax his 3-year-old daughter into learning how to release the buckle on her car seat.

The preschooler couldn't figure it out. So he tried to get her to learn how to open the back door on her

own. That didn't work either.

"She just couldn't do it, which is terrifying to me," said Lawrence Patihis, a memory researcher at the University of Southern Mississippi. Patihis had become concerned about his daughter after hearing news of the spike in heat-stroke deaths in children left behind or trapped in cars.

Safety experts are pushing regulators and the auto industry to come up with technological solutions to help solve the problem of pediatric heatstroke in cars. But it has been hard to get momentum on the issue in large part because the public blames parents for being irrespon-

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A NEW GORILLA

With aggressive acquisitions, Cox Automotive rivals huge dealer-services firms

This report was prepared by Vince Bond Jr., Hannah Lutz, Arlena Sawyers and James B. Treece

For many years, the universe of vendors to auto dealerships was stable. There was Reynolds and Reynolds and there was CDK Global, formerly ADP Dealer Services. After those two 400-pound gorillas in the space came everyone else — a host of vendors, each with its own niche.

Seemingly overnight, Cox Automotive has burst on the scene as a rival to Reynolds and CDK. Its multiple brands offer services to dealerships that include online marketing, floorplanning, service scheduling, car hauling, used-vehicle auctions and reconditioning for retail sales. Cox's brands even include a dealership management system, albeit a minor one, which has always been Reynolds' and CDK's core strengths.

In the U.S. "we touch three out of four vehicle transactions in some way," says Cox Automotive President Sandy Schwartz.

While there are advantages to offering a full suite of products to dealers, Cox Automotive runs the risk of becoming too much like Reynolds and CDK in dealers' eyes. Those two vendors' sheer size and importance to dealership operations have led some dealers to view them as arrogant and insensitive to an individual dealership's needs. Those criticisms may be invalid — dealers understandably are leery of becoming too reliant on any one vendor — but are hard to shake.

Many of the changes at Cox this decade are tied to the increased role of digital tools at dealerships. Cox Automotive has a clear vision of how online auto retailing will evolve and is positioning itself to be part of every step of that online transaction. (See story, Page 20.)

Family-owned

It's an ambitious goal for a company that, for three decades, was content in the automotive space to run an auto auction and publish car ads.

Cox Enterprises, a privately held Atlanta company, is the third-largest cable TV provider and one of the largest broadband communications companies in the United States. It owns *The Atlanta Journal-Constitu-*



Cox Enterprises founder James Cox served as governor of Ohio and in 1920 ran for president.

tion and other newspapers, radio and TV stations, plus direct- and digital-marketing units. Its revenues in 2015 rose \$1 billion, or 5.8 percent, to \$18.1 billion.

A family-owned business, Cox Enterprises was founded in 1898 when James Cox bought the *Dayton Evening News*. He went on to serve as Ohio's governor

and in 1920 ran for president with Franklin Roosevelt as his veep; they lost to Warren Harding. Company insiders still refer to "the governor" to distinguish the company founder from his son, James Cox Jr.

Today, Jim Kennedy, 68, is the third-generation chairman of the company. His cousin, Alex Taylor, 42, is the COO and heir apparent to run the company. At a recent gathering, the company's top managers were asked to lay out their succession plans. Taylor pulled out his smartphone, said, "Here's mine," and showed the group a picture of his 1-year-old son.

Cox Enterprises got into the automotive world in 1968, when it bought Manheim, an auction company founded in 1945 in Manheim, Pa. In 1999 Cox joined private-equity investors to fund the launch of Autotrader.com, an online alternative to print auto classified ads, with Chip Perry, now TrueCar's boss, as the startup's first employee. Both businesses chugged along, growing successfully — Autotrader topped

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Manheim, founded in 1945, was bought by Cox Enterprises in 1968. The purchase marked Cox's entry into automotive.

INSIDE

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► **SYNERGY? MAYBE:** Cox doesn't force individual units to push one another's services. | **PAGE 24** |

COX

“We’re never going to say, ‘You gotta buy ‘em all’”

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\$1 billion in revenue in 2011 while Manheim now is the largest auto-auction company in the U.S. — but hardly setting the industry on its ear.

High gear

Then the company shifted into acquisition mode. In 2010 Autotrader bought rival Kelley Blue Book and used-vehicle inventory management trailblazer vAuto. In 2012 Manheim snapped up Ready Auto Transport and merged two lending units to create NextGear Capital.

