

CarMax Will Continue to Dominate Used Car Market as Online Sales Grow

Companies: ABG, AN, BRK.A/B, CARG, CARS, CVNA, GPI, KMX, LAD, PAG, RMBL, SAH, TRUE, VRM

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Research Question:

Will CarMax maintain its market leading position or has the COVID-19-related surge in ecommerce for used car sales fueled the competition?

Summary of Findings

- [CarMax Inc.](#) (KMX) will continue to dominate the used car market—even as the COVID-19 pandemic has accelerated consumer and competitor use and acceptance of online car shopping and buying.
- CarMax is praised by competitors, lenders, and industry specialists for its hybrid business model of both brick-and-mortar and click and mortar. The strong consistency of the CarMax brand and its large inventory, reconditioning/service centers, captive financing, and omnichannel program were all cited as competitive strengths.
- One competitor said, “CarMax is a force to be reckoned with. It’s one of the most data-driven auto retailers I’ve ever seen. They are savvy, ROI-centric, and work the machine. CarMax is the one everyone fears...”
- While many elements of online car shopping and buying platforms are more efficient than past practices—and sources anticipate these new practices continuing post COVID-19—the much-coveted visit to the dealership to kick the tires and test drive the car is expected to return.
- OEM dealerships have invested heavily in third-party platforms like [CarGurus Inc.](#) (CARG), [Cars.com Inc.](#) (CARS), and soon-to-IPO [Shift Technologies Inc.](#) Many of these dealerships are also investing in their own websites to drive traffic directly to their online platform.
- OEM dealerships discussed as significant competition in the fragmented used care market—particularly because of their access to inventory and pre-owned certified offerings—include [AutoNation Inc.](#) (AN), [Sonic Automotive Inc.](#) (SAH), Berkshire Hathaway Inc.’s (BRK.A/B) [Berkshire Hathaway Automotive](#), [Penske Automotive Group Inc.](#) (PAG), [Lithia Motors Inc.](#) (LAD), [Group 1 Automotive Inc.](#) (GPI), and [Asbury Automotive Group Inc.](#) (ABG).
- [Carvana Co.’s](#) (CVNA) and [Vroom Inc.’s](#) (VRM) online pure plays are the main competition for CarMax’s omnichannel program. Sources think they have strong marketing and have captured a younger demographic that has accepted online buying. Some think, however, that their offering is limited and attaining profitability will be a challenge.

Silo Summaries

1) Used Car Dealers

All four dealers said CarMax will continue to dominate the used car market. Its hybrid business model of brick-and-mortar and omnichannel is a competitive strength. CarMax’s consistency of brand, large inventory, extensive auto reconditioning and service program, and captive financing were all cited as strengths that drive sales. Online car shopping and buying is expanding and many elements of that model are expected to remain post COVID-19. However, the kick-the-tires visit/test drive will still be required. OEM car dealers are considered significant competition for CarMax, including Group 1 Automotive, Asbury Automotive and Sonic. Carvana and Vroom are CarMax’s pureplay online competition.

2) Online Competitors

CarMax can continue to lead the industry in sales. It is incredibly data driven and savvy and decision making is centralized. They know how to efficiently recondition vehicles and their existing physical footprint is a major strength. Internet companies may be able to challenge them in marketing, but not in other areas. The financing arm is a big advantage and so is inventory acquisition.

3) Banks and Used Car Lenders

Two of three lenders expect CarMax to continue its dominance in the used car market. CarMax’s large inventory, reconditioning centers, captive financing, and ability to offer click and mortar and brick-and-mortar all contribute to its success and market dominance. COVID-19 has hastened the adoption of online auto sales for both dealers and consumers. Many elements of online shopping and buying that benefit both the dealers and consumers are expected to remain following the pandemic. Carvana and Vroom are considered CarMax’s online competitors.

4) Industry Specialists

Two of the four industry specialists expect CarMax to continue to dominate used car sales because of its size, large inventory, omnichannel platform, and captive financing program. All four acknowledge that online car buying is expanding as a result of COVID-19; two expect many elements will stick. CarMax’s primary competition comes from the large dealer networks offering certified pre-owned cars with captive financing. Online pure plays Carvana and Vroom were credited as having strong marketing and appealing to a younger demographic, but not viewed as especially strong competition for CarMax.

	CarMax Sales Dominance	Online Car Shopping & Sales
Used Car Dealers	↑	Growing
Online Competitors	↑	Growing
Banks and Used Car Lenders	↑	Growing
Industry Specialists	↑	Growing

Background

Blueshift Research's [March 12 report](#) found that CarMax was expected to sustain its growth trend and gain share, despite intense competition—barring any negative impact from a possible coronavirus-induced recession that could dampen the extremely strong demand that exists for used cars. Sources praised CarMax for its stellar reputation, strong branding and marketing, large store count, high-quality inventory, captive financing, hybrid business strategy, and pursuit of cutting-edge innovation. These findings are in line with Blueshift's past CarMax reporting on [Aug. 21, 2019](#), and [May 1, 2019](#).

Blueshift's ongoing research found CarMax and the used car market adjusting to the new normal of doing business during a pandemic. CarMax's Q1 was one of its worst ever; however, the company took aggressive steps to reduce cost and adjust its business practices to cope with COVID-19. Now, with many areas of the economy reopening, the used car industry is experiencing some sales recovery. Many consumers have accepted used car buying via ecommerce and both traditional dealers with legitimate online platforms and ecommerce platforms are well positioned to gain share. Still, CarMax's omnichannel program is just about complete in all markets and should be in a position of strength to defend and gain share if the recovery can be sustained.

Despite COVID-19-related store closures and limited operations for 80% of the quarter, CarMax beat Q1 revenue and earnings expectations. CarMax posted an earnings beat of 483% and revenue was 24% higher than anticipated. Total vehicle sales declined nearly 40% and same-store unit sales dropped nearly 42% because of the pandemic, but CarMax said the decline bottomed in early April and is improving. Comp store sales for the two weeks ended June 14 were within 10% of last year's numbers and many stores are now generating positive comps. CarMax reported that its omnichannel rollout is nearly complete and several new initiatives were launched. During the quarter, as a direct response to the coronavirus, CarMax implemented contactless curbside pickup, a temporary extension of its 90-day warranty, and [CarMax Auto Finance](#) (CAF) payment assistance to meet the near-term needs of customers. CarMax also shifted its entire wholesale business from in-person to online auctions. In April, CarMax [furloughed](#) more than 15,000 associates and CEO Bill Nash reduced his salary 50%, while each member of the company's senior leadership team also took a reduction in pay.

The use of ecommerce was [expanding](#) prior to COVID-19, but online retail experienced a 25% spike in the first two weeks of March, compared to the previous month, as a response to the onset of coronavirus in the United States. In the U.S. and Canada, online sales surged 52% year over year for the two-week period of March 22 through April 4. According to a CarGurus [survey](#) in April, 61% of respondents were open to buying a vehicle online, compared with 32% before the pandemic. The expanded use of ecommerce is expected to lead to a surge in online sales of both new and used autos. Auto marketplaces and direct sales platforms are both expected to benefit from the growing online buying trend, including CarMax, Carvana, Cars.com, Vroom, CarGurus, [TrueCar Inc.](#) (TRUE) and [RumbleOn Inc.](#) (RMBL).

