How AI is Transforming Automotive Retailing

Table of Contents

Overview

The vehicle retailing industry is primed for Artificial intelligence (AI) disruption. As digital-only giants like Carvana, Vroom and Shift grow rapidly, dealerships must accelerate their digital transformation in ways that complement and enhance their physical presence in order to stay competitive. In particular, AI has the potential to revolutionize the shopper journey. By enabling personalization at scale that enhances the shopper journey at every touchpoint, conversational AI's automated communications and intelligent data applications can effortlessly bridge digital and physical experiences, helping dealerships efficiently guide prospective buyers down the sales funnel.
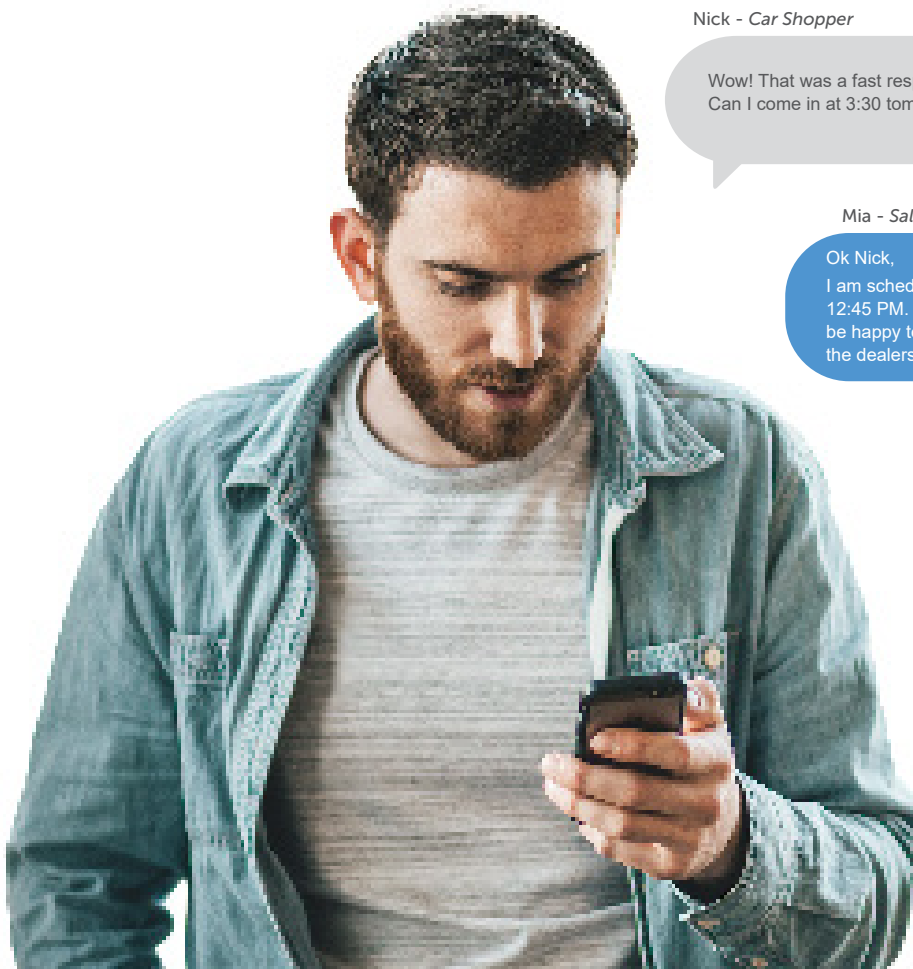
Nick - *Car Shopper* 11:45 PM

Hi, I'm interested in your used 2015 Ford Mustang GT listed for $26,974.

Mia - *Sales AI* 11:47 PM

Hello Nick,

That 2015 Ford Mustang is indeed available. If you'd like to know more details, I'm happy to answer any questions you may have.

