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TrueCar's No-Haggle Promise Meets a Chorus of Grumbles



"TrueCar advertised all over the place," Abbi Vakil said, "so I thought I'd plug everything into TrueCar." He was frustrated by the results. Credit Katrina Britney Davis for The New York Times

When it was time for Abbi Vakil, a hardware engineer in Silicon Valley, to replace his car, he turned to a company he saw as a tech disrupter, TrueCar.

From its ads, he expected the service to help him find a car at the lowest price and without negotiation. "TrueCar advertised all over the place," he said, "so I thought I'd plug everything into TrueCar."

But what Mr. Vakil experienced, he said, was not what the ads promised. "It was a clever stunt to get leads to these car companies," he said, "so they could start inundating you with, 'Buy from me! Buy from me! Buy from me!'"

Before he could see prices for a BMW i3 and a Chevy Volt, he had to share his contact information with TrueCar, resulting in calls from seven dealerships, he said, initiating the very haggling he had hoped to avoid.

And then there was the price. Some research on leasing led Mr. Vakil to suspect he could get a better deal than TrueCar offered. Ultimately, he leased a Volt for a lower monthly payment than the TrueCar guaranteed price. "I saved about 60 bucks a month — it's a meal," he said. "I just worked up from the bottom price."

A study from a nonprofit consumer group and a lawsuit in federal court against TrueCar, as well as myriad

complaints on Twitter and web forums, suggest that Mr. Vikal's experience is not rare, and that shoppers as well as dealers say they have been let down by TrueCar's service.

The consumer group found that the TrueCar guaranteed price averaged \$1,550 more than what consumers paid when dealers had to bid for their business. The lawsuit, which was brought by 162 car dealers and is still working its way through the court, asserts that TrueCar's "no haggle" promise is false advertising, and that the "factory invoice pricing" falsely implies savings that TrueCar does not deliver.

TrueCar, in a written response, said: "On average, the prices offered tend to be thousands of dollars below M.S.R.P. and also tend to be at or below the market average transaction prices because dealers provide prices to TrueCar knowing that consumers can easily compare those prices to what other people paid."

TrueCar became a billion-dollar public company by collecting sales data from car dealerships and showing consumers what other buyers had paid for specific cars and options, and offering the cars at a low pre-negotiated price. Its website says it is behind the car-buying programs for over 500 companies, including USAA, AARP and American Express.

TrueCar, which started as Zag.com in 2005 and grew to prominence by giving consumers leverage when buying a car, has evolved into a tool to funnel buyers into dealerships. Jack Gillis, who is the car-buying authority for the nonprofit Consumer Federation of America, was asked what advantage TrueCar offers the consumer. "At this point," he said, "I don't know."

It wasn't always this way. TrueCar was created with the consumer in mind, said Scott Painter, its founder. "I have been on a career-long crusade to make buying a car simpler, easier and more fun," Mr. Painter said.

He founded Carsdirect.com, a similar site, before TrueCar, and has now founded Fair, which leases cars on a month-to-month contract, much like a cellphone. "TrueCar was a hero brand and it took on the dealers," he said. "I am not the most popular guy on the dealer front."

TrueCar has a built-in design fault, said the stock analyst David Trainer, who follows the company. While TrueCar gave consumers the information they needed to get a lower price from car dealers, the dealers paid TrueCar a fee for each sale. Dealers didn't like paying for the cudgel that customers used to beat them down on price.

"How do you answer to two masters?" Mr. Trainer asked. "You are either going to help the dealers or the consumers."

Eventually, dealers revolted. Between December 2011 and February 2012, TrueCar's franchise dealer count fell 35 percent, to 3,599 from 5,571, according to a federal filing. It put a big squeeze on TrueCar.

To win dealers back, TrueCar gave them more control over the prices consumers would see. It stopped showing an estimate of what dealers paid for cars.

"We had to turn over our customers to our dealers to make it work," said Mr. Painter, who handed the reins to Chip Perry in 2015. Mr. Painter said he was still the largest stockholder, but is no longer employed in any way by TrueCar.

Despite the changes, to buyers like Mr. Vakil, an impression of price transparency lingered. "I went to TrueCar based on what I thought it was, and it wasn't that anymore," he said. "It really was for the car companies."

A recent study by a nonprofit consumer group in Washington, the Center for the Study of Services, which publishes Consumers' Checkbook, bolsters Mr. Vakil's impression. The consumer group, which offers its own nonprofit car-buying service, said that in 137 car purchases over nearly six months it saved consumers an average of \$1,550 compared with the TrueCar price.

"In all of the testing we haven't found a single case in which our price didn't beat TrueCar," said Robert Krughoff, president of the Center for the Study of Services.

The Consumers' Checkbook car-buying service gets at least five dealers to bid for a customer's business. The lowest price on the selected car wins. Consumers' Checkbook charges the car shopper \$250 for its service, and after deducting its fee, the consumer saved an average of \$1,300 compared with TrueCar. The organization offers free instructions for people who want to solicit bids themselves.

"The best way to get good prices is to make dealers bid independently," said Mr. Krughoff, "whether they use our service or not."

In 2015, a group of 162 car dealerships sued TrueCar in United States District Court for the Southern District of New York on an assertion of false advertising, claiming that by making promises it didn't deliver on, TrueCar got

an unfair advantage over competing dealerships.

Judge P. Kevin Castel has ruled that the case can go to discovery on two allegations. One is that the "no haggle" claim is false, because TrueCar connects several dealers with each car shopper, which necessitates a negotiation.

"The linchpin to our case is they have spent hundreds of millions of dollars convincing people they don't have to haggle," said Len Bellavia, who is representing the dealerships against TrueCar.

TrueCar countered that a disclaimer on the website tells shoppers that they may have to negotiate, and that the disclaimer supersedes the advertising claim. It also argued that the claim is allowable as "puffery," a legal term that means broad, vague exaggeration is allowed. In both cases, TrueCar is arguing that the no-haggle claim is not meant to be taken literally.

TrueCar also argues that if a buyer just accepted the price on TrueCar's first offer, the transaction would be no-haggle.

The second allegation is that TrueCar offered misleadingly high "factory invoice" prices, implying that figure was the dealer's cost, to make its discounts look more significant. TrueCar argued that consumers do not take the claim literally because they know dealerships make a profit. It added that there was a disclaimer that said the quoted invoice price on its site did not include discounts to the dealer, and that sometimes buyers did get a below-dealer-invoice price — although it was unclear how TrueCar was defining invoice cost in this instance.

TrueCar has filed a motion to dismiss the case, which is pending in court.



Mr. Vakil leased a Volt for a smaller monthly payment than the TrueCar guaranteed price. Credit Katrina Britney Davis for The New York Times