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# ARTIFICIAL INTELLIGENCE

The Next Leap Forward  
for Automotive Retail

An abstract graphic at the top of the page features a central circle with several concentric dashed lines. To the left and right of this central circle are various geometric shapes, including horizontal lines, diagonal lines, and small squares, all rendered in a light blue color against a darker blue background.

## Learning Lessons from Early AI Adopters

Beginning in the 1990s, in a rush to compete with new online retailers, traditional brick-and-mortar retail stores began to establish their own online platforms. This transition from in-store to online retail has revolutionized and defined the American retail industry for more than two decades. And the automotive retail industry is no exception.

Savvy car dealerships have followed suit and have enjoyed tremendous success as a result of the digital revolution. But where does the industry go from here? What is the next giant leap forward for automotive retail? Many experts are convinced that the next revolution in retail will involve the implementation of artificial intelligence (AI) technologies. And once again, car dealerships have an opportunity to learn from early technology adopters in other retail sectors to better their businesses.



**66% of retailers expect AI investments to increase profitability within three years.**

## A Revolution for Auto Retail

Although the digital revolution has been hugely beneficial for retail, success has not come without significant growing pains. In fact, according to Forbes, adapting to the online world has been “the greatest challenge of the 21st century so far for the retail industry.” And yet, “the next hurdle is already in sight. Artificial intelligence will again change the way we shop.”

Juniper Research forecasts that global retailer spending on artificial intelligence will reach \$7.4 billion by 2022, compared with only \$2 billion

spent in 2018. This forecast is founded in retailers’ high hopes for AI technology. According to a recent Oxford Economics report, 66% of retailers expect AI investments to increase profitability within three years, and 72% say artificial intelligence will be a competitive necessity for their company in the next five years.

With talk of “competitive necessities” and increases in retailer profits, and because every leap forward requires some trial and error within an industry, dealerships would do well to pay attention to previous successes with artificial intelligence. Specifically, auto retailers should focus on the following four AI applications:



**1.** Personalization of product offerings.



**2.** Uncovering buying signals.



**3.** Improving customer satisfaction.



**4.** Bridging the gap between online and in-store customer interactions.

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**AI can analyze millions of data points and can draw connections between behaviors and product offerings in an instant.**




#### **RETAIL APPLICATION 1:**

## **Personalize Product Offerings**

Most customers are familiar with the way AI has transformed product recommendations. When consumers scroll their favorite online retail sites or browse their favorite video streaming services, they have grown accustomed to seeing product recommendations based on their past purchases or browsing behaviors.

The ability to analyze large amounts of customer data is one of the major advantages of artificial intelligence over human thinking. AI can analyze millions of data points—including demographic characteristics, past purchases and shopping behaviors—and can draw connections between behaviors and product offerings in an instant. Through the use of complex algorithms that filter this data, artificial intelligence gives retailers actionable information to better understand customers and boost sales.

Artificial intelligence is also transforming the way advertising matches consumers with specific products and services. Google, Facebook and other advertising giants take thousands of data points into account when serving up advertisements, resulting in advertisements that are personalized and relevant to each viewer. Taking the lead from these industries to combine demographic data points with individual shopping history, dealers can know what their customers want before they ever walk through the dealership doors. This makes it easy to recommend the right products at the right price points and to tailor marketing messages based on what is likely to resonate with individual customers.



**40% of early adopters are using artificial intelligence to predict customer behavior.**



#### **RETAIL APPLICATION 2:**

## **Uncover Buying Signals**

Artificial intelligence can do more than match customers with relevant product offers. It actually has the power to predict when a customer is ready to make a purchase. Using machine learning algorithms, AI can analyze a customer's browser history and past purchases, including how long a person stayed on a particular webpage. It can track interactions on social media such as likes and shares.

To uncover buying signals, retailers are leveraging a specific subset of artificial intelligence known as predictive analytics, which uses current and historical information to predict what will happen in the future. According to a recent Oxford Economics report, predictive analytics account for 36% of current retail applications for AI, and 40% of early adopters are using artificial intelligence to predict customer behavior.