In 2014 Cox Enterprises united all its automotive businesses under the Cox Automotive brand, naming Schwartz as the unit’s president. It also bought Xtime, which helps dealerships schedule service appointments. In a 2015 blockbuster move, Cox Automotive bought Dealertrack — which included Dealer.com and a dealership management system company formerly known as Arkona — for \$4.5 billion, including debt that Cox assumed.



Barnard: We had gaps.

When Manheim and Autotrader were run independently, “we had clients asking us, ‘Why aren’t you working more closely?’” recalls Janet Barnard, president of Cox Automotive’s Inventory Solutions group, which includes Manheim. Cox employees were asking the same question. So under the mantra “Better together,” Cox put them together as Cox Automotive.

“When we did that, of course, we realized we had a number of gaps in our ability to serve clients,” says Barnard, who came from Cox’s cable-TV operations. “That’s when we did the Xtime acquisition and then later Dealertrack.”

‘House of brands’

Cox Automotive has sought to merge and integrate related properties where it makes sense, even as it keeps their distinct identities and brands. The name “Cox Automotive” appears more frequently these days but generally less prominently than the more well-known brands such as Manheim, vAuto and Dealertrack. “We’re a house of brands, not a branded house,” Schwartz says.

“If they remember where they came from, bigger doesn’t concern me.”

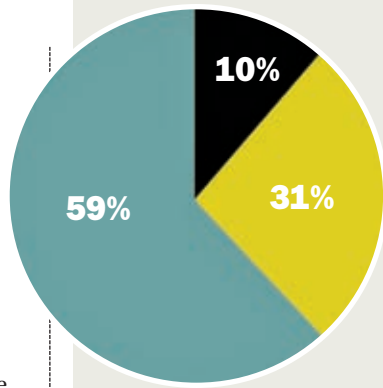
Joe Pritchard
Iowa dealer

Schwartz, the son of Holocaust survivors who emigrated to the U.S. before he was born, is a former journalist who has held 17 jobs during 31 years with Cox Enterprises. He is a rapid, self-deprecating speaker who is quick to give credit to others as part of what he calls “distributive management.”

His “house of brands” approach has helped the company retain a number of the entrepreneurial, innovative founders of the companies it has bought, including vAuto’s Dale Pollak, Dealer.com’s Rick Gibbs and Dealertrack’s Mark O’Neil. Moreover, the company insists that dealerships should be able to pick and choose which Cox products to use and easily integrate those with any other company’s offerings. Says Schwartz: “We’re never going to say, ‘You gotta buy ‘em all.’” And if one brand can better serve its customers by working with a Cox rival, so be it. (See story, Page 24.)

Massive reach

Still, Cox’s rapid expansion and massive reach was on display at the National Automobile Dealers Association convention in Las Vegas in late March. Cox Automotive’s numerous entities occupied more square footage on the exhibition floor — 27,200 — than Reynolds, CDK and General Motors combined, deploying 600 employees.



> Automotive within Cox

Distribution of Cox Enterprises’ \$18.1 billion in revenue in 2015

Cox (cable TV, broadband): \$10.5 billion

Cox Automotive: \$5.9 billion

Cox Media (newspapers, TV and radio stations, digital- and direct-marketing companies): \$1.7 billion

Source: Cox Enterprises

> Cox Automotive reach

Here are some of Cox’s North American brands and their competitors.

CATEGORY	COX BRANDS	RIVALS
Inventory	Manheim	ADESA
	Ove.com	Openlane (ADESA)
	Ready Logistics	SmartAuction (Ally)
	HomeNet	Private auctions
	DealShield	ShipCarsNow
	Stockwave	United Road
	vAuto	
Finance	NextGear Capital	Ally Financial
		Other floorplan lenders
Media	Autotrader	TrueCar
	Kelley Blue Book	Cars.com
	Dealer.com	Edmunds.com
		CDK Global
Retail	Dealertrack	Reynolds and Reynolds
	VinSolutions	CDK Global
	Xtime	Dominion
		Autosoft
		Auto/Mate
		RouteOne
		Open Dealer Exchange
		OEConnection
	AutoPoint	



> Sandy Schwartz

Title: President, Cox Automotive

Age: 63

Oversees: 30,000 employees; more than 200 locations worldwide

Education: Attended Ohio State University

Prior positions: President, Manheim; president, Cox Autotrader; president, Cox Media Group; president, Cox Arizona Publishing; general manager, *The Atlanta Journal-Constitution*; executive vice president, Cox Newspapers; executive vice president, *Austin American-Statesman*

Cox isn’t slowing down. “We are absolutely a growth company,” Schwartz says. It expects to grow at a double-digit clip this year and to continue doing so for the next 20 years, according to Cox Enterprises’ long-term plan.