CarMax is the leading used car sales company in a hugely fragmented market with just 2% of sales. As a one-time disruptor with its no-hassle business model, the company now faces stiff competition and disruption of its business model from Carvana, recently IPO'd Vroom, and many others. While CarMax cut back on inventory during the pandemic, Carvana aggressively acquired inventory and advertised that it would change how cars are sold. One financial writer [suggested](#) that Carvana is about to surpass CarMax as the largest online car dealership and asked whether we are witnessing a pandemic-caused shift in used car sales dominance among the leaders.

Vroom's June 9 IPO [benefited](#) from the ecommerce car buying trend, as its stock more than doubled in the first day of trading with the belief that the pandemic will accelerate online car buying. Vroom's IPO was the second-best debut for a U.S. listing this year.

Current Research

Blueshift Research assessed if CarMax can defend and grow its market leading position or whether the COVID-19 surge in online used car buying fueled the competition ahead. We employed our pattern mining approach to establish five independent silos, comprising 12 primary sources (including eight repeat sources) and five secondary sources focused on the used car market and, specifically, online sales. Interviews were conducted July 13–24.

- 1) Used car dealers (4)
- 2) Online competitors (1)
- 3) Banks and used car lenders (3)
- 4) Industry specialists (4)
- 5) Secondary sources (5)

Next Steps

Blueshift Research will continue to research the shift to online used car sales and determine which companies are gaining and losing share. We will focus on CarMax's omnichannel approach to see how it is performing against OEM dealers and pure play online retailers like Carvana, Vroom, and Shift.

Silos

1) Used Car Dealers

All four dealers said CarMax will continue to dominate the used car market. Its hybrid business model of brick-and-mortar and omnichannel is a competitive strength. CarMax's consistency of brand, large inventory, extensive auto reconditioning and service program, and captive financing were all cited as strengths that drive sales. Online car shopping and buying is expanding and many elements of that model are expected to remain post COVID-19. However, the kick-the-tires visit/test drive will still be required. OEM car dealers are considered significant competition for CarMax, including Group 1 Automotive, Asbury Automotive and Sonic. They are all expanding their online abilities using third-party platforms like [Roadster Inc.](#), [Autotrader.com](#) (a subsidiary of Cox Automotive), or Cars.com and trying to drive traffic direct to their own websites. Carvana and Vroom are CarMax's pureplay online competition, but sources noted they were not making money and their offerings are limited. One source said [DriveTime Automotive Group Inc.](#), [HGreg.com](#), and regional dealerships like [Off Lease Only](#) are also significant competition.

Key Silo Findings

CarMax Market Share and Omnichannel Experience

- 4 said CarMax will continue to dominate the used car market and its omnichannel program is succeeding.

Online Auto Shopping

- 4 acknowledge that online car shopping and buying is expanding.
 - o 1 said the move to online is accelerating and is more efficient.
 - o 1 said the shift to online is progressing and consumers are more accepting.
 - o 2 said consumers still want to test drive a car.

Used Auto Sales Competitive Landscape

- OEM dealers like Group 1, Asbury, and Sonic using third-party online platforms like Roadster, Autotrader.com, and Cars.com are formidable competitors.
- Carvana and Vroom are considered CarMax's pureplay online competitors.
- DriveTime and regional HGreg.com and Off Lease Only were also mentioned as competitors.

1) CEO of a New York State new/used auto dealer group; repeat source

CarMax will maintain its leading position. The coronavirus pandemic forced the company to accelerate its omnichannel program and, from what this source has read, it is a success. CarMax's brick-and-mortar operations give it a leg up on Carvana and Vroom. Those two companies are doing a good job on sales but they have to find a way to make a profit. Vroom has an advantage in that it is not building its own reconditioning facility, saving a lot of money. CarMax is involved in essentially all segments of the business, giving it an advantage over competitors.

Mar. 12 interview: CarMax can continue its growth momentum, buoyed by both its physical presence and its omnichannel business. It was slower to get going on omnichannel than he expected—and has a long way to go—but it will happen. CarMax can withstand the competition from online retailers and brick-and-mortar dealers. Store expansion makes sense, as a lot of people still want to buy in person. The used car market is so huge that CarMax needs to maintain only a small share of the market to thrive.

CarMax Market Share and Omnichannel Experience

- “Still, CarMax can continue to lead the industry in used car sales. They have the finance arm and they have got the acquisition process and reconditioning. They own a physical auction.”
- “They have brick-and-mortar and they have online. They have public markets behind them, so they have access to a lot of capital that private used car dealers might not. I don't believe they're going anywhere.”
- “The [omnichannel] initiative got accelerated by COVID. They were testing it in a few markets and then it was forced on them. We'll see how it's working when their earnings are released. The bits and pieces that I've read say it was relatively successful. I would think they would be successful, as they're a very well-run company.”
- “The finance division gives them a huge advantage. That's one of the reasons why they're so successful. Buyers don't have to look around for a loan.”

Online Auto Shopping

- “Online auto shopping will continue, because it's a more efficient way to buy a car, and people are getting much more accustomed to it.”
- “We have moved to almost exclusively online. People can come in for a test drive but they have to go through a financial qualification process. And people can come in for delivery. Beside that, we're basically all online.”
- “We were convinced that was the way to go after COVID started and haven't gone back. We were well prepared, as we already had one-price [car prices], and we already had digital retail—a Roadster ecommerce platform. We do our trade-in appraisal through Roadster, too. When the pandemic ends, we will stay nearly 100% online.”

Used Auto Sales Competitive Landscape

- “Their competitors are Carvana, Vroom, and any independent used or new car dealers. CarMax is different because it's a hybrid with brick-and-mortar. That gives them an advantage over Carvana and Vroom. Not everyone wants to buy a car without seeing it.”
- “Carvana and Vroom don't make money. They are definitely selling cars, but they have to find a way to do it profitably. They are achieving scale, but that's expensive, given marketing and infrastructure costs.”
- “Vroom isn't building a reconditioning facility. They are using others' facilities. They will probably make money faster because they aren't spending ungodly money on these facilities.”
- “New car dealers are doing fine, because the car business had a good last few months. The pandemic pushed dealers who weren't doing business online to do it.”
- “That makes things more difficult for Carvana and Vroom, because dealers are offering the same thing now. It hurts CarMax because new car dealers now realize the importance of used cars, so CarMax has new competition.”

Still, CarMax can continue to lead the industry in used car sales. They have the finance arm and they have got the acquisition process and reconditioning. They own a physical auction. ... They have brick-and-mortar and they have online. They have public markets behind them, so they have access to a lot of capital that private used car dealers might not. I don't believe they're going anywhere.

CEO of a New York State new/used auto dealer group

2) Used car buyer for Louisiana dealerships; repeat source

CarMax can continue to lead the industry in sales, helped by its omnichannel program, its universal business model, its captive finance arm, and its large inventory of cars. The seven-day return guarantee and extensive reconditioning program help, too. CarMax can pay a lot for cars because it can recoup that at the back end. The shift to online buying helps Carvana and Vroom, but they are limited in what they can do compared to CarMax.

