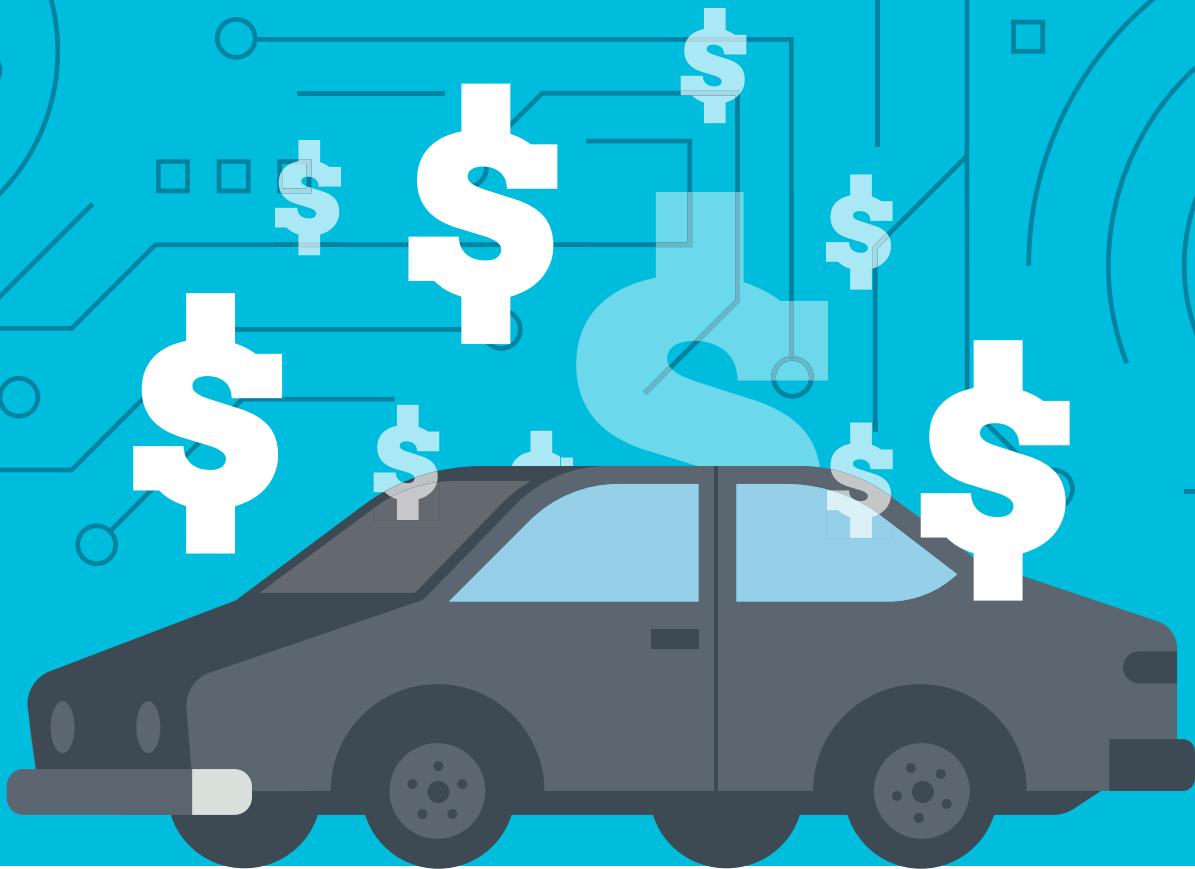# Technology and the Transformation of Retail:

How Automation and Artificial Intelligence are Enhancing the Car-Buying Experience

VinSolutions

Make every connection count.

HISTORICALLY, the car buyer/car seller relationship has been filled with at least some amount of distrust. Blame it on popular media or even unfortunate truths about the automotive retail industry itself. But even today, many consumers view their interactions with dealerships as competitive rather than collaborative. In their minds, they either win or lose the deal. They either take advantage of the dealer, or the dealer takes advantage of them.

But more and more, consumers are shying away from businesses that take this antiquated approach to customer service. Today, they seek out companies that serve more than self-interest.[1] As times and generations of car buyers change, there is a real opportunity to change the narrative of auto retail. And one of the keys to this transformation involves advances in personalization technologies, including artificial intelligence and automation.