In interviews, most dealers indicate they aren’t particularly worried about Cox becoming too domi-

nant of a vendor. But some are reserving judgment.

Brian Benstock, general manager of Paragon Honda in New York has used vAuto tools to manage his used-vehicle operations since before it was acquired by Cox Automotive. He is also a customer of Manheim, Dealertrack and Autotrader.com.

He was concerned at first about Cox Automotive’s acquisition of vAuto because “Dale [Pollak] carried vAuto on his back.”

But after seeing how Cox Automotive’s many companies and platforms create “incredible” integration opportunities for dealers — from vehicle acquisition to pricing to merchandising — Benstock is sold. He said he also likes that the products “play nice” with his CDK dealer management system.

“These guys know what the heck they are doing,” Benstock says.

Greg Kostern, business operations director at Johnson Automotive, a dealership group in Raleigh, N.C., says of Cox, “They’re incredibly successful at everything they touch, [which is] indicative of management-side” strength.

But he warns that the company has to maintain the personal aspect of their client relationships. If that stops, he says, it would be the downside to Cox’s growth. “At this point,” though, “it’s not happening,” he says.

Joe Pritchard, owner of Pritchard Family Auto Stores in Iowa, says: “If they remember where they came from, bigger doesn’t concern me. But if they forget where they came from, I would be concerned. Just because you’re bigger doesn’t mean you’re better.”

‘They will reward you’

Pollak, Schwartz and others at Cox understand those sentiments.

“You know what? The only thing I can tell our dealers is judge us on our actions,” Pollak says. “When you show dealers you will put their interests before yours, they will reward you for it.”

Before Cox Automotive bought Dealertrack, Schwartz sounded out dealers. Would the company become too big? Would they resent signing very large checks to Cox?

The response was, he recalls, “If this works, I don’t care who I’m sending my money to. If it doesn’t work, you’re out of here.” **AN**



Benstock: Likes the integration



Pollak: ‘Judge us on our actions.’

From marketplace to matchmaker: Cox's vision for online car sales

Company plans to play a role in each phase of a fully digital auto transaction

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A few clicks won't get a consumer a car — yet. But Cox Automotive has a vision for how its many entities will enable consumers to buy cars online from dealerships.

Today's consumers have a specific buying experience in mind, one that allows them to buy with the click of a button from anywhere, anytime. It's the Amazon experience. But buying a car is far more complicated than most purchases. Not many shoppers looking for headphones need financing or a quote on the old headphones they're trading in.

So while Cox executives acknowledge that consumers expect an Amazon-like experience, they add that most auto retailers omit a critical step — "making" or negotiating the deal online — in their planned evolution to that online world. That's a capability Cox now offers, the company says.

Multiple Cox Automotive companies are involved in some aspect of the retail experience. By linking those companies together online, Cox plans to play a role in each phase of a completely digital transaction.

"We are actively building all of the capabilities to host the documentation, to calculate the taxes and fees to the penny, to prepare the online deal structure in order to enable that transaction," said Mike Burgiss, Cox Automotive's vice president of digital retailing.



Burgiss: "We have a path."



Rowe: Online shift on the way

Some of the building blocks:
 ■ Dealer.com, Autotrader and Kelley Blue Book offer consumers platforms to start researching vehicles and inventory online.

■ MakeMyDeal — or the critical step Cox believes many auto retailers are missing — enables consumers to negotiate the deal, including price, online via a messaging platform with a dealership employee.

■ Dealertrack provides the necessary digital retailing and lending tools on the dealership side of the transaction.

Cox currently is educating dealers on the digital components that already exist: starting and making the deal online. It plans to continue encouraging dealers to enable customers to make deals online before it eventually launches an online shopping cart.

Elgie Bright, chair of automotive marketing and management at Northwood University, said other companies are aiming for an online sales process, but "I get a sense that [Cox Automotive is] positioning [itself] to, if not be first, to be in that first group that successfully makes it happen."

The human element

Since 1998, when Amazon really took off and began to redefine retailing, according to Burgiss, there has been buzz that Internet sales would replace dealerships.

That hasn't happened, Burgiss says, in part because the companies that have tried to move car sales online didn't factor in the relationship aspect of the business. Too many wanted to copy the shopping-cart model without understanding that car buying is different. "It's not perceived as a checkout counter where there's no relationship, like a grocery store," Burgiss said.