Mar. 12 interview: CarMax can sustain its growth. They have great branding, which sucks in customers. They can charge more because of their mystique. They have a treasure trove of data to use in buying and selling cars. They will probably do well in omnichannel, and their store expansion makes sense. Their stores are close enough to share inventory with each other. CarMax has no true competitor.

CarMax Market Share and Omnichannel Experience

- “CarMax has it figured out for marketing and strategy. Regardless of pricing, people go, whether it’s because of a seven-day return guarantee, a more extensive reconditioning program, etc.”
- “They don’t have to worry about what they’re paying for cars because all dealers are paying more for cars now.”
- “The finance unit is certainly an advantage. CarMax doesn’t have to worry about lending guidelines, like those of banks. They can value cars how they want. They don’t have to use book value.”
- “I don’t know a lot about the initiative but I haven’t heard anything but success stories. CarMax has similar to what companies like Carvana and Vroom offer. It’s just not 100% online.”

Online Auto Shopping

- “Consumers will continue buying online. It’s like children are afraid to walk until they can do it—and then they want to run. It’s definitely a shift that won’t go back. The pandemic just brought the trend to the forefront sooner.”
- “People are visiting dealerships via online showrooms. Whoever has the best presentation, price, and response time will get the business. We’re not 100% online. We have to bring paperwork to consumers.”
- “There’s a three-day rescission in Louisiana for purchases that are all online. We do as much as we can online and then finalize in the dealership. Only 2% of transactions are all online.”

Used Auto Sales Competitive Landscape

- “Competitors include Carvana, Vroom, and publicly held companies like Group 1, Asbury, and Sonic.”

CarMax has it figured out for marketing and strategy. Regardless of pricing, people go, whether it’s because of a seven-day return guarantee, a more extensive reconditioning program, etc.

Used car buyer for Louisiana dealerships

3) Owner of a chain of dealerships in the Southeast; repeat source

CarMax can continue to lead the industry. It’s better positioned to handle the challenges of a recession, because of its scale and diversity. Reach, consistency of brand, service and captive finance distinguish CarMax from its competitors. It’s doing well online with the omnichannel program. The company is superior to Carvana and Vroom. Their popularity doesn’t extend to the masses like CarMax’ does. Its growth plan may be a bit ambitious, but it has the best business model in the used-car industry.

Dec. 4, 2019 Carvana interview: Carvana’s business model is not unique. CarMax has been showing its inventory on a mobile phone app for 10 years. The vending machine is a unique marketing idea. That attracts attention, but it is a wealthy demographic that is interested. Normal Americans, the kind who would shop at Walmart, do not even know how it works. Profits will be difficult to come by. Carvana is trying to make a profit without the most profitable parts of the business—service, parts, labor, finance, and insurance—and that is not happening. Its inventory acquisition model is a problem, too.

CarMax Market Share and Omnichannel Experience

- “CarMax can continue to lead the industry in sales. In recessionary times, they’re best equipped to handle the challenges because of their scale and diversity. Reach, consistency of brand, service, and captive finance make CarMax unique.”
- “Of the food group that includes Carvana and Vroom, CarMax is the best. Some of their growth plans may be ambitious but they have a very proven model with integrated services, such as a captive finance arm.”
- “They are doing well online. They have consistent results city to city—and that’s how you build a brand. Their digital platform is consistent and so is their brick-and-mortar platform.”
- “The finance arm is absolutely an advantage. That’s one of the two differentiators for them, along with their post-sales car service. Most people need financing. They can’t put a token in a machine to get a car.”

Online Auto Shopping

- “The online option always has been there. The pandemic just sped it up. You can do an entire transaction online and then get your car delivered to your house. But 95% of buyers still want to come into the dealership.”
- “Still, I expect the shift to online to continue. It’s a more efficient and reliable process. And it’s becoming more accepted.”
- “At our dealerships, we have been doing the same thing online, just more of it. We have spent more money on our digital storefront in all ways, from marketing to SEO.”
- “We’re trying to get customers to come directly to our website rather than through Autotrader or Cars.com. We can give a transparent price.”
- “It’s funny. It used to be ridesharing and consumers not owning autos that kept me up at night. That’s silly now.”

Used Auto Sales Competitive Landscape

- “Carvana, Vroom, and non-OEM car dealers are competitors. A lot of franchise dealers compete in used cars.”
- “Carvana is a catchy idea. It’s easy to raise money around that. But does it resonate to Joe America, Walmart shoppers? Not really.”
- “It’s a great marketing idea. But it’s a long way from making money as a brand all over the country. The big glass tower looks good to investors but doesn’t reach the masses. CarMax is better than that.”
- “Vroom was better when it was Texas Direct. It’s nothing different. You buy used cars from the consumer market and sell them online just like everyone else. If it had a glass tower, then it would be Carvana.”
- “CarMax customers avoid franchises. The publicly traded guys can probably buy a captive finance operation like Penske did, but I don’t see them as a big competitor to CarMax. They represent franchise dealerships and OEMs.”
- “Some traditional dealers are great at working with online purchasing. Others don’t understand it and are just getting out of the business altogether.”

Of the food group that includes Carvana and Vroom, CarMax is the best. Some of their growth plans may be ambitious but they have a very proven model with integrated services, such as a captive finance arm. ... They are doing well online. They have consistent results city to city—and that’s how you build a brand. Their digital platform is consistent and so is their brick-and-mortar platform.

Owner of a chain of dealerships in the Southeast

4) Earl Stewart, Earl Stewart Toyota in Florida; repeat source

CarMax continues to dominate the used car market, although regional competitor Off Lease Only outsells CarMax in some Florida markets. Consumers remain attached to the old process of test driving cars before buying them. Earl Stewart Toyota offers free delivery anywhere in Florida, but only 2% of customers complete transactions entirely online.

Mar. 12 interview: CarMax faces intensifying pressure from new entrants into the used car market; however, CarMax’s broad reach and stellar reputation will help it fend off competition. This dealer says CarMax has room to add new store locations while maintaining profitability. CarMax’s large number of dealerships and its ability to pool inventory among multiple locations creates a decided advantage.

Aug. 21, 2019, interview: Continued growth for CarMax is expected, thanks in part to a business model that consumers like, understand, and trust. CarMax’s multiple locations and large inventory give it an advantage over a single-location dealer with one lot. This dealer has secret shopped CarMax and found three instances where salespersons did not disclose recalls for Takata airbags.

CarMax Market Share and Omnichannel Experience

- “They’re doing good. They’re the go-to for used cars.”
- “I don’t think [CAF is an advantage]. Finance in itself is an advantage. I have Toyota Finance.”

