



Testimony to the Senate Judicial Proceedings Committee
SB 208 -- Vehicle Laws – Manufacturers and Dealers – Prices Listed on Dealers Websites
Position: Favorable

January 19, 2021

The Honorable Will Smith
Judicial Proceedings Committee
2 East, Miller Senate Building
Annapolis, MD 21401
cc: Members, Judicial Proceedings Committee

Dear Chairman Smith and Committee Members,

I am testifying in support of SB208 to make shopping for consumers faster and more transparent on the internet.

I have been in the automobile business for 32 years with Jack Fitzgerald. We represent many brands, in small markets and in large ones. We have over 1,700 associates in almost every Maryland County. Combined, Maryland car dealers have 23,945 direct jobs (NADA).

According to automotive news 2020 E-commerce report, it will come as no surprise that 99% of all customers are not satisfied with the current car buying process. 83% of consumers want to shop online to save time. And BEFORE COVID, 43% of auto shoppers wanted to do the entire transaction online without ever visiting a dealer.

Toyota's VP of Sales told NBC Nightly News in December 2020 that 90% of all Toyota's 2020 sales completed part of the buying process on-line and 10% did not even visit the dealership. It's a sea change.

In a physical dealership, dealers are permitted to list cars for whatever price a consumer will buy the car for, and they do. On the windshield, on stickers on the car, even lists in showrooms.

The Digital showroom is prohibited from doing that. There's a penalty by many of the manufacturers. Traditionally consumers have heard about two prices consumers started with – MSRP (Sticker price) and the invoice price, what the dealer paid to get the car. Traditionally consumers negotiated from there, but there have always been sale cars. Some dealers would look to move old inventory, too many of some inventory, inventory with the wrong equipment etc. They might put a sale price. It could be more than invoice, less than sticker. It might even be less than invoice, depending on incentives. The customer was able to bargain for a good deal.

Today, manufacturers constrain dealers by introducing something called MAAP pricing – **Minimum allowable Advertised Price.** That means they are setting the floor or what the price is on the internet. They can't do it in the showroom, but they can, and do on the internet. How



do they accomplish this? By taking adverse action against a dealer who advertises a different price. Taking away incentives. What does that mean? Consumers pay more.

Manufacturers will even lift MAAP pricing from time to time, on old model years, for example. Then proclaim “great news! We took MAAP restrictions off, so you can advertise any price.” So consumers get a better bargain. (Attachment)

Manufacturers will say that dealers all pay the same price for the car. True – and not true. Initially yes, every dealer, large and small, pays the same price for the car. But there are “dealer incentives” (think rebates you see on tv) that are paid after the sale, if you follow the rules.

The only rule SB208 addresses is the rule that prevents dealers from not putting the true selling price on the internet. It does this by stopping any adverse action for being truthful in the list price. Just like Carvana. Just like Vroom. Just like e-bay. Just like Amazon.

SB208 is clear and narrow. It defines the purchase price for consumers, and allows dealers to put the purchase price on the internet.

Manufacturers will say “dealers can do that today through email.” That isn’t good enough for today’s consumers. Consumers want factual information, in plain language, quickly. SB208 helps customers make informed decisions without the hassle of physically coming to the dealership or begging for a price through email.

Dealers will still have to abide by regulations set forth by the MVA and the Attorney General. Bill SB208 allows the truthful listing of the purchase price of vehicles to allow customers to shop and compare.

We strongly support SB208 and urge the committee to give it a FAVORABLE report.

Sincerely,

Rob Smith
Fitzgerald Auto Mall