By implementing technology in a way that promotes a more personalized, customer-value-based approach, dealers can move away from stereotypes of distrust and focus on building better customer relationships. This shift from being a seller of products to a trusted advisor in the minds of consumers is crucial to maintaining success in a competitive industry and a changing world. And the best part? These technologies already exist. They are already helping dealers change the way customers buy cars and perceive the car-buying process.

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[1] *"Millennials Call For Values-Driven Companies, But They're Not The Only Ones Interested."* Lai, Anjali. May 23, 2018. Forbes. Web.

This guide will provide you with an in-depth look at how personalization technology can change the way you approach customer service and your view of the customer experience. You will learn how:

- Changing technology influences changing customer perceptions.

- Younger car buyers are leading the charge to demand more consumer-friendly retail.

- Implementing artificial intelligence with the customer experience in mind can improve the car-buying process.

- Artificial intelligence and automation technologies benefit the customer, dealership and dealership employee.

- Education can help overcome common barriers to adoption of artificial intelligence technologies.

- Dealers can implement these technologies in the right way, right now.

Prioritizing Personalization

Personalization technologies convert customer data into real insights that businesses can use to tailor a sales approach to appeal to individual consumers. These technologies not only improve the customer experience, they create a key differentiator in the minds of consumers that promotes increased loyalty to the businesses that implement them.

Artificial intelligence and automation are two key types of personalization technology. They generally refer to computer systems that can perform tasks that normally require human intelligence. Some common examples of artificial intelligence include Google spam filters and Amazon's preference recommendations—computer systems that proactively process information and deliver results based on the inputs received. Automation, technology that uses software to automate repetitive tasks, has become increasingly common in marketing. Welcome emails, birthday emails and appointment reminder emails are all commonly automated. These technologies are more common than ever. And they have real benefits to both customers and businesses.

Changing Customer Perceptions at the Speed of Technology

Not only is technology faster and more capable than it was just a few short years ago, its value to consumers has also improved. Today's consumers are more comfortable with technology than any previous generation. It speaks to them (sometimes literally) on a much more personal level. Today's technology is more applicable, accessible and useful in the average end user's everyday life too. Perhaps most importantly, technology is more widely adopted and relied upon than ever before. In fact, 86% of consumers agree that they are more dependent on technology than in the past.[2]

As evidence of this shift, in the last three years alone the ratio of consumers who consider themselves technology innovators (meaning they love new technologies and are among the first to experiment with and use them) has increased by 13%. In that same time period, there has also been a 14% increase in early adopters (consumers who like new technologies and adopt them before most people) and an approximately 7% increase in early majority adopters.

Technology Adoption is Happening Faster than Ever

This shift in technology adoption rate means that only 2% of consumers consider themselves to be laggards (skeptical of new technologies and avoid using them whenever possible). That is over an 80% decrease from 2016. In fact, according to creative consultancy firm Lippincott, not only are consumers more tech-reliant, they also view their dependence on technology as a benefit. Thanks to advances in artificial intelligence and automation technologies in particular, it is easy to see why.

[2] *"Why 80% of consumers are excited about the way AI and machine learning will change their lives." DeNisco Rayome, Alison. May 2, 2017. Tech Republic. Web.*

Interacting with AI Everywhere

It is no coincidence that the technology people use and appreciate most is also the most helpful. Advances in artificial intelligence and automation are helping people transform otherwise mundane tasks into efficient, user-friendly and enjoyable parts of everyday living.

Gone are the days of painstakingly curating your own mixtapes and burning them to a CD. Now, music streaming services like Spotify use artificial intelligence technology to learn your listening preferences. When combined with other similar listeners' preferences, these services suggest recommendations for new music, even entire playlists, instantly.