Online Auto Shopping

- “For automobiles, it isn’t really happening. We’ve had the shift to online buying in the sense that people will do their shopping online. We sell cars online, we deliver cars for free anywhere in Florida, and we offer a seven-day guarantee. We take away all the fear. But people still want to test drive the car. I’d say only 2% of our transactions are completely online. I’ll tell somebody in Port St. Lucie [45 minutes north of Stewart’s dealership], ‘Why don’t you test drive the car up there and I’ll deliver the same model to you for free?’ But they still want to come in.”
- “I’ve been in the business over 50 years and I do not understand what is happening with my business. My new car sales are off the charts. May was a disaster but in June I just took off like a rocket. We’re selling more cars in July than we did in July 2019. That’s crazy. Used car sales are good, but nothing to write home about. And our service business is off 30%. People don’t feel comfortable coming in. We’re telling people 65 and older that we’ll pick up and drop off your car for service for no charge, but people still don’t feel comfortable with it.”
- “I have 170 employees and two people have tested positive. We’re testing everybody and doing a deep cleaning every night.”

Used Auto Sales Competitive Landscape

- “[In terms of CarMax competitors,] you’ve got Carvana, any of the big used car groups—DriveTime and HGreg. People are not afraid of the used car business. The thing that amazes me is I buy most of my used cars online. My buyer sits there with six screens and he buys cars at auctions all around the country. It used to be you bought as-is, but it’s safe now. Anybody can get in the game. I’ve always said a good used car is a better deal than a new car, and CarMax wrote the book.”
- “CarMax and Off Lease Only are the top two used car dealers in this area. Off Lease Only is selling more than CarMax. Off Lease Only’s prices are good. Founder Mark Fischer figured out a long time ago that if you buy a car at auction that’s been hit, it’ll have a bad [CarFax \[Inc., a subsidiary of IHS Markit Ltd./INFO\]](#), but the car can be perfectly safe. It used to be that if the frame was damaged, the car was unsafe. But now we have unibody construction and if a car is in a fender bender and the airbag goes off, it can be fixed so it’s perfectly safe. So they’re buying it for a couple thousand dollars less and passing the savings on to the consumer. Off Lease Only treats everybody fairly and they don’t take advantage of anybody.”
- “Vroom is a retailer, but CarGurus is a listing site.”
- “CarMax has it locked in. Off Lease Only is a long shot. They’ve got a long way to go. If they had anywhere near the scale and number of stores as CarMax, they’d give them a run for their money, but they’ve got a long way to go. I don’t think Carvana’s got a chance, or Vroom.”

2) Online Competitors

CarMax can continue to lead the industry in sales. It is incredibly data driven and savvy and decision making is centralized. They know how to efficiently recondition vehicles and their existing physical footprint is a major strength. Internet companies may be able to challenge them in marketing, but not so much in other areas. The financing arm is a big advantage and so is inventory acquisition. “CarMax is the one everyone fears.”

Key Silo Findings

CarMax Market Share and Omnichannel Experience

- 1 said CarMax will continue to succeed and is feared by the competition.
- 1 said CarMax’s omnichannel initiative is doing well and customers are accepting it.

Online Auto Shopping

- 1 said the online buying trend will continue, as investments in the space are large.

Used Auto Sales Competitive Landscape

- 1 said Carvana is CarMax’s leading online competitor. AutoNation, Lithia, and Sonic are the primary dealer competitors. Lithia has just launched its online platform.

1) Recently departed executive of a major online auto market, now consultant to another online auto sales project

CarMax Market Share and Omnichannel Experience

- “I have a sense that CarMax is doing very well with the initiative. For loyal CarMax customers, bridging to online isn’t a huge leap. They don’t have to visit a large lot anymore.”
- “Other players like Lithia and AutoNation have reported strong results. So I would expect CarMax would follow that trend. CarMax announced this week that it’s hiring people for more than 750 call center jobs. That’s encouraging.”
- “CarMax is a force to be reckoned with. It’s one of the most data-driven auto retailers I’ve ever seen. They are savvy, ROI centric and work the machine. CarMax is the one everyone fears. They have reconditioning down to a science and already have a footprint.”
- “People see great value in CarMax, as opposed to luxury. People aren’t looking for luxury in these uncertain times.”
- “CarMax’s finance arm is very lucrative. They can give consumers an all-in price with no unknowns. So many others can’t get close to that accuracy.”

Online Auto Shopping

- “The trend toward online sales will continue. Just look at the \$20 billion valuation for Carvana, the successful IPO for Vroom, and the scheduled IPO for Shift. That’s pureplay digital.”
- “In addition, Lithia just announced the launch of its new digital platform. We’re seeing the whole industry going this way. The pandemic struck fear in dealers’ hearts. Autos are a laggard for online sales. Only about 1% of auto sales are online.”

Used Auto Sales Competitive Landscape

- “CarMax is the player that’s most likely to succeed. Carvana is the leading online competitor. Otherwise it’s AutoNation, which is expanding its used car business, Lithia, and Sonic.”

CarMax is the player that’s most likely to succeed. Carvana is the leading online competitor. Otherwise it’s AutoNation, which is expanding its used car business, Lithia, and Sonic.

Recently departed executive of a major online auto market, now consultant to another online auto sales project

3) Banks and Used Car Lenders

Two of three lenders expect CarMax to continue its dominance in the used car market. CarMax’s large inventory, reconditioning centers, captive financing, and ability to offer click and mortar and brick-and-mortar all contribute to its success and market dominance. One source did not comment on CarMax market share. COVID-19 has hastened the adoption of online auto sales for both dealers and consumers. Many elements of online shopping and buying that benefit both the dealers and consumers are expected to remain following the pandemic. Carvana and Vroom are considered CarMax’s online competitors and one source said Carvana is far ahead of CarMax in Internet sales and appealing to the younger generation. He has heard that CarMax’s omnichannel program is doing well, but it should advertise it more aggressively. AutoNation, Sonic, and all the large publicly traded dealers were discussed as significant competitors, but one source added they were stunned that dealerships have not done a better job with their online programs.

Key Silo Findings

CarMax Market Share and Omnichannel Experience

- 2 said CarMax will continue its dominance of the used car market. Both said the omnichannel program is performing well. One said CarMax should advertise the program more aggressively.
- 1 did not discuss.

Online Auto Shopping

- 3 said online auto shopping and buying adoption has been hastened by the COVID-19 pandemic.

Used Auto Sales Competitive Landscape

- 2 acknowledge Carvana as a strong pureplay online competitor.
 - o 1 said Carvana is ahead of CarMax with Internet buying and appealing to the younger demographic.
 - o 1 said COVID-19 has helped Carvana.
- 1 said Vroom is too late to the game.
- All publicly traded dealerships, including Sonic and AutoNation, were cited as significant CarMax competition.

1) Top executive at an auto lender

Despite the economic downturn, CarMax will continue to lead the industry in used car sales. CarMax needs to do a better job of advertising its omnichannel program. Carvana is still far ahead in Internet sales penetration, but this source has heard that CarMax is doing well with the program. Carvana's strategy includes major customer growth at a time when more than 20 million are unemployed. That may be difficult.

Mar. 12 interview: CarMax will sustain its growth trend. His franchise customers are selling fewer cars, which means national chains can sell more. CarMax was a bit slow on omnichannel, but it can catch up quickly. Carvana is a formidable competitor, but not formidable enough to overtake CarMax, which would easily prevail in a price war. CarMax is reaching a saturation point on physical stores and may hit that point before all of the 26 that are planned have been built. Carvana is CarMax's only true competitor.