Nick - *Car Shopper* 11:50 PM

Wow! That was a fast response. Thank you! Can I come in at 3:30 tommorow?

Mia - *Sales AI* 11:52 PM

Ok Nick,

I am scheduling an appointment for 07/03/2021, 12:45 PM. One of our available salespersons will be happy to assist you the moment you come to the dealership.
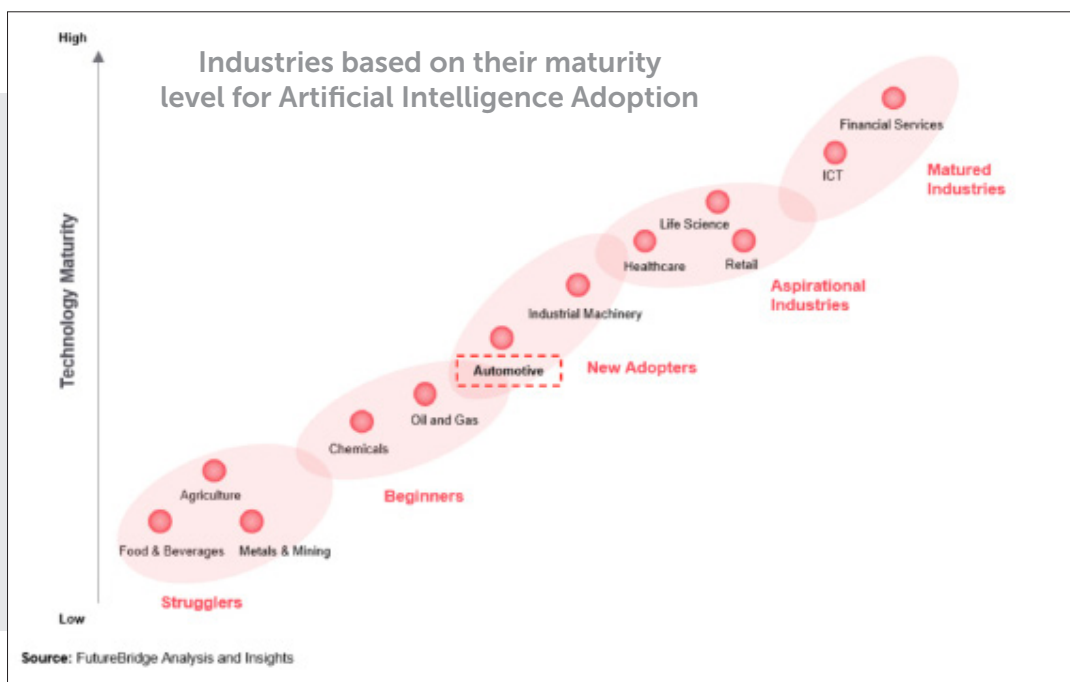
A Shift in Expectations

Consumer behavior has changed drastically. People don't "go online"- they live there 24/7 and expect retailers to do so as well. Shoppers want access anywhere at any time they choose and they expect immediate, personalized responses and effortless experiences. For businesses to flourish, continuously anticipating consumer needs and investing in advanced digital capabilities, automation technology and shopper data applications will be paramount.

The healthcare, retail and financial services sectors have led the business world in adopting AI and implementing a digital-first omnichannel consumer model. Unfortunately, the automotive industry has lagged behind. Historical over-reliance on the physical showroom and walk-up traffic has caused dealers to "check the box" when it comes to the digital landscape, launching generic websites, inflating online advertising budgets and rushing to buy digital retailing solutions. The resulting sub-par experience increases lost opportunities as shopper demands grow and the sales process continues to move online.

Digital-only automotive retailers are adopting innovative AI technology and enhanced digital merchandising solutions that personalize communication and consumer engagement at scale, allowing them to optimize the entire shopper journey across every touchpoint. The resulting disruption is forcing traditional vehicle dealerships to reconsider their digital efforts and how they can impact the entire omnichannel experience cost-effectively.