In fact, more and more companies are implementing artificial intelligence technology to automate and personalize the consumer experience, including Amazon's Alexa, GPS and navigation tools like Waze and popular movie streaming services like Netflix. Even ordering at a fast-food kiosk involves using artificial intelligence and automation technology.
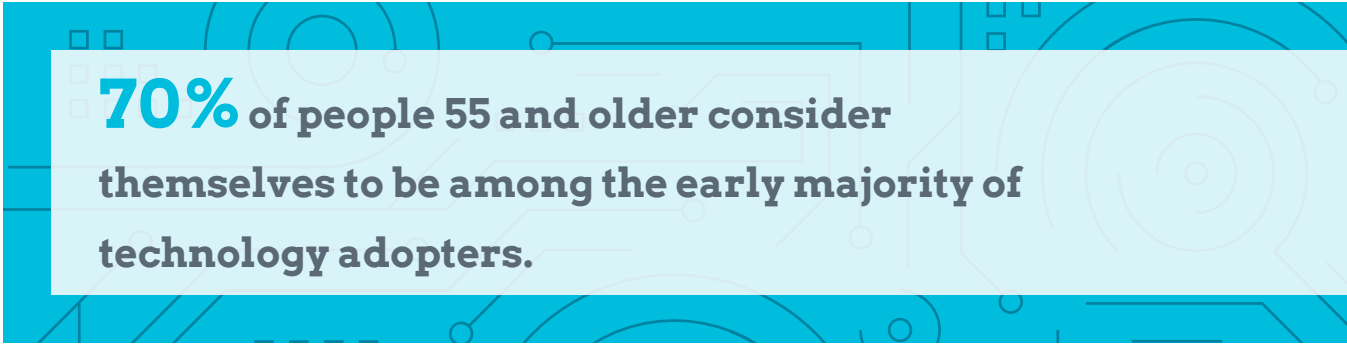
As it relates to the automotive retail industry, technologies like VinSolutions Connect Automotive Intelligence use artificial intelligence to aggregate customer data from sites like Kelley Blue Book, Autotrader and Dealer.com.

This technology translates that customer data into actionable insights that the dealer can use to improve the car-buying experience, promoting a more helpful customer/dealership relationship.

These technologies make the lives of customers easier and more efficient. And consumers are shifting their spending habits to reward businesses that deliver improved customer experiences. So, while dealerships may appreciate the added value these technologies bring to their customers, they will also find positive return on their technology investment and increased profitability.

Leading the Charge of Change

Artificial intelligence and automation technologies are being adopted at a faster rate than ever before because they appeal to such a wide demographic. While new technology was once considered complicated and targeted towards a younger generation, today 70% of people 55 and older consider themselves to be either an innovator, early adopter or among the early majority of adopters.[3]

70% of people 55 and older consider themselves to be among the early majority of technology adopters.

That does not mean you can disregard the preferences of younger generations. In fact, 86% of consumers 18-24 consider themselves to be among the innovators, early adopters and early majority adopters—the highest of any age group.[4] This is particularly significant because this generation of consumers, made up of millennials and Gen Zers, will soon have the most retail buying power. By 2030, millennials will outnumber baby boomers by 22 million,[5] and, by 2025, millennials will represent more than 45% of the potential car buying cohort.[6]

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[3] 2019 VinSolutions Technology & Transformation of Retail Study.
[4] 2019 VinSolutions Technology & Transformation of Retail Study.
[5] *"Millennials: 80 Million Strong and Ready to Spend."* Flierl, Tom. Active Insights. Web.
[6] *"Driving the automotive customer experience toward the age of mobility,"* Fanderl, Harald. Matthey, Alexander. Pratsch, Stephanie. Stober, Jakob. March, 2019. McKinsey & Company. Web.

Although there has been some evidence suggesting that younger generations prefer to spend money on experiences rather than things, these groups are just now entering their peak car-buying years. And as it turns out, millennials are beginning to buy cars in big numbers. In 2015, for the first time ever millennials outpaced baby boomers in car sales in California, the country's biggest car market.[7] And according to credit reporting agency Experian, in the first quarter of 2018, the millennial vehicle market share jumped, while shares attributed to the mature market and baby boomers both fell.[8]

So why is all this important? With more buying power, younger generations are leading the charge to demand more consumer-friendly retail. Those dealerships willing to implement consumer-friendly artificial intelligence and automation technologies will stay ahead of the wave of changing tides and will be more likely to sustain a competitive advantage.