Aug. 21, 2019, interview: CarMax will sustain its growth as it continues to bulk up on its auto supply and offer solid financing programs. The online initiative makes sense. Carvana's success shows that's where the market is heading. But CarMax has an advantage with its nationwide physical footprint. People may not need a test drive, but they still want to kick the tires. CarMax can take share from others in the online sector. It might not have to increase its store count as much if online sales thrive. The company's finance division remains superb.

CarMax Market Share and Omnichannel Experience

- "CarMax can continue to lead the industry in used car sales. It has the most brick-and-mortar locations and a strong balance sheet. So it can afford to keep inventory, even in the event of a continued economic downturn."
- "CarMax needs to do a better job of advertising the program. Carvana is still kicking butt in recognition in the online space. We won't know CarMax's success until their next earnings. I've heard they're doing well."
- "They're buying cars like there's no tomorrow. They cut their inventory in March and April. Now I'm hearing from auctions that CarMax and Carvana are buying a lot. Auction prices are back above pre-COVID levels and that already was high."
- "CarMax still has the best-run auto finance arm in the U.S. It creates great convenience for customers. To be sure, it's not as much of an advantage at it once was, with Carvana maturing. Carvana offers more loan options than CarMax."

CarMax can continue to lead the industry in used car sales. It has the most brick-and-mortar locations and a strong balance sheet. So it can afford to keep inventory, even in the event of a continued economic downturn.

Top executive at an auto lender

Online Auto Shopping

- "Yes, I think the shift to online auto shopping will continue, though with limits. Carvana has been successful at getting the ball rolling. The younger generation is accustomed to click and order. It's a lot more convenient. But there are still some people who like to go to dealerships, even though most people don't."
- "At a lot of dealerships now, you can't just go in, kick the tires, test drive it, and then buy the car. If you want a test drive you have to schedule it, send a copy of your license and proof of insurance."
- "We aren't doing e-contracts yet. Dealers are a little behind the times on this. They have a slow adoption rate. Also, ratings agencies for securitizations want paper contracts. It's coming; some big companies have had success. But it's six to 18 months away for most dealers."

Used Auto Sales Competitive Landscape

- "Sonic and the other publicly traded dealers are competition, and so is Carvana more and more. I don't know the Internet business model. COVID helped Carvana accelerate growth but their business model relies on big gross profits and an ability to attract customers, while 20-plus million people are unemployed."
- "Vroom was too late to the party. This past week I've seen two prospectuses from companies that want capital to become the new Carvana. This space is increasingly crowded. I think Vroom will be there for a while but won't be as successful as Carvana. It's like Amazon[.com Inc./AMZN] and eBay [Inc./EBAY]: being there first matters."
- "I'm cautious about the overall market. In its latest beige book report, the Fed offered a bleak outlook for auto sales over the next three or four quarters. CarMax, Carvana, and all the dealers in the [WardsAuto 100](#) are well positioned. Among family-owned stores, consolidation will continue."

2) Executive for a major subprime auto lender; repeat source

CarMax can continue to lead the industry in used car sales. The omnichannel program serves it well. Having both click and mortar and brick-and-mortar gives the company an advantage. Not everyone wants to go through the entire car buying process online. CarMax's finance division helps to give the company a full ecosystem that can boost performance. CarMax can move cars around, so people can see them at the dealership. Carvana has limited inventory on site, though it and Vroom offer the contactless buying that some consumers want. Despite its many strengths, CarMax faces a challenge in procuring all the cars it may want in coming months.

Mar. 12 interview: CarMax can sustain its growth momentum. They have figured out the logistics of moving inventory, so they can get cars to where customers are. Of course, Carvana has also figured that out—and it buys a higher percentage of cars from the public, which tend to be better cars than at auctions. CarMax is doing well with its omnichannel strategy. As long as the new stores are successful, they make sense. CarMax is No. 1 in the sector and Carvana is close behind. Everyone else is far behind.

Aug. 21, 2019, interview: CarMax's size gives it a great advantage and it can most likely sustain its strong financial performance. Lower interest rates will help. Young consumers are more willing to buy cars online, helping CarMax's omnichannel initiative. And online sales are easier than in-person sales—less haggling over price. With its multitude of stores, CarMax can easily get a wide variety of cars to consumers wherever they want them delivered. Adding stores will work—as long as they aren't too close to each other.

May 1, 2019, interview: Online buying and store expansion will probably generate growth for CarMax. The online buying platform helps them compete against Carvana and other new competitors. He's not sure how much benefit the store expansion will provide. CarMax is doing a great job, and as long as it does well with its securitizations, it will be fine. Lease expirations will boost auto supply, helping CarMax. The new entrants like Carvana provide real competition. But CarMax is god, given the strength of its brand.

CarMax Market Share and Omnichannel Experience

- “CarMax can continue to lead the industry in used car sales. As the market progress more toward online purchases, they will benefit. They have franchise stores and benefit from being in a lot of markets.”
- “Their challenge will be guaranteeing supply lines for the next 12 to 18 months. Leases are being extended and there are moratoriums on repos, so finding future inventory isn't as easy. It's now tough for auctions to get cars.”
- “So trade-ins are the most reliable. Public dealer groups have more access to trade-ins because they have more franchises. Carvana has a really good channel from private parties. CarMax has to find a way.”
- “The [omnichannel] program positions CarMax well. Having both click and mortar and brick-and-mortar is an advantage. To be sure, they may have additional overhead from physical structures that Carvana doesn't.”
- “But, from the standpoint of comfort, many people don't want a purely click environment. This will allow for a higher level of engagement with customers.”
- “CarMax can move cars around from location to location, so people can see them. People can look at cars online and then get them delivered to the dealership and see them there. That's big for traditional customers.”
- “The finance unit is a great advantage. If you think of Apple [Inc./AAPL] enveloping a vertical type of ecosystem, it's an advantage that you can control the ecosystem. It's also a profit center, though there's risk, too. You know how to maximize deals because you know what you can finance.”

The [omnichannel] program positions CarMax well. Having both click and mortar and brick-and-mortar is an advantage. To be sure, they may have additional overhead from physical structures that Carvana doesn't. ... But, from the standpoint of comfort, many people don't want a purely click environment. This will allow for a higher level of engagement with customers.

Executive for a major subprime auto lender

Online Auto Shopping

- “The migration to online shopping will continue. It was happening slowly anyway and then COVID sped it up. The COVID period has challenged a lot of paradigms about the car buying process.”

- “Of course, there are legal considerations relating to rescissions with online purchases. That may benefit CarMax, because it already had a return period.”
- “We have moved to electronic contract processing to allow customers to sign without paper. Customers and dealers like it, because deals get funded faster. So this will continue to grow.”

Used Auto Sales Competitive Landscape

- “Clearly Carvana and Vroom are competitors to CarMax. They were born and bred to be online channels, which is well suited to current conditions. ‘Contact-free’ is the buzz now. With the advent of COVID that approach is even more desirable.”
- “The disadvantage for Carvana and Vroom is there is a certain amount of traditional buyers who enter a dealership and don’t buy the car they originally wanted. There’s a lot of cars there to choose from.”
- “But Carvana has a limited inventory on every site. They have big glass towers on small lots. The omnichannel approach works better for customers who haven’t decided and want to look around. Carvana won’t get that customer.”
- “CarMax touts their reconditioning. If someone has a positive experience with brick-and-mortar and the deal works well, they may be confident in a full Internet transaction the next time.”
- “Carvana has an advantage over Vroom with the glass towers. They look cool and bring additional visibility. Vroom is online only. Carvana picks real estate that otherwise would be undesirable. Each lot is small, but they put enough on it to make an impact.”
- “AutoNation is also a CarMax competitor to a lesser degree. They’re still trying to figure it out. I’m stunned that public dealer groups haven’t figured out how to compete with the online companies. They don’t seem to have solid direction.”