Industries based on their maturity level for Artificial Intelligence Adoption

Source: FutureBridge Analysis and Insights

Digital Disruption

Dealerships see up to 20x more traffic on their website than they do in the showroom. And because the average shopper will spend over 80% of their journey online, the average number of dealerships a buyer will visit currently sits at just 1.5 (Google). The physical-first world of vehicle retail is gone. Carvana has a market cap of $50 billion, and Vroom is currently valued at $5.6 billion. Their digital approach capitalizes on known consumer trends: of the approximately twenty-four touchpoints between a dealership and a shopper who begins their journey online, nineteen of them are digital. In a recent study, Google recorded over 900 digital interactions over 90 days as they followed shoppers throughout their journey.

However, vehicle retailers still hold competitive advantages vs. digital-only companies: the physical showroom and the dealership personnel. After a residence, a vehicle is the largest purchase many people will make in their lives (and do so repeatedly). The majority of buyers desire a physically immersive experience and in-person interaction, particularly at the culmination of the buying process. A delightful showroom experience can serve as a launching pad for customer loyalty and continued revenue streams from future services and additional purchases. Progressive dealers should optimize the in-person showroom, not replace it. By seamlessly harmonizing physical and digital touchpoints, sellers can create an omnichannel experience digital-only giants can't match. And that means relentless execution against shopper engagement from beginning to the end of the buying journey.

Cutting-edge conversational AI technology can power digital merchandising and intelligent activations that offer prospective buyers an unparalleled omnichannel experience.

Dealerships see up to 20x more traffic on their website than they do in the showroom.

The average shopper will spend over 80% of their journey online.

The average number of dealerships a buyer will visit currently sits at just 1.5.

Enhance the Vehicle Shopping Experience with AI

But First: What is AI, Really?

Artificial intelligence (AI) refers to any task a computer can perform that is commonly associated with humans. For instance, learning, reasoning, problem-solving, or using language.

The concept of AI has been around for much longer than commonly thought. As early as the 1700s, philosophers like Descartes were considering how one might go about mechanizing human thinking. Perhaps most famously in the 1950s, Alan Turing developed his "imitation game," commonly known as the Turing Test. The test pits an "interrogator" against two unknown competitors: one a human and the other a computer. The interrogator asks each a series of questions designed to figure out which is which. Turing himself hypothesized that by the 70s, computers would be sufficiently advanced to fool the interrogator and "pass" the Turing Test. By the 1960's, experiments with basic conversation bots like ELIZA and PARRY showed that even a fairly simple algorithm for producing questions and answers in response to human inputs had the potential to bring immense change.

Artificial intelligence isn't yet able to capture the entire range of human emotion. However with conversational AI, computers have become increasingly difficult to distinguish from human beings, especially in somewhat controlled settings.

Conversational AI

Recently, the field of artificial intelligence has seen massive breakthroughs, with one of the most useful innovations being natural language processing (NLP). This field is concerned with linguistics and AI's ability to analyze and process "natural" language. In other words, NLP focuses on enabling computers to understand the way humans speak and write in order to imitate and communicate with them.

Conversational AI couples NLP with another powerful component of AI: Machine Learning (ML). This technology trains a machine how to learn by adapting and improving its models with every interaction. AI technology that utilizes machine learning analyzes data and automatically improves its model over time without human programming.

The combination of NLP and machine learning is what allows AI to speak conversationally with consumers, and the AI technology available to automotive retailers today is miles ahead of where it was just a few years ago. These are not the "chatbots" that suddenly popped up everywhere in the past decade. Today's more sophisticated conversational AI solutions undergo a complex process that begins the moment a shopper sends their first message to the AI assistant. NLP helps

the AI understand both the meaning and the intent behind the message, and ML allows it to analyze prior data and form an appropriate response. With this powerful combination, the AI assistant can deliver personalized, natural responses and interact with consumers.