Dealerships today are using artificial intelligence to measure the strength of a deal by evaluating customer interactions and measuring the engagements of their salespeople with contacts housed in their CRMs. Forward-thinking dealerships are taking full advantage of AI's ability to uncover buying signals. They are adjusting their approach to individual customers based on relevant buying signal indicators being generated by their CRMs. By using information distilled from customers' online shopping behavior, these dealerships are speeding up deal closings and improving customer trust.



**41% of  
retailers have  
implemented  
chatbots or  
virtual agents  
in some parts of  
their business.**



### RETAIL APPLICATION 3:

## Improving Customer Satisfaction

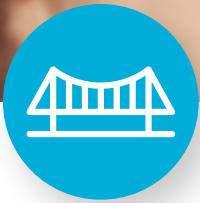
Artificial intelligence is not just about encouraging additional purchases, it also has the potential to improve customer satisfaction. Many organizations are using artificial intelligence as a component of their customer support efforts. Chatbots—with the ability to take in and respond to customer questions and comments—are a large component of this. In fact, according to Oxford Economics, 41% of retailers have implemented chatbots or virtual agents in some parts of their business. These types of automated service technologies allow call center employees to focus on higher priority work, instead of being bogged down by more routine support requests.

Artificial intelligence also enables customer service departments to start resolving customer problems before they even arise. According to IBM, the ability to provide proactive customer support has “huge potential.” By monitoring a nearly infinite amount of website and in-app activity, AI can identify customer experience issues and respond in real-time to offer support through FAQs or virtual customer service agents. For example, Ocado, an online grocery retailer, is using the Google Cloud Machine Learning Engine to sort and categorize online customer comments. According to Google, artificial intelligence has helped the company respond to those comments 3.5 times faster.

Many dealerships are using AI to analyze and understand customer sentiment, which indicates whether customers have positive, negative or neutral feelings about their interactions with dealership employees. Some CRMs, powered by artificial intelligence, can analyze customer text messages, emails and other communications, then update a dashboard with a readout of customers’ sentiment and intent. This helps dealerships understand where course corrections are needed to get customers with negative sentiment back on track.



**car buyers spend  
nearly 9 hours,  
or 61% of their  
time, online.**



#### **RETAIL APPLICATION 4:**

## **Bridge the Gap Between Online and In-Store Customer Interaction**

AI can also seamlessly connect retail companies' online and in-store sales channels. For example, Target has incorporated Pinterest Lens, an AI-powered visual search tool, within its mobile app. This feature allows customers to take a photo of a pattern or object and automatically connect to a curated list of similar or complementary products. Customers can then make purchases online or check in-store availability and view the product in person at a nearby Target store. According to Target Senior Vice President Kristi Argyilan, this artificial intelligence feature allows consumers to "explore, discover and buy millions of products at Target."

Target is just one example of a retail company making strides to provide a more seamless buying experience. But nowhere is the gap between online and in-store customer experience wider than in the automotive retail industry. According to the Cox Automotive 2019 Car Buyer Journey Study, car buyers spend nearly 9 hours, or 61% of their time, online. Unfortunately, most dealerships are not equipped to acknowledge or leverage the work a customer has done online before stepping foot onto the lot. This time wasted is frustrating for customers.

Dealerships can use artificial intelligence to draw conclusions about an in-store customer based on the actions they have already taken online. By analyzing customers' online behavior, artificial intelligence tools can build customer profiles, generate buying signals and offer insights to speed up deal closings and improve customer trust. This helps streamline the buying process, resulting in a better shopping experience.

## Conclusion

Artificial intelligence is the next big challenge and opportunity for automotive retailers. By learning from the examples of companies in other retail sectors already employing AI with positive results, dealerships can implement AI to change the way consumers shop, promote future growth and profitability, and once again revolutionize the industry.

Learn more at [vinsolutions.com/ai](https://vinsolutions.com/ai)

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