3) Executive from the online lending division of one of the nation’s 10 largest banks; repeat source

Some dealers have invested heavily in online sales channels and, provided it improves the customer shopping and buying experience, some elements of the effort are likely to stick. The traditional test drive, however, is still an in-person event. This lender’s entire process is online, so it has provided loans to consumers for a variety of needs throughout the pandemic.

Dec. 4, 2019 Carvana interview: Carvana has a consumer-friendly business model and has honed in on a desire for transparency in pricing. The vending machines are attention-grabbing but expensive.

CarMax Market Share and Omnichannel Experience

- Did not discuss.

Online Auto Shopping

- “Some car sellers have made significant investment to move their process online. To the extent it provides a better customer experience, it’s likely some of the innovation will stick. It’s a very competitive business and all dealers are constantly working to provide a better experience to help them sell more cars.”
- “It’s hard to imagine someone making a big-ticket purchase, like a car, without first doing a test drive. That, however, might be the only part of a new car buying experience that cannot be handled better/safer online.”
- “Our bank has continued to serve its target customer through the pandemic for a wide variety of consumer borrowing needs, including new and used auto purchase. Since our entire process is online we did not face the challenge of needing to migrate our business toward the Internet.”

Used Auto Sales Competitive Landscape

- “We offer unsecured, fixed-rate consumer loans (with no fees) that allow our customers to purchase any car they choose, from any seller. They do so as cash buyers from CarMax, Carvana, Vroom, Shift, CarGurus, Truecar, RumbleOn, as well as traditional car dealers and private parties

Some car sellers have made significant investment to move their process online. To the extent it provides a better customer experience, it’s likely some of the innovation will stick. It’s a very competitive business and all dealers are constantly working to provide a better experience to help them sell more cars.

Executive from the online lending division of one of the nation’s 10 largest banks

nationwide. We can't comment on other businesses beyond that.”

4) Industry Specialists

Two of the four industry specialists expect CarMax to continue to dominate used car sales because of its size, large inventory, omnichannel platform, and captive financing program. Another source said CarMax has been successfully run for many years and he expects that to continue. The fourth did not comment. All four acknowledge that online car buying is expanding as a result of COVID-19; two expect many elements will stick and two are unsure. CarMax's primary competition comes from the large dealer networks offering certified pre-owned cars with captive financing. They also have strong online platforms and now offer contactless test driving and buying. Sources discussed AutoNation, Sonic Automotive's [EchoPark](#), Lithia, Asbury, and Penske as potential CarMax competitors. Online pure plays Carvana and Vroom were credited as having strong marketing and appealing to a younger demographic, but not viewed as especially strong competition for CarMax. CarGurus and TrueCar were also discussed as small and not being much of a competitive threat.

Key Silo Findings

CarMax Market Share and Omnichannel Experience

- 2 said CarMax will continue to dominate the used car market and its omnichannel program is well positioned and highly competitive.
- 1 said CarMax has been well run for years and expects that to continue.
- 1 did not comment.

Online Auto Shopping

- 4 said the COVID-19 pandemic has been the catalyst that helped launch online.
 - o 2 expect many online elements now offered will remain following COVID-19.
 - o 2 are unsure what will stick and expect showroom traffic to return following COVID-19.

Used Auto Sales Competitive Landscape

- Large dealerships with certified pre-owned cars are CarMax's primary competition. AutoNation, Sonic Automotive's EchoPark, Lithia, Asbury, and Penske were all discussed.
- Carvana and Vroom were credited with strong marketing and being online pure play competitors. CarGurus and TrueCar were not considered significant competition.

1) Top analyst at a major automotive company; repeat source

CarMax should maintain its position as market leader. It is a very fragmented business and CarMax is the largest player—because it is larger, it can grab more market share. Many smaller players are at a disadvantage to get capital, market, provide digital offers, and gain access to inventory. Its omnichannel program positions CarMax to compete with pure Internet companies like Carvana and Vroom and its physical presence gives CarMax an advantage.

Mar. 12 interview: CarMax can sustain its growth momentum. Demand for used cars is strong and CarMax is poised to take advantage of that. Carvana, Vroom, and Shift have taken market share on the Internet, pushing CarMax to its omnichannel strategy—and that strategy seems to be progressing well. CarMax has the advantage of more and better inventory than its competitors, a better developed brand, a larger footprint, and its strong finance arm. CarMax has the strongest strategic position.

Apr. 19, 2019, interview: Online sales and store expansion will fuel growth for CarMax. The used car market has been strong for two years. But with the economic cycle so advanced, sales volume is likely to be flat this year and next. CarMax may be able to steal market share from others. Its size and ability to source autos from both wholesalers and customers give it an advantage. Consumers have shown an eagerness to buy online, and CarMax will benefit if it takes a true omnichannel approach. There's room for more stores too. CarMax' biggest competitors are traditional independent used car dealers, new entrants like Carvana and larger dealerships that are growing their used car operations.

CarMax Market Share and Omnichannel Experience

- “They have historical strength with a [physical] footprint and significant presence in the used vehicle market. This ensures they will continue to do so as there is more of a transition to digital.”

- “It’s a very fragmented business and CarMax is the largest player. CarMax can maintain its status and lift it. Because it’s larger, it can take share because many smaller players are at a disadvantage to get capital, do marketing, provide digital offers, and gain access to inventory.”
- “CarMax was moving in this direction pre-pandemic. It positions them to compete with pure Internet companies like Carvana and Vroom. The response was necessary to extend their capabilities. The timing was very good, leaving them in a good position.”
- “The finance division is an advantage, especially in this environment, where credit is tightening. Their ability to assure an offer to a customer isn’t dependent on a third party that can change its intent or willingness to be in the space [is important].”
- “For example, Wells Fargo [& Co./WFC] has basically pulled out of financing for independent used vehicle dealers. CarMax obviously has an advantage to take business from smaller independent dealers who don’t have similar capability.”

It’s a very fragmented business and CarMax is the largest player. CarMax can maintain its status and lift it. Because it’s larger, it can take share because many smaller players are at a disadvantage to get capital, do marketing, provide digital offers, and gain access to inventory.

Top analyst at a major automotive company

Online Auto Shopping

- “The migration to online auto shopping will continue. Consumers are telling us they like the experience of more offerings online from dealers. If anything, consumers want more steps online.”
- “It’s interesting, because dealers say some of what they have done [online during the pandemic] they won’t keep. We see that as a mistake. Minimizing touch is so important for consumers.”