Growing with Technology

While only 40% of retail and consumer product companies use AI-driven automation now, it is expected to be commonplace within the next two years.[9] In fact, by 2021, 79% of companies expect to be utilizing AI in their businesses.[10] That means the number of companies using artificial intelligence technologies within the next two years will nearly double.

By 2021, **79%** of companies expect to be utilizing AI in their businesses.

But as companies begin to implement these technologies on a wider scale and rely on artificial intelligence to improve business, consumers remain cautious of their motives. Even as personalized retail experiences become the norm, consumers still care about how technology is implemented and why it is being used. For many consumers, the technologies that provide personalized retail experiences can feel like invasions of privacy.

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[7] *"Demographic Shifts: Shaping the Future of Car Ownership."* Feb. 21, 2017. Wharton University of Pennsylvania. Web.
[8] *"Millennial Myth Busted: Young Consumers Really Do Like Vehicles."* Miller, Marty. July 18, 2018. Experian. Web.
[9] *"The Coming AI Revolution in Retail and Consumer Products."* IBM Institute for Business Value. March 2019.
[10] *"The Coming AI Revolution in Retail and Consumer Products."* IBM Institute for Business Value. March 2019.

In the minds of consumers, companies that use artificial intelligence technology for their own benefit are creepy. 78% of consumers believe personalization technology benefits companies more than it benefits them, 58% of consumers feel personalization technology violates privacy and 56% feel personalization technology is "too creepy." [11] These figures are constant themes across age groups—even among young consumers who are more open to technology.

It is important to note, however, that when personalization technology is implemented and used with the customer experience in mind, consumers' skepticism surrounding the technology declines. In fact, 68% of consumers do not mind companies using personalization technology if it improves their overall shopping experience.[12] The key is that companies must show how artificial intelligence and automation benefit the consumer, first and foremost. They must show how it can simplify or improve life, such as Netflix recommending a new show or Waze warning of an upcoming road closure.

Keeping Up with Customer Expectations

Because artificial intelligence and automation technologies are becoming so ubiquitous (and because consumers are keenly aware of their benefits to businesses), the technology has created certain expectations in the minds of customers. In fact, a streamlined, improved customer experience is now an expected part of the retail experience.[13] And consumers tend to grow impatient with companies that fail to deliver.

As it relates to auto retail, approximately two-thirds of consumers believe that personalization technology will improve the car buying and car ownership experience.[14] And they already expect some personalization in their car-buying experiences. In fact, 76% of consumers expect their dealer to know something about them before they step foot in the dealership.[15]

This puts pressure on dealerships to deliver on these expectations now. But even though the vast majority of dealers are aware of artificial intelligence and automation, only half of dealers know "a lot" about these technologies.[16] And although 63% of dealers agree that artificial intelligence is necessary to keep up

[11] 2019 VinSolutions Technology & Transformation of Retail Study.
[12] 2019 VinSolutions Technology & Transformation of Retail Study.
[13] *"Consumers expect personalization, reveals report."* April 8, 2019. Retail Customer Experience. Web.
[14] 2019 VinSolutions Technology & Transformation of Retail Study.
[15] 2019 VinSolutions Technology & Transformation of Retail Study.
[16] 2019 VinSolutions Technology & Transformation of Retail Study.

with industry changes, there are still barriers to technology implementation.[17] Chief among them is a resistance to change.

In fact, three of the top reasons that dealers cited as barriers to adopting new technology involve change management. 49% of dealers not likely to adopt new technology in the next two years cited staff resistance to change as their number one challenge.[18] This means more education about the benefits of technology, both for the dealership and the customer, is needed.

Educating Employees on the Benefits of Technology

So, what are the top benefits of artificial intelligence and automation technologies? More than half of dealers say these technologies improve the customer experience, customer retention and customer loyalty.[19] Others cited creating additional revenue (35%), having an advantage over their competition (31%) and lower marketing costs (31%) as top reasons for implementing artificial intelligence and automation.[20]

Top Benefits of AI and Automation Adoption:
- **Improved customer experience**
- **Additional revenue**
- **Improved competitive advantage**
- **Lower marketing costs**