Cutting-edge AI creates an easy, conversational experience for consumers—so much so that people often don't realize when they're speaking to an AI assistant. For instance, dealerships using a comprehensive AI-enabled platform across their channels have anecdotally reported that customers walk in and ask for the "person" they were talking to, only to be shocked when they learn it was an AI tool holding up the other end of the conversation.

It's not the Turing Test, but it's still an incredible feat that exemplifies the power of AI technology.

Sara - *Car Shopper*

Hi, Can I please have your best price for the Chevy Trailblazer LS, and can you confirm you have it in white?

Mia - *Sales AI*

Hi Sandy, The Upfront price for the 2021 Chevy Trailblazer LS is $29,597, and we do have it in white. Would you like to schedule an appointment or have a quick call to chat further?

Sara - *Car Shopper*

Thank you! Any chance I could come in tomorrow at 3pm to take a look at some options?

Mia - *Sales AI*

Absolutely! I've confirmed an appointment for you tomorrow at 3pm at our dealership. (401 Route Soth Marlton, NJ, 08053)
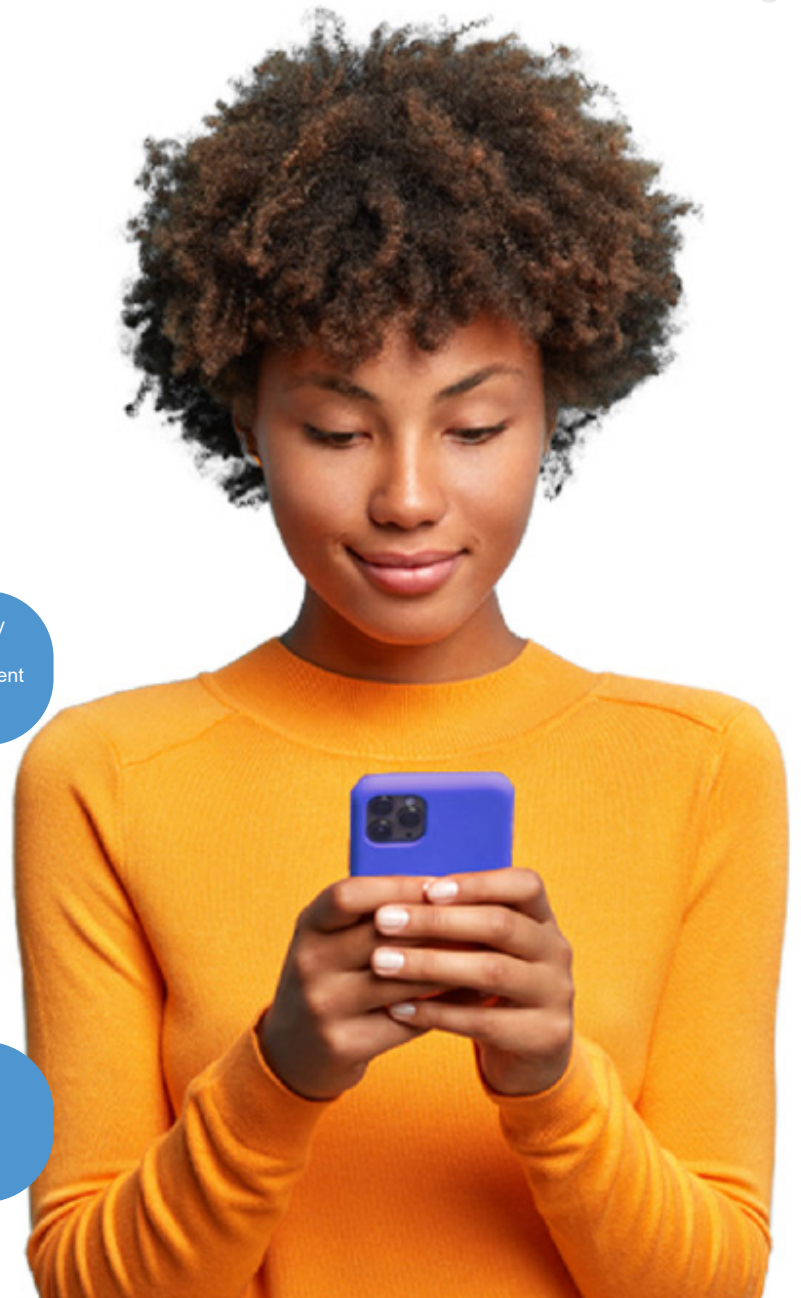
An Industry Ripe For True Conversational AI