Used Auto Sales Competitive Landscape

- “CarMax doesn’t have a real competitor. Its online offering by itself is comparable to pure plays like Carvana and Vroom. Its physical presence gives it an advantage over them.”
- “The closest similar competitors would be larger franchises, such as AutoNation and the used portion of EchoPark. Lithia, Asbury, and Penske also offer some competition.”
- “But CarMax is unique in the landscape because of its full omnichannel capability and the scale of its platform. Overall, no one matches CarMax.”
- “All this puts them in a position to continue to dominate. But clearly there are companies with access to capital that are intent on building their capabilities, too.”

2) Eric Miltsch, director of marketing for Dealer Teamwork, which provides software systems for auto dealers

CarMax can continue to lead the industry. It has the most inventory, so if it can execute on omnichannel, and all signs indicate it can, then it is very well positioned. Carvana and Vroom do provide substantial competition. They are doing a great job of marketing and will resonate with young customers—but they cannot match CarMax’s size. The trend toward online buying will continue, as both customers and dealers are committed to it.

Mar. 12 interview: CarMax can sustain its momentum. It has a proven brand and a strong local presence with its dealerships. Its investment in Edmunds gives it additional marketing punch. CarMax’s scale gives the company more powerful marketing and advertising operations than local dealers. The finance division showed its strength in coming out of the financial crisis stronger than others. Carvana offers strong competition. It is very well run and appears to be headed on the path to profitability. Other big dealer groups, such as Lithia, Berkshire Hathaway, and AutoNation have an opportunity to shine, as well.

CarMax Market Share and Omnichannel Experience

- “The sheer volume of inventory helps position CarMax to continue as the leader in the space. They have all the choices. And, with omnichannel, they have all the different ways to sell their inventory. All signs indicate that omnichannel is a positive move. They can create efficiencies and cut costs.”
- “The finance division is absolutely an advantage for CarMax. They are the bank: it’s captive finance. It gives them greater elasticity in what they pay for cars. If they pay a little more, they know they can probably make it up on the back end.”

Online Auto Shopping

- “It’s a solution for those who want to stay in and be safe. I think the trend will continue. Dealers are doing well with digital sales and digital advertising. A few months back they stopped traditional advertising and customer traffic continued.”
- “More consumers are getting used to shopping for cars online. COVID has acted as a catalyst for change. I think tools for buying will continue to improve and get less clunky.”
- “Major auto manufacturers will force their dealers to adopt online selling. Clients were knocking on dealers’ doors for digital solutions when the pandemic started. Dealers will get more into it; customers will see it and push the issue.”
- “At first, a lot of dealers just put up a site without doing marketing and support. That’s changing, though it will take a while for mass acceptance.”
- “More and more of our own customers are adding online capabilities each day. They’re at least changing the way customers can communicate. We work with dealers of all sizes.”
- “Some legislation will be needed to put the entire process online, because now customers’ wet signatures are still needed on financial documents. Laws have to change. That will be another shoe to drop.”

Used Auto Sales Competitive Landscape

- “Carvana is about half of CarMax’s size in terms of inventory locations, but they’re good on delivery. Carvana and Vroom have great ability to market. Their reach is incredible. That experience will catch on with more consumers, especially younger ones.”
- “AutoNation’s used car effort represents competition. It has size and inventory.”
- “I think there will be an expansion of competition, especially with companies like Carvana and Vroom. But CarMax is well positioned. They have the inventory. If they can execute on omnichannel, I don’t doubt they can continue to lead the industry in sales.”

The sheer volume of inventory helps position CarMax to continue as the leader in the space. They have all the choices. And, with omnichannel, they have all the different ways to sell their inventory. All signs indicate that omnichannel is a positive move. They can create efficiencies and cut costs.

Eric Miltsch, director of marketing for Dealer Teamwork, which provides software systems for auto dealers

3) Tim Scoutelas, MAX Digital; repeat source

While consumers start their shopping process online, most still want to test drive before buying. As a result, many consumers are likely to return to in-person shopping when the threat of the coronavirus eases. CarMax’s prime competition comes from local dealers and those dealers have invested in online sales to stay competitive but have not fully embraced an online-only model.

Mar. 12 interview: CarMax is well positioned to benefit from an economic downturn that would push more consumers to buy used cars rather than new cars. Its store growth plan is achievable, and its store network creates a competitive advantage. One weak point is that CarMax’s online presentation of its vehicles tends to be bland.

CarMax Market Share and Omnichannel Experience

- “I haven’t heard much [about CarMax’s omnichannel platform].”
- “[CAF is] absolutely [a strength]. Every deal that comes through, the first bank that looks at it is CAF. They get to swing at every customer. They can shop all the banks and they don’t mind taking a quarter-point hit on the rate. Traditional banks would use NADA or KBB, whereas CAF never really had a problem because of what a book said. And CarMax takes the customers with the highest credit scores and they farm the others out to other lenders.”

Online Auto Shopping

- “I think it’s very temporary. We did a survey of 3,000 consumers. We asked, ‘Taking into account social distancing and coronavirus safety procedures, how confident are you purchasing a vehicle from ____?’ Sixty-plus percent are confident in the local dealership, while CarMax and Carvana are a distant second and third.”
- “Consumers find the car they like online. But the very next thing they do is they want to talk to somebody and they want to see and touch the car. With Carvana, there’s this perception that it’s all online and you can’t talk to anyone. Less than 5% of people want to do everything online. Eighty percent want to see the car. You might do a search

online and, if there's a car you like at a local dealership, you'll go after work, when you know no one is going to be there. Then, if you like it, you'll call and set an appointment."

- "In the COVID era, dealers have had to adjust their tools and their offerings. They took two or three steps forward, then they took one step back. I heard stories of dealers taking prices off their cars online, because demand was so high. That's their chance to grab more gross. But our research shows consumers aren't willing to touch a car with no price."
- "When COVID broke in late March, two-thirds of the auto industry was shut down. Everyone was sidelined and they all looked really hard at their online processes. If they started on the 20-yard line, I would say most traditional dealers are just crossing the 50-yard line, whereas Carvana and CarMax are in the red zone. The traditional dealer, in general, is reluctant to allow more of the transaction take place online. You don't negotiate on price with CarMax and Carvana, whereas the local dealer will wiggle a little bit on price and that's a differentiating factor."

Used Auto Sales Competitive Landscape

- "CarMax's total sales are not even 3% of all sales, so it's always local. They're really competing with the local players—AutoNation and Asbury and Lithia and Sonic. I don't know that CarMax feels like Carvana is a real threat. There's so much interest in used cars right now that they probably feel like there's enough pie to go around."
- "If I'm looking for a Toyota [Motor Corp./TM] Sequoia, I'm looking for the color and price and I don't really care who I buy it from. I don't think the customer says, 'I have to buy from CarMax because their process is better.'"
- "Vroom is 100% online, too, so they're like Carvana. I think they're a pretty small player. But in the research I did, they are offering to buy your car online. They'll offer you a number—it's a low number. Carvana is not necessarily a retailer. They're a listing site. They're a very interesting player in the market. TrueCar is a listing site as well. CarGurus and TrueCar aren't competitors to CarMax. Vroom is, a little bit."

