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July 12, 2017

Honorable Hannah-Beth Jackson
Chair, Senate Committee on the Judiciary
California State Senate
State Capitol
Sacramento, CA 95814

Re: AB 380 (Dababneh) – OPPOSITION

Dear Senator Jackson:

I'm contacting you to express our concern about bill AB 380 (regarding electronic transactions and motor vehicle finance) that's currently pending before your committee. After carefully reviewing the bill, we believe that the bill contains one small flaw that holds it back from its goal to improve the car-buying experience for consumers. By limiting e-signing to dealership locations, the bill stifles the benefits that consumers could receive from electronically signing documents from the comfort and convenience of their home. It also unnecessarily restricts innovation and competition at a time when California consumers are embracing e-commerce solutions in a number of different industries. We are a company that specializes in online automotive retail, so we have a particular interest in bills that affect how California consumers can use technology when purchasing cars, and hopefully we can offer some insight that will be useful in your deliberations. Ultimately, we hope you agree that the provision requiring an e-signature occur at a dealership location should be removed from the bill.

But first, a little about us. Carvana started in 2013 with the aim to make car-buying a more customer-friendly experience. Many consumers have expressed interest in avoiding negotiations with salespeople, in seeing pricing and financing terms upfront so they can shop around, and in conducting more of the process online. Carvana resolved to make online car buying a reality. Starting in Atlanta with a small operation that allowed consumers to shop for their car from Carvana's website, sign the purchase and finance contracts from their computer at home, and have the car either delivered from one of Carvana's licensed dealerships to their door or made available for pick-up from Carvana's facility, we learned how to best serve our customers with an online-driven business model. Online car-buying isn't for everyone, but many consumers have embraced it.

A few years later, Carvana is an NYSE-traded company (IPO was earlier this year) with over 35,000 online sales since inception to customers in 48 states. Though we have not yet expanded our free delivery network to include California, which has limited the number of California customers we have serviced, we expect to do so

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before the end of this year. Customers have voiced their satisfaction with us—we have an average 4.7 out of 5 star rating from over 8,000 reviews¹. Here's what one of our many satisfied customers had to say about the experience of buying a car without ever leaving home:

I bought my pickup truck online, and it was such an easy process. The driver was in my parking lot with the car already unloaded at exactly the time I was scheduled to receive it. Completing paperwork and verification was hassle-free and I would recommend this process to anyone!

Along the way, we feel we've learned some valuable things about what consumers want from their car-buying experience and why they prefer having the option to buy online:

Online transactions can be a secure way for consumers to get better prices and service. Roughly 80% of Americans are online shoppers.² Shopping online lets consumers compare many different companies quickly without spending an afternoon or weekend driving from place to place. They can get a sense for what price is fair quickly and conveniently. It's also secure. As online shopping has grown, so have the safeguards against identity theft. Carvana uses bank-grade authentication techniques to make sure that customers are who they say they are during the purchase process, and we verify identity again during delivery.

Home field advantage matters. Many customers prefer to make decisions at home with the proposed contract in their possession, with time to review and to seek whatever help they need to feel comfortable. Online transactions allow consumers to carefully evaluate contracts at their own pace without a salesman standing next to them and "encouraging" them to sign. Having to physically go to the retailer's place of business (including enduring traffic and logistical hurdles) is inconvenient and forces people to give up control and leverage over the process. According to Autotrader's 2016 Car Buyer Journey report, purchasing a car at a traditional dealership still requires over three hours on average.³ Car-buyers know this, which is why nine out of ten say they want something better.⁴

¹ <https://www.carvana.com/reviews>

² <http://www.pewinternet.org/2016/12/19/online-shopping-and-e-commerce/>

³ "2016 Car Buyer Journey," *Autotrader*, p. 7.

⁴ Kevin Filan, "Rethinking the Car Buying Process," *Used Car Dealer*, Nov 2015, p. 20.



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Test own is better than test drive. Test driving is somewhat overrated. While consumers generally say they like to test drive before buying, 52% test drive only one or fewer vehicles before buying,⁵ and many more say the experience leaves much to be desired.⁶ Sometimes they get home and discover the car takes up too much space in the garage, or a stroller doesn't fit quite right in the car. California recognizes this, which is why the state requires that dealers offer a 2-day sales contract cancellation "option" for any vehicle purchased for personal use under \$40,000.⁷ Carvana goes a step further and gives every customer a 7-day return option, free-of-charge. And in the event a problem arises after the 7-day period, every Carvana vehicle comes with a robust 100-day warranty that enables vehicle service at any certified repair shop.

Which brings us to AB 380. While the bill makes a much-needed change to California's Uniform Electronic Transactions Act by expanding the law to cover auto sales, leasing and finance contracts, it adds the curious requirement that electronic signing take place at a dealer location. This would be like requiring people to send emails from the post office—not very modernizing or consumer friendly. Consumers won't be harmed by allowing them to sign outside of dealerships because sellers would still be subject to the same regulations as before that protect consumers from identity theft and unfair business practices. And without the location restriction, the bill would make car-buying easier for consumers by allowing them to review contracts at home where they can avoid the inconvenience of driving across town and waiting their turn in line. Having control over their experience allows consumers to take some time to think over the transaction and get outside advice before signing. E-signatures will also allow consumers to shop more efficiently from a variety of dealers, rewarding those dealers that provide the fairest prices and best service, and improving the industry for consumers. In contrast, the location requirement potentially makes the experience much less convenient and much more pressured for the consumer. AB 380 could do a lot more for consumers by removing the restriction on where they can sign.

The bill doesn't only harm consumers; it's also bad for California dealers because it hampers how they can innovate to improve their customer experience. Many dealers, recognizing that consumers would prefer to complete the transaction online,

⁵ "2016 Car Buyer Journey," *Autotrader*, p. 4.

⁶ "Rethinking the Car Buying Process," n. 4, p. 20.

More than two-thirds of the study's respondents indicated they want more convenience and less control by salespeople 81 percent prefer something different than the traditional accompanied test drive model that predominates today.

⁷ http://www.dca.ca.gov/publications/car_buyer_rights.shtml



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have begun exploring options that would allow customers to e-sign at home and subsequently come in to pick up their purchase, saving the dealer on-site processing time and delivering customers the kind of streamlined experience they want. AB 380 as currently written would make this difficult in ways that other states' laws, which don't limit where customers can sign, do not. California should offer its own dealers the same opportunity to innovate and satisfy with consumer expectations that dealers across the country are afforded by their states' laws and national laws. Healthy competition should be encouraged within California, and California should be allowed to stay competitive.

So while we appreciate the author's expressed intent to make car buying more convenient for consumers, we can't agree that requiring e-signing take place at a dealership achieves that goal. In fact, we believe it will make purchasing a vehicle more painful for many consumers. We urge the Senate Judiciary Committee to hold the bill in committee pending further amendments to ensure that e-contracting in California gives consumers the convenience, options, and control that e-contracting provides.

Thank you for your consideration of our views. Should you or your staff have any questions regarding our position, please do not hesitate to contact me directly. Our CEO Ernie Garcia would also be pleased to meet with you to discuss further in person or by phone, if you wish.

Respectfully yours,

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cc: Honorable Matt Dababneh
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