The automotive and specialty vehicle industries are primed for superior conversational AI. As discussed, there is a massive ongoing shift in consumer behavior and expectations. In this new world of "frictionless abundance", consumers expect abundant information, constant access, effortless convenience and ease, all personalized according to their preferences and demonstrated interests. Simply put, "always on" consumers expect instant and comprehensive responses all the time.

Additionally, buying a vehicle is a highly considered purchase, particularly as vehicles become increasingly feature-rich and customizable. This causes more shopper questions throughout the sales process as prospective buyers research options. The rapid development of AI technology, coupled with the digitization of the sales process, creates an opportunity for dealers to leverage AI that provides human-like personalization at scale across the omnichannel journey, conversationally answering most shopper questions. Dealers can then increase efficiency by re-deploying their staff against truly ready-to-buy shoppers, nurturing the highest-value leads, and engaging in other higher-order strategic activities.

An element that further highlights the industry's readiness for conversational AI is automotive retailing's use of lead auto-responders, which actually create more frustration than value. The need for automated communications is clear: the amount of traffic and leads coming in day and night are more than any dealership can reasonably handle with staff. The fact that up to 40% of dealer leads are received after-hours further exacerbates the issue, since most consumers work during daytime hours and engage in the vehicle-buying process in the evening or early morning. Given that off-hours leads convert at a higher rate, the need for a true solution becomes critical.

However, glorified auto-responders masquerading as AI are not the answer. Receiving a handful of pre-programmed lines from a bot is a huge turnoff for prospective buyers who are investing so much money, time and effort in purchasing a vehicle. Shoppers have real, frequent questions and need timely, detailed answers when they're "in the moment" and engaged in the process. Additionally, an auto-responder's inability to automatically schedule appointments, coordinate calls or help distinguish between high-potential leads and casual visitors ends up creating more problems and work for the dealership sales staff and BDC.

Lastly, it's fair to say that the automotive retail industry "jumped the shark" on digital retailing. In an effort to quickly counteract the accelerated growth of digital-only giants (and take advantage of the proliferation of vendors in their wake), dealers rushed to incorporate digital retailing and checkout features into their websites. However, conversion rates were mostly dismal and didn't seem to improve because retailers failed to consider the long and complex journey between shopper consideration and purchase. Simply put, successful digital retailing is predicated on effective digital merchandising that drives engagement throughout the "long middle" of the sales funnel, where the prospective buyer spends the majority of their time.

Glorified auto-responders masquerading as AI are not the answer.
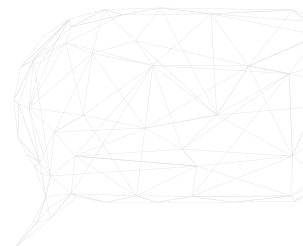
Driving Dealership Revenue with Conversational AI

Many dealerships are wary of conversational AI given experiences with older or less sophisticated versions of this technology that are pre-programmed and only provide canned responses or have very limited chat capabilities. However, with the advent of NLP and ML, the more advanced conversational AI platforms have grown far beyond basic low-value tasks. Communicating with prospective buyers is just the tip of the iceberg. Effective AI creates a cascading set of benefits throughout a dealership's entire ecosystem, including the business development center (BDC).

