

Here is a little different topic format this week as I came across this great interview given by the gentleman who started Carvana. Never heard of Carvana? Neither had I...

As you read this interview look for 1 or 2 things Ernie says about his thought process when trying to solve a problem in the car buying industry and how you can do the same in your industry by thinking outside the norm.

How the Entrepreneur Behind Carvana Got the Idea That's Revolutionizing the Way We Buy Cars

It's a stereotype as old as the automobile: the pushy used-car salesman who pressures you into paying way too much for a vehicle you don't really want. And, for a long time, dealing with that character was the only option for securing a new ride. Ernie Garcia III, however, knew there had to be a better way. "I think entrepreneurs are essentially stubborn egomaniacs," says Carvana's president, CEO and chairman. "You have to have a big enough ego to believe you can change things. And you have to be stubborn enough to keep fighting for it when it gets hard."

Garcia has utilized those personality traits to create a true disruptor in the used-car-buying game. Founded in 2012 and based in Phoenix, Carvana's lofty mission is to "change the way people buy cars." By offering an intuitive online car buying and financing platform, Carvana.com allows consumers to bypass the traditional dealership infrastructure. They can shop more than 15,000 vehicles and schedule next-day delivery or pickup at one of Carvana's patented, automated (and incredibly eye-catching) "Car Vending Machines." Carvana also offers a 7-day "test-own" that allows customers to ensure their vehicle fits their life, versus only getting a quick 15-minute test-drive around the dealership's block.

Here's what inspired Garcia to change the game -- and take on the existing car-purchasing system.

Tell us about the moment you came up with the idea for Carvana?

I think ideas tend to merge and percolate in your mind over time and result from a number of different experiences, so I don't want to connect the idea too strongly to any one moment. That said, the moment where it hit me the hardest was when I was at a

wholesale auction, where dealers buy many of the cars they ultimately sell to consumers. All these people from different dealerships were buying cars, and it only took all of 30 seconds for them to decide to purchase a car and actually buy it. If that car had an issue that wasn't reported, you could return it. I thought, could we get customers closer to that 30-second experience instead of the four-plus hours that was the status quo for car buying? If we could do it that fast and with lower costs, could we also make it simple...maybe even fun?

The idea was the easy part. Then we had to figure out how to actually do it.

How did you weigh the potential benefits of creating a whole new way of purchasing cars against the obvious risks of doing something totally different.

I think entrepreneurs are essentially stubborn egomaniacs. You have to have a big enough ego to believe you can change things. And you have to be stubborn enough to keep fighting for it when it gets hard. Once it all starts to work, "egomaniac" turns into "confident and inspiring," and "stubborn" turns into "persistent and driven." The first labels are probably closer to the truth. And to the extent they are, taking risks isn't the hard part. Navigating the rest of life is where all the difficulty lies!

Tell us about your background at DriveTime Automotive Group -- a more traditional used-car business -- and how that informed your perception of the car-selling business.

Having experience in the industry is a huge shortcut if you use it right. You have a better sense of where the problems lie. You have a better sense of which are hard and worth the effort and which aren't. But, you're also burdened with experience that can make you lean too far in the direction of the old way of doing things if you aren't careful.

How did your father, DriveTime's owner, react to the idea of Carvana?

efficiently than the rest of the market does? For us, the answer was yes. Our better economics are enabled by a heavier use of technology and of centralized operations versus what the rest of the market uses. Once you have better economics, you can also build a culture of delivering great experiences to your customers on top of that and that is exactly what we seek to do every day.

When did you realize, "Hey, this crazy idea might actually work!"

Honestly, we always knew it should work and could work. What we didn't know is if we could deliver on the promise of the concept as a team. Along the way, there are a lot more moments where it feels like you aren't going to deliver than there are moments that make

you step back and appreciate that it actually is working. That said, there are some. Reading the first review from a customer that said they would “never go to a dealership again.” The first time we were featured in national news and the whole team stood around a TV cheering while we watched our traffic explode. Ringing the bell on the New York Stock Exchange. Selling our 100th, 1,000th, 10,000th, and 100,000th car. Becoming the fastest growing automotive retailer in the country. These were all moments where you stop and realize that all the work you put in every day is adding up to something and those moments are fun.

How did the vending machine idea come about? Were there naysayers?

In our earlier days, we were facing an awareness and understanding challenge, which really isn't unique to us; every new business will face that. What we came up with is the Car Vending Machine: a location where customers could come pick up their car, instead of us delivering it to them, that gave them a fun experience they couldn't get anywhere else. The Car Vending Machine gives us, essentially, a permanent billboard, a customer purchase fulfillment location and a signature element that represents the brand and aids in PR. We can have a beautiful retail location at a fraction of the cost of a traditional dealership while saving on delivery costs, which we can then roll up into the overall savings we offer customers. And yes, there were -- and continue to be -- naysayers. If nobody thinks you're crazy, you probably aren't on to anything truly novel. Naysayers are helpful. Who else are you supposed to work so hard to prove wrong?

What is an obstacle you continue to face?

A challenge every company faces is keeping everyone on the team engaged. Everybody has to wake up every morning and decide how much of themselves they are going to pour into their work. I personally believe this is an underappreciated driver of a lot of startup success. The average employee at a startup generally cares more and therefore gives more, than an employee at a larger company. As we get larger, we have to fight that same gravity. I think the most effective things we can do to keep everyone engaged are continue to fill up the company with incredible people that everyone is excited to come work with every day, to keep working on interesting problems so we all feel fulfilled by our work, to continue to provide our customers with the best and fairest experience available anywhere so we all have a sense of meaning, and to keep winning. Winning is pretty fun.

What advice do you have for entrepreneurs looking to disrupt a well-established industry? Be aware of what is important in your industry. Pick the right battles and don't fight the low value battles that distract you. Be aware of what you are signing up for. It

will be harder than you think. Is this what you want to spend the next 20 years of your life doing? Be aware of yourself and your weaknesses. You can't do it all yourself. You need strong people around you and you can only attract them if you are strong enough to acknowledge where you are weak. Good luck. The world needs more of you.