While educating employees on artificial intelligence and its benefits, it is important to underscore the fact that by no means does artificial intelligence replace human staff. In fact, 72% of dealers say that artificial intelligence allows staff to focus on other areas at the dealership, improving efficiency.[21]   That is because employees play a critical role in translating insights from artificial intelligence into personalized car-buying experiences, and consumers recognize that. 62% of consumers prefer to speak to a real person when they

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[17] 2019 VinSolutions Technology & Transformation of Retail Study.
[18] 2019 VinSolutions Technology & Transformation of Retail Study.
[19] 2019 VinSolutions Technology & Transformation of Retail Study.
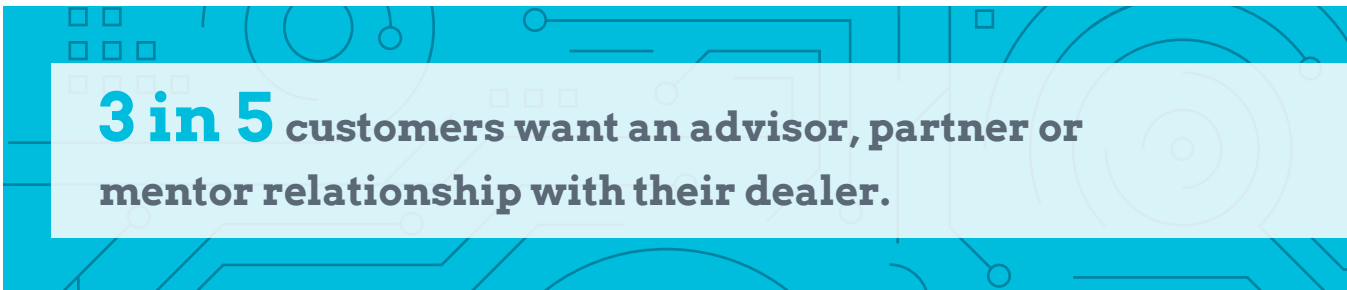[20] 2019 VinSolutions Technology & Transformation of Retail Study.
[21] 2019 VinSolutions Technology & Transformation of Retail Study.

need answers, and 63% prefer talking to an actual employee, even if it means having to wait longer.[22]

Examples of automation technologies helping both businesses and employees are everywhere. Applebee's is seeing increased check averages by using tabletop tablets to complete customer orders.[23] Tips to servers (actual employees) are holding steady or even increasing too. The use of ordering kiosks at McDonald's is also allowing the fast food chain to create new jobs for workers in other segments of the production chain.[24] And in the automotive industry, dealers agree that the human element is irreplaceable.

Delivering on the Promise of Personalization

Done right, an investment in artificial intelligence technology can greatly benefit car dealers. Again, consumers appreciate technologies and businesses that are the most helpful. These same consumers believe dealerships that implement personalization technologies offer 66% faster customer service, 64% more efficient customer service and 62% more relevant customer service.[25]

3 in 5 customers want an advisor, partner or mentor relationship with their dealer.

No two customer paths to purchase are identical. In general, though, consumers want technology that gives them flexibility and control over how they interact with dealerships. Oftentimes, that means they do not want their relationship with the dealer to end after the sale. 86% of car buyers want to hear from their dealer in some capacity after purchase.[26] They want service reminders, they want dealers to check in on their buying experience, and they want to hear about current vehicle offers.

In other words, consumers want to build a relationship with their dealership. In fact, three in five customers want an advisor, partner or mentor relationship

[22] 2019 VinSolutions Technology & Transformation of Retail Study.
[23] 2019 VinSolutions Technology & Transformation of Retail Study.
[24] 2019 VinSolutions Technology & Transformation of Retail Study.
[25] 2019 VinSolutions Technology & Transformation of Retail Study.
[26] 2019 VinSolutions Technology & Transformation of Retail Study.

with their dealer. But most people still consider their relationship with their car dealer to be that of a retailer, facilitating a transaction and nothing more.[27] Fortunately, tracking customers with artificial intelligence technology offers insights that can help dealers get to know their customers before they step foot in the dealership. This leads to increased consumer confidence in the dealer and promotes the type of consultative relationship customers are looking for.

Implementing These Technologies Now

Dealers have the opportunity to apply these technologies in the right way now. But it is important to have the right point of reference in order to become a trusted advisor to customers and to experience more long-term success. When implementing automation and artificial intelligence technologies, it is important to remember the following three principles: 1) focus on consumer value, 2) transform relationships with real insight, and 3) adapt to individual needs and concerns.