"A human and a human have to come to terms on how you're going to buy and sell the car, and now we've incorporated that as the primary element of how we're approaching the problem. Now we have a path for how to help the industry transition. That's been the missing ingredient."

For Amazon and all of its followers, "the Internet is a transaction tool," Burgiss said. But, he added: "Companies like Facebook and Snapchat and Pinterest and Twitter taught us that the Internet is not just a publishing tool," it's also a relationship tool.

Now that Cox Automotive can provide the relationship component by way of MakeMyDeal, the company is ready to help dealerships take advantage of a significant transition in online retailing: the "shift from marketplace to matchmaker," says Jared Rowe, president of Cox Automotive Media.

For years dealerships' websites have been research portals where consumers learned about cars, checked inventories, submitted leads

see VISION, next page



Cox Automotive timeline

YEAR	BRAND	WHAT HAPPENED
1968	Manheim	Cox Enterprises acquires Manheim (Pa.) auto auction; moves headquarters to Atlanta
1997	Manheim	Partners with ADP to form AutoConnect
1999	Autotrader	Autotrader.com formed from merger of AutoConnect, Trader Online; Cox Enterprises, private-equity firms hold stakes
2001	Dealertrack	Founded by Chase Auto Finance, AmeriCredit and Wells Fargo
2007	Dealertrack	Buys Arkona, a dealership management system company
2010	Autotrader	Buys vAuto, Kelley Blue Book, HomeNet
2011	Autotrader Manheim Autotrader	Buys VinSolutions Sandy Schwartz named president Surpasses \$1 billion in revenue
2012	DealShield Ready Auto Transport Manheim Bitauto	Formed by Manheim Bought by Manheim Buys Dealer Services Corp. and merges it with Manheim Automotive Financial Services to form NextGear Capital Cox Enterprises buys 21.8% stake in Chinese car-buying website
2013	Autotrader Haystack Digital Marketing GO Auto Exchange DealerMatch Autotrader	Pulls plug on planned \$300 million IPO Bought by Autotrader's VinSolutions Formed via partnership of Manheim and subprime used-car retailer DriveTime to run auctions aimed at independent dealers and lower-priced vehicles Launched to enable dealer-to-dealer used-vehicle sales, bypassing auctions. Fails and fades away in 2014. Autotrader Group CEO Chip Perry resigns; joins TrueCar in 2015
2014	Cox Enterprises Autotrader Cox Automotive Manheim Xtime Dealertrack	Newly installed CEO John Dyer urges managers: "Act now. Be bold. Stay true." Cox Enterprises becomes 98% owner after completing buyouts of private-equity partners; past, present employees own remainder Formed to oversee all automotive brands; Schwartz named president Janet Barnard named president Bought by Cox Automotive Buys Dealer.com for \$1 billion
2015	Dealertrack Cox Automotive Manheim	Bought by Cox Automotive for \$4.5 billion, including debt acquisition Former Dealertrack Co-President Raj Sundaram named chief client success officer; Jared Rowe named president of Media division, including Kelley Blue Book, Autotrader Launches Retail Solutions, which readies cars post-auction for retail sale
2016	Cox Automotive Cox Automotive	Former Dealertrack CEO Mark O'Neil named COO; Rick Gibbs, co-founder and former CEO of Dealer.com, named chief product officer Under separate banners, Cox units dominate the exhibition hall at NADA convention with an estimated 600 staffers at their booths

VISION

continued from previous page

and waited for someone to call them back, says Andy MacLeay, director of digital marketing for Dealer.com.

But that wait-and-see approach doesn't cut it today, Rowe points out. Consumers are increasingly choosing which dealerships to do business with online, so they're giving fewer stores a chance to earn their business offline.

"The value proposition of a lead really has never been fulfilled," Rowe told *Automotive News*. "'Give me five pieces of information, and I'll give you a price quote.' Very seldom does that actually occur."

If a person leaves a site during the courting phase, says James Grace, Dealer.com's director of analytics, there's a good chance he

or she could become interested in another dealership and end up going there instead.

Deal mentality

Cox officials say dealerships need to have a transactional mentality with their websites. So Cox Automotive's numerous brands offer products and functions that will keep consumers on dealership sites longer while cutting down the time consumers have to spend inside of stores.

For instance, used-car stalwart Kelley Blue Book and its trade-in tool can be integrated into websites to give potential clients a read on the worth of their vehicles. Then there's MakeMyDeal, which lets customers negotiate a price online.