23% lift in appointments set

Up to 30% increase in conversions

Linking Digital Merchandising with Automated Communication

The true power of AI becomes apparent when it is integrated into all of a dealership's processes and channels, including digital merchandising and analytics platforms. By leveraging first-hand behavioral shopper data generated by engagement with multi-media applications, a vehicle retailer can drive previously-unimaginable levels of personalization, interaction and continuity across channels with conversational AI.

As an example, a dealership activates an array of digital merchandising solutions such as 360° interior and exterior views, narrated video merchandising, feature highlights and more. In addition, they have access to a robust content library of OEM-endorsed vehicle features for the brands in their inventory. Robust conversational AI platforms have the ability to integrate not only with the dealership's inventory feed, but also with their content library and digital engagement tools. These applications capture each shopper's VDP visits, model and feature interactions, dwell time and all other demonstrated behaviors. The AI draws from this first-party shopper data and the retailer's inventory feeds to personalize outreach, answer detailed inventory questions, and continue to engage shoppers conversationally while guiding them further down the sales funnel. The most advanced AI solutions can also integrate with dealership CRMs, automatically scheduling appointments while appending real-time lead details within the CRM without the need for human intervention. BDCs and sales staff can focus their time and effort on true ready-to-buy shoppers and further provide highly personalized follow-up, leveraging the

AI's interactions and the available shopper data.

This integrated approach can significantly accelerate engagement and conversion rates. Moreover, activating digital merchandising and conversational AI within a vehicle retailer's omnichannel system creates a "virtuous cycle" of data-powered intelligent activations that lead to even more enhanced engagement. And increased engagement means richer firsthand shopper data, which leads to more personalized consumer experiences and dealership applications. And that leads to increased vehicle sales.

By aggregating the powerful first-party shopper data produced by the virtual cycle, dealerships can not only develop a better experience across every touchpoint—they can develop segments and mirror audiences for more targeted conquesting and advertising strategies.

Dealer Websites

Automotive Marketplaces

Digital Engagement Platform

BDC/CRM

Digital Retailing

Showroom Sales/F&I

Letting Humans Do What They Do Best

As we all know, buying a car or specialty vehicle is a long process. It's a sizable investment and the purchase cycle can take between 45 to 90 days. An advanced conversational AI platform can help usher shoppers through the early and middle stages of the journey, giving them a personalized, human-like experience and handing off ready-to-buy shoppers to the sales team while continuing to engage visitors that are in earlier stages of the process. AI automation can significantly enhance BDC productivity and efficiency considering the amount of off-hours leads a dealership receives and the high number of touches often needed before leads respond.

The most robust conversational AI solutions integrate into dealerships' inventory feeds and respond to most vehicle make, model, feature and option questions. They can also gather data on shopper interests, preferences, contact details, and capture trade-in information, which ensures the BDC or sales agent can seamlessly continue the conversation in personalized fashion. Advanced AI technologies can integrate with dealership CRMs, automatically scheduling appointments while updating lead details in real time, further improving staff efficiency and productivity by eliminating repetitive low-value tasks. The AI can also intelligently hand off shoppers to a human sales rep in order to facilitate live phone-based dialogue. Lastly, AI can be tasked to engage in persistent lead follow-up with varied approaches until they re-engage, further freeing up valuable staff to focus on higher-value work.

Leveraging AI successfully allows dealerships to re-deploy their employees against warm leads, nurturing high-value prospects and other strategic higher-order activities, letting them do what they do best.