1. Focusing on Consumer Value

Consumers value personalized experiences, including at the dealership. While younger generations are driving these trends toward personalization, 74% of all consumers say that a personalized dealership experience is important.[28] Still, because younger generations will soon dominate the market, it is especially important for dealers to pay attention to this age group. These generations seek out values-driven businesses. And they are good at seeing through companies that implement technologies with completely selfish motives in mind, so it is best to focus on the value to the customer first.

2. Transforming Relationships with Real Insight

Many dealers are already taking steps to track their customers, and many more will follow suit in the coming years. Many dealers are already familiar with tracking methods like trade-in value tracking, which 45% of

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[27] 2019 VinSolutions Technology & Transformation of Retail Study.
[28] 2019 VinSolutions Technology & Transformation of Retail Study.

dealers are familiar with, and social media activity tracking, which 37% of dealers are familiar with.[29] But tracking alone is not enough.

To transform customer relationships, dealers must gather information to gain insight into their customers' wants and needs. For example, Amazon's recommendation engine tracks customer browsing and purchase activity and offers helpful buying suggestions for customers. This service is estimated to generate 35% of the company's total revenue.[30] This amount of revenue clearly shows that consumers find value in the recommendation, which in turn improves their perception of the business itself.

3. Adapting to Individuals

Remember, consumers want technology to give them flexibility and control over how they interact with the dealer. Some favor in-store kiosks, while others prefer to deal directly with an employee at the dealership. Still, others prefer to complete a majority of the buying process online. Preferences change by person, purpose and activity. For example, 65% of customers prefer to schedule a test drive remotely. And 58% prefer to obtain trade-in information in-store.[31]

These numbers may show general preferences. But considering the number of communication channels and steps in the buying process, there are no hard and fast rules. And for dealers to offer a personalized experience to everyone, they should aim to provide every option possible and let the customers decide how best to pursue their relationship with the dealer.

Preferred Communication Method

	Test drive	Trade-in	Apply for credit	More info on rebates	Finalize	More info on add-ons	Schedule service	Ask service questions
Remote (Net)	65%	52%	42%	73%	36%	58%	86%	85%
Phone Call	**34%**	18%	15%	**23%**	13%	17%	**47%**	**52%**
Email	**24%**	25%	21%	**42%**	18%	35%	**36%**	**31%**
Text	**19%**	15%	8%	**19%**	9%	13%	**24%**	**22%**
DM / online	**16%**	15%	11%	**20%**	9%	15%	**21%**	**22%**
In-store (Net)	46%	58%	64%	43%	74%	56%	27%	32%
In-person meeting	40%	**50%**	**54%**	34%	**69%**	**47%**	17%	26%
In-store kiosk	10%	12%	16%	14%	9%	15%	12%	10%
No interaction	2%	4%	8%	2%	1%	4%	2%	1%

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[29] 2019 VinSolutions Technology & Transformation of Retail Study.
[30] "How retailers can keep up with consumers," McKinsey & Company, October 2013.
[31] 2019 VinSolutions Technology & Transformation of Retail Study.

Conclusion

More and more, consumers are shying away from businesses that take an antiquated, self-centered approach to retail. When dealers create a consultative relationship with customers through technology, they increase trust, improve the sales experience and personalize the buying process. Simply put, these technologies, implemented correctly, bring customers back.

With VinSolutions Connect Automotive Intelligence, dealers can apply these customer-focused technologies the right way, right now. Not only do they enable dealers to deliver a more personalized, customer-value-based approach to selling, they return investment on technology and boost dealerships' bottom lines.

VinSolutions, with its focus on dealership success, has identified real opportunities to improve the customer experience and has responded with the development of innovative products, which leverage customer insights in order to change consumer perceptions.

No two customer paths are the same. And VinSolutions Connect Automotive Intelligence gives dealers insights to provide a personalized buying experience for each customer, giving both dealers and customers what they are looking for in the ever-changing automotive retail world.

Learn more about how your dealership can benefit from artificial intelligence at vinsolutions.com/ai.

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