After the consumer has proposed a deal structure through MakeMyDeal, dealership



Grace: Courting phase is key.

employees can respond by "countering on the price of the vehicle, adjusting the financing terms, updating the value of the trade [or] changing the amount of the cash down to reach a desired monthly payment," Burgiss said. The negotiation incorporates F&I product offerings, too.

Inside the dealership, the overall negotiation often happens at the backend of a sale, but online, it's in the middle of the process. The dealership can send the customer "an actual deal proposal with an entire breakout of taxes and fees and everything," Burgiss said. He added that how — and where — deals are consummated will be a decision for retailers.

"There will be a lot of flavors for how this plays out," Burgiss said. "Do you provide an at-home test drive? Or do you require the

customer to come into the dealership to do the test drive and meet everybody and fully experience the dealership?"

After getting through the hurdles, including each state's requirements, Cox aims to enable the digital transaction from anywhere the customer wants. That capability will come via Dealertrack, Burgiss says.

For now, Dealertrack connects dealerships with lenders that will finance their customers. The next phase for Dealertrack will be an automatic dealership-to-consumer response confirming the loan and its details.

"Then you can prompt the consumer to take the next step, which would be to sign the buyer's order or fill out the retail finance agreement or do some other things that may happen in the store," Burgiss said.

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Dealer.com aids local ad efforts for makers

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Thinking with a local mindset can pay off for automakers that invest digital advertising dollars into campaigns at the Tier 3 level, Dealer.com says.

Manufacturers are accustomed to dropping big bucks on flashy, national Tier 1 TV commercials to build excitement around their brands or directing consumers to stores for regional Tier 2 efforts.

Dealer.com, a unit of Cox Automotive, increasingly is helping national brands coordinate local digital advertising with dealerships. Dealer.com's actions illustrate how Cox units keep their focus while tying into Cox Automotive's overarching strategy of serving all links in the online purchase process.

In 2015 Dealer.com worked with an import brand to boost traffic to dealership websites and vehicle detail pages. A Tier 1 approach did

not fit the goal, so the brand funneled its dollars locally, said Chris Smith, Dealer.com's vice president of ad sales.

Dealer.com worked with the brand, which it declined to identify, in a coordinated digital blitz in the fourth quarter of 2015 that ended up driving a 6.9 percent boost in traffic for the involved dealerships. Smith said overall traffic for U.S. stores declined 11 percent on average during that quarter. Automakers that direct cash to Tier 3 digital campaigns are seeing good returns on their investments as all parties — Dealer.com, the automakers and dealerships — fill the Tier 3 gap, Smith said.

"I believe if that consumer is lower in the funnel and ready to buy, the best place to send them is the local dealer's website. It's a name they know and trust," Smith told *Automotive News*. "They now know that the vehicle they've been researching and looking for is right there waiting for them. That's the type of connection we're trying to make." **AN**



Smith: Makers reap good ROI.

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Synergies take back seat to serving customers

If meeting clients' needs means Cox units compete, so be it

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Stockwave, created by Cox Automotive's vAuto Inc., searches auctions to find used vehicles for its dealership clients. Manheim, also owned by Cox, is the nation's largest auto auction company.

It looks like an opportunity for one division to feed another. Not so at Cox.

Stockwave's software gives no preference to vehicles at Manheim auctions. Instead, it goes after the vehicles that best fit a dealership's needs, even if those vehicles are at Manheim's competitors, such as ADESA, one of the many independently owned auctions, or SmartAuction, an online auction operated by Ally Financial.

Stockwave is the latest example of how Cox Automotive and its parent, Cox Enterprises, encourage one unit to compete with, rather than defer to, its siblings. In effect, Cox units are told to put the customer's desires ahead of the company's.

'Industry agnostic'

At the dealership level, that means that even though Cox offers a wide range of products for dealerships, "we're never going to say, 'You gotta buy 'em all,'" said Cox Automotive President Sandy Schwartz.

"If someone has a better product, shame on us, but [the dealer] should buy the better product. And it should integrate easily" with Cox Automotive products, he said.

As much as Manheim wants to be dealers' go-to destination for used vehicles, it's right for Stockwave to be "industry agnostic," said Janet Barnard, president of Cox Automotive's Inventory Solutions unit, which includes Manheim.

An abundance of vehicles are available in the wholesale market, but dealerships still have difficulty finding the right vehicles, she said. That's where Stockwave comes in.