4) Mike Quincy, automotive writer, Consumer Reports

The coronavirus pandemic has pushed buyer traffic out of showrooms and onto the Internet. It is unclear if this trend will remain after the health risk passes. Buying a used car sight-unseen remains risky and many consumers will want to physically inspect a vehicle before buying. CarMax and new car dealers have proven willing to adapt to consumer demands, so they are unlikely to cede market share without a fight.

CarMax Market Share and Omnichannel Experience

- Did not discuss.

Online Auto Shopping

- "We're not only redefining car buying, but working. I spoke with my boss the other day and he said, 'Well, listen, if the COVID-19 disappeared tomorrow, would you still want to work at home a lot?' I said, 'Absolutely.' A lot of people are realizing they like working from home. I'm not sure what's going to happen, because the whole dynamic of working is changing. In terms of car retail, foot traffic is a big deal in terms of driving sales. Dealers are not having people dropping in and poking around."
- "You're not going to be face to face as much. So you're not going to be sitting across from a salesperson who says you need rustproofing or you need fabric sealant. If it costs them \$10 to do a fabric sealant, maybe they charge you \$200 for it. If you're not sitting face to face, maybe some of that hard sell goes away."

Used Auto Sales Competitive Landscape

- "The new car dealers are CarMax's biggest competition. The car dealers make more money, more profit, selling a used car than they do on a new car sale. A number of years ago, they really got smart about this and started marketing certified pre-owned vehicles and that has gone swimmingly."
- "I think the smartest and most progressive ones are trying to be pretty seamless about it. They're introducing contactless forms and deliveries. Some dealers are delivering cars, which is good. A prospective buyer should ask, 'Can you deliver it to my home?' The dealers I've been dealing with are being very meticulous about it—they're cleaning the cars."

The new car dealers are CarMax's biggest competition. The car dealers make more money, more profit, selling a used car than they do on a new car sale. A number of years ago, they really got smart about this and started marketing certified pre-owned vehicles and that has gone swimmingly.

*Mike Quincy, automotive writer,
Consumer Reports*

Consumer Reports has been critical of a lot of automotive retailers because some of them are pretty slimy. But the majority of them are doing a good job.”

- “CarMax has been successfully run for many years. They’re smart people and they’re going to figure it out. It’s always a tricky balance—how much inventory do you have on hand? Dealers always talk about days on hand. Are dealers going to have leaner inventory?”
- “If you’re buying a car sight-unseen, there’s risk involved—especially if it’s a used car. You don’t know how it was treated. A used car always requires more inspection. [Unlike with a new car sale,] you can’t turn to a larger entity like Toyota or General Motors [Co./GM] if you don’t like your car. Carvana has been pretty good about offering a seven-day return period.”
- “Last week, I bought my 148th new car for Consumer Reports. When I buy cars, I try to do it without making a phone call. I’ll go on the manufacturer’s site and configure the vehicle, then I’ll email a couple of dealers. Some dealers don’t even respond to emails.”

Secondary Sources

These five secondary sources focused on AutoNation customers shifting to online buying, CarMax’s current hiring binge and a study showing consumers willingness to shop and buy cars online.

July 24 MSN Money [article](#)

AutoNation said 45% of its customers bought their cars online in Q2 and it expects the shift to be permanent.

- “AutoNation Inc. said the thousands of staff it dismissed in the midst of the pandemic may not be called back because consumers are making a permanent shift to buying vehicles online.”
- “AutoNation now has about 21,000 employees, down from roughly 25,000 at the end of last year, Chief Executive Officer Mike Jackson said in an interview. The job cuts, along with a broader restructuring that took place at the beginning of 2019, helped AutoNation reduce expenses and deliver adjusted earnings per share that beat analysts’ highest estimate for the second quarter.”
- “We may add some as the level of business fully recovers,” Jackson, 71, said by phone. What will be lasting, he said, is the reduction in costs related to the digital shift: 45% of AutoNation’s customers bought their cars online in the quarter that ended in June.”

July 23 *The Atlanta Journal-Constitution* [article](#)

CarMax announced that it plans to hire 230 additional people for its omnichannel experience center in Atlanta.

- “CarMax is hiring more than 200 people to work at its Peachtree Corners customer contact center, Partnership Gwinnett announced Thursday.”
- “CarMax, a nationwide used car seller, opened the facility about a year ago with 300 employees. The newly announced expansion adds 230 jobs, 30% of which the company hopes to fill with bilingual Spanish-speakers.”
- “Available positions will include customer experience associates and customer experience assistants. Consultants deal with customers over the phone or through online chats during the car shopping and financing process. CarMax provides for vehicle purchases completely online as well as in person. Assistants typically answer customer questions, conduct follow-up conversations and confirm appointments for in-person visits.”

July 21 NBC12 Richmond online [article](#)

CarMax is hiring 200 contact center associates in Richmond.

- “CarMax is looking to hire 200 contact center associates over the next several weeks in Richmond.
- CarMax has created a new Customer Experience Center at the corporate headquarters at West Creek.”
- “CarMax CECs support the company’s omni-channel experience where customers can buy a car on their terms, whether they want to buy a car completely from home, in-store, or in a seamless combination of both. The Richmond CEC first opened for a small number of associates in late 2019 and it is one of five CarMax CECs across the U.S,” a release said.”

- “The company is hiring customer experience consultants and assistants, to support customers over the phone or online with shopping and financing until the customer is ready to pick up their car or have it delivered.”
- “New hires can make up to \$22 an hour or more, with bilingual candidates receiving a pay premium. No automotive experience is required.”

July 14 *Phoenix Business Journal* [article](#)

CarMax is hiring 190 people for its Phoenix omnichannel experience center.

- “CarMax, a competitor to Valley online vehicle retailer Carvana Co., has announced it is adding nearly 200 people this summer to its customer service center in Tempe as it launches home vehicle delivery in the Phoenix area.
- “The 190 jobs are at the used car retailer’s consumer experience center, where associates help customers by phone or online with shipping and financing until customers are ready to pick up their vehicles or have them delivered.”
- “Virginia-based CarMax (NYSE: KMX) opened the customer service center in December 2019. When it was first announced in September of that year, plans were to hire 430 employees, but by January of 2020, that number had been bumped up to 500.”
- “The company said it had to adjust that plan during the spring, but now it is once again aiming for about 500 workers at the Tempe location.”
- “The hiring is expected to be complete by the end of summer.”

May 28 *Cox Automotive COVID-19 Digital Shopping Study*

COVID-19 is accelerating consumer willingness to shop and buy cars online.

- “IN TODAY’S REALITY, SHOPPERS ARE DEFINITELY OPEN TO COMPLETING THEIR ENTIRE PURCHASE ONLINE”
- “2 out of 3 shoppers are more likely to buy the vehicle 100% online.”
- “62% of consumers state they are more likely to complete steps of the purchase process online due to COVID-19”
- “A critical tipping point will be reached where it is much more important to have tools and resources available to help shoppers not only seamlessly research and shop, but also purchase their cars online. Consumers have always wanted quicker interactions during their automotive experience, and now, with more online tools available to them such as scheduled test drives, pick-up and delivery, their willingness to completing the entire vehicle purchase online is accelerating exponentially.”

Additional research by [Dan Weil](#) and [Jeff Ostrowski](#).

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