Superior Conversational AI solutions can:

Ensure 100% follow-up and engagement

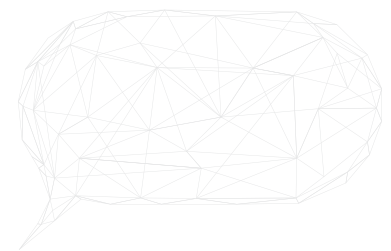Increase staff productivity and focus on highest-value leads

Qualify and hand off ready-to-buy shoppers to sales teams

Automatically schedule appointments in dealership CRM systems

Cutting Down on High-Pressure Upselling

It's well known in the industry that F&I can comprise approximately 50% of a dealership's gross profit. However, F&I is the one area of the dealership experience that hasn't changed in years and is also responsible for the majority of the customer frustration and dissatisfaction with the buying process. Customers hate feeling upsold at the end of a lengthy buying process, which is when most F&I selling happens. While these warranty and protection plans do have value, the last-minute additional expense and the perception of high-pressure sales tactics reduces attachment rates and causes cancellations and chargebacks.

When coupled with effective online F&I merchandising, conversational AI can also help reinvent the F&I experience. During the shopping journey, AI can be leveraged to step in and answer plan questions or provide additional recommendations to shoppers, using contextual clues to present value-added products at relevant points. For example, a prospective buyer in Minneapolis who's looking at an SUV and spending a lot of time reading about the all-weather package might be a great candidate for dent and ding insurance. Digital F&I merchandising can educate the shopper at the most relevant moment: while they're shopping and when they're considering vehicle makes, models and options. Additionally, the AI can present relevant F&I product options based on shopper data and demonstrated interests when confirming the purchase and coordinating pick-up via email. The customer is already educated about F&I options and has demonstrated their specific needs. Conversely, the F&I manager will be informed in advance of the customer's interests and can personalize their approach.

Increasing Value Over Time

The benefits of a seamless, personalized experience across the shopper journey begin to compound almost immediately. The powerful behavioral data dealerships gather from every shopper and customer enables them to better understand and serve subsequent consumers, while generating opportunities to secure additional revenue from each buyer. Service visits, aftermarket accessories, and trade-in conversations can also benefit from automated, personalized communications and intelligent activations.

Over time, a relentless focus on engagement through digital merchandising and personalized automation across the entirety of the consumer lifecycle helps dealerships drive revenue and increase loyalty. In essence this approach creates a "virtuous selling cycle." Digital merchandising and marketing tools that increase engagement provide valuable first-party behavioral shopper data, which dealerships can funnel through AI personalization engines and digital channels to drive more personalized and "intelligent" applications at every touchpoint. In turn, this improved experience generates even more insightful granular and aggregate first-hand shopper intelligence, conversions and sales. It's a cycle of continuous optimization and improvement.

AI personalization + digital merchandising will drive more personalized and "intelligent" applications at every touchpoint.

What's Your Next Move?

Given the significant operational and business benefits of AI, it's no surprise that the field is rapidly expanding. It is critical that dealers treat this decision as a long-term, strategic investment versus a short-term fix or quick solve. The solution dealers implement will have a direct impact on business results - and affect the way they attract, engage, convert and retain shoppers and customers for years to come.

What vehicle retailers shouldn't do is sit on the sidelines while competitors and digital-only retailers adopt AI solutions. By enhancing the shopper journey with conversational AI, dealers can create a connected omnichannel experience that optimizes engagement, significantly improves efficiency and drives long-term revenue and profit.

The upshot: dealers can choose to use last-generation auto-responder technology or take advantage of the most advanced conversational AI technology available to transform dealership effectiveness and productivity. Start today.

Enhance the shopper journey with conversational AI

About Impel

Impel offers the leading digital engagement platform for automotive dealers, wholesalers, OEMs and marketplaces. The company's end-to-end product suite leverages proprietary shopper behavioral data and AI technology to deliver hyper-personalized experiences at every touchpoint across the entire customer journey. Impel's always-on omnichannel solution enables vehicle retailers of every type and size to drive better business outcomes. To date, the company has delivered more than 2 billion shopper interactions in 50 countries around the world. To learn more about Impel or inquire about the details of this whitepaper, please visit Impel.io.

Impel