"When this idea was birthed, the concept of it being industry agnostic was in line with what we believe is the right future for Manheim and Cox Automotive," Barnard said. "If we continue to provide ease of doing business and the right inventory for the right buyer, then we're going to win anyway; you'll also buy cars at our auctions."

That commitment to not giving preference to Manheim is "absolutely guiding principle No. 1," said Dale Pollak, Stockwave's boss, who founded vAuto and then sold it to Cox's Autotrader brand in 2010. "I'm so proud of Cox and Manheim to embrace that philosophy."

The AutoGrade vehicle-condition reporting tool was another case of putting customers' interests ahead of the company's. Manheim invested heavily to develop AutoGrade, which is designed to reduce human error and subjectivity when describing a used vehicle's condition. That enables buyers at auctions to decide more quickly which vehicles they might bid on. And, especially for online buyers, it gives them more confidence that there won't be unpleasant surprises.

In 2014 Manheim made AutoGrade available to all National Auto Auction Association members at no cost, through the association. It was adopted by ADESA and some large, independent auction

houses and quickly became accepted across the industry. Today, when auction buyers speak of looking for vehicles rated between 2.5 and 3.5 by AutoGrade, their peers know exactly what that means.

Might Manheim have charged rivals for the use of AutoGrade? "That was an option," Barnard said, but "clients were asking us for an industry standard."

"We had a standard they were happy with, which will continue to evolve. We wanted to make sure it got in the hands of as many users as we could. The best way to do that is to license it to them for free" while holding onto the patents, she said.

Manheim benefits, too. Greater trust in condition reports can boost buyers' willingness to bid, thereby raising the percentage of vehicles sold first time through the lane. Doing that has been one of Barnard's top objectives since joining Manheim from Cox Enterprises' cable business.

Cox's attempts to put customers' interests first haven't always worked. Take DealerMatch.

DealerMatch debuted in summer 2013 as a corporate sibling to Manheim. Its business model was to help dealerships buy and sell used vehicles among themselves while avoiding the auctions. Ads promoting it talked about avoiding high auction fees, angering other auctions.

In launching DealerMatch, Cox felt that "if we don't do this, someone else will," Schwartz said. But after investing heavily in technology to support dealer-to-

dealer used-vehicle swaps, Cox found dealers already had ways of doing that and didn't need DealerMatch, he said.

DealerMatch disappeared in 2014.

Barnard calls DealerMatch "a good idea that was probably before its time." She said Manheim is "constantly piloting and testing other ways that we might facilitate a dealer-to-dealer transaction, so more to come on that."

The philosophy behind Stockwave and DealerMatch isn't new to Cox Enterprises.



Schwartz: "It should be us."

'Let them compete'

About 30 years ago, the head of Cox Enterprises' newspapers, including *The Atlanta Journal-Constitution*, went to top management and said that automotive classified ads were going to go away. It was a dire prediction; at the time, automotive classifieds chipped in \$100 million of the *Journal-Constitution's* \$550 million in total revenues.

Management's response, as recalled by Schwartz: "If someone's going to eat our lunch, it should be us." So Cox and another newspaper company formed AutoConnect, which published magazines that competed against newspapers for automotive classified ads. When AutoConnect later morphed into Autotrader.com, it tapped into Manheim's used-car data and growth surged.

When Barnard was in charge of a Cox regional cable operation, she says, the local cable network she ran once dropped a Cox-owned TV station from its package, rather than pay what she considered an "outrageous rate" — which would have been passed along to customers — to include the broadcast signal in the cable retransmission.

Said Barnard: "The leadership philosophy at the time was let the divisions run autonomously. If there's a time they compete, let them compete." **AN**

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Cox Automotive has about 2,600 dealerships that do some part of the process online, whether that's starting the deal, making the deal or both. Dealers have been concerned about communicating with customers online and responding to their proposals before meeting them in person, Burgiss says. But the trade-off for dealers who take that step is the speed and connection with, and genuine interest from, the customer.

If a dealership receives 100 emails from the website, there is a 4 to 8 percent sales conversion rate, according to Burgiss. For customers who visit the

store, there is an 18 to 21 percent rate. For those who start the deal online, make the deal online, or both, conversion rates can hit 40 percent.

Burgiss said he has seen some dealers have "almost like a little bit of a religious conversion" after doing the deal online.

If dealers treat online car shoppers as if they were in the showroom and use the Internet as a communication platform, they will be successful, Burgiss said.

"And in most cases," he added, dealers will be "more successful than [they] are in the showroom at making a connection, at selling a car, at making it profitable." **AN**

Vince Bond Jr. contributed to this report.