

CDK GLOBAL[®]

What Automotive Dealers Think About Artificial Intelligence

SURVEY 2023

CONNECTIONS THAT MOVE YOU

Digital Sales / CRM / F&I / Fixed Operations / DMS / IT Solutions / Intelligence

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Overview

If you're looking to increase efficiency and profitability while remaining competitive, you've come to the right place. As you may know, **Artificial Intelligence (AI)** is rapidly changing the automotive landscape. This advanced technology is driving our industry forward. Data is fueling the next generation of software tools. As a result, we're seeing a greater advantage to dealerships implementing **AI** and its range of technologies like **Machine Learning (ML)** and **Natural Language Processing (NLP)** in their day-to-day operations.

76%

of dealers believe that AI has positively impacted their business as an integral part of their operations

To help identify how and why AI is an invaluable investment to any size dealership, CDK Global conducted a national marketing research study. Our survey results give us an **inside view of dealers' thoughts and experiences with AI**, including how familiar they are with it, whether they're using it, how it's benefiting their business, and what challenges they believe it can solve. We'll also share how their opinions have evolved from our 2021 AI Survey. We aim to provide dealerships with key insights to consider when evaluating AI technology.



ABOUT THIS SURVEY

CDK Global Research surveyed 230 executives and department heads of automotive dealerships in North America. The majority of respondents consider themselves to be early adopters or an early majority when it comes to adopting new technologies.

The survey was conducted in March 2023 with a mix of roles, regions, departments, and sales volumes. 51% of respondents have been in the dealership business for more than 20 years.

The goal of the survey was to understand how dealers think about Artificial Intelligence in the context of the Automotive Retail industry, and how their thoughts and experiences have evolved from CDK Global's 2021 AI Survey.

What Is Artificial Intelligence?

Artificial Intelligence is a technology that mimics the way people use their brains to reason and make decisions. **Machine Learning (ML)** and **Natural Language Processing (NLP)** are both derivative technologies of AI.

ML algorithms learn from existing data and apply this knowledge to new data to make better predictions that aid in solving problems and finding opportunities. NLP enables computers to understand text and spoken words in similar ways to humans.



HERE'S A SIMPLE EXAMPLE OF HOW AI WORKS:

One of the ways Amazon uses ML is to make product recommendations. Their ML algorithm considers your past choices in products or services, the styles you like and what consumers with similar tastes to yours were purchasing.

You can imagine how important this product recommendation algorithm is to Amazon in helping them learn more about their customers, provide personalized experiences, and, most importantly, maintain low churn and high customer retention.

“AI technology does not replace human personalization; it helps create more efficient and productive operations to ultimately enhance human connection.”

How Is AI Used in Automotive Retail?

Some of the most productive areas for AI in automotive retail include improving sales and marketing efforts, helping with pricing decisions, targeting customers through propensity to buy, making product recommendations, forecasting inventory and predicting service failures.

Specifically, in our 2023 AI Survey, dealers shared that **AI has positively impacted converting Sales leads, booking regularly scheduled service appointments, acquiring and managing inventory, and providing Service and Parts updates.**



Key Findings of Our Survey

The automotive industry has seen significant movement in productizing AI over the last two years. As it turns out, more Dealers are familiar with AI and are already using it to optimize performance. So, what does that mean for your dealership? Keeping up with these technological advances is essential to staying competitive in today's market.



Positive Impact from AI

76% of dealers using AI report having already felt a positive impact.



Predict High AI Adoption

60% of dealers who plan to use AI anticipate positive outcomes.



Need More Education on AI

41% of dealers consider themselves either 'very' or 'extremely' familiar with AI. Only 10% say they're 'not at all familiar'.



AI in the Dealership

Sales and F&I features with the highest level of interest include: 37% Propensity to Buy and 36% Suggested Vehicle Fixed Ops. Features with the highest level of interest include: 44% AI Virtual Assistants.

AI Is Making Traction

2021 Key Results

68%

of dealers using AI report having already felt a positive impact

56%

of dealers who plan to use AI, anticipate positive outcomes

25%

of dealer respondents don't know how AI can be used at the dealership

Top Challenges for Dealers 2021 vs 2023

We asked survey respondents which challenges they have the most difficulty managing. Dealers have the most difficulty managing **employee and skill shortages**. **Managing employee burnout** was another top concern, according to 36% of the dealers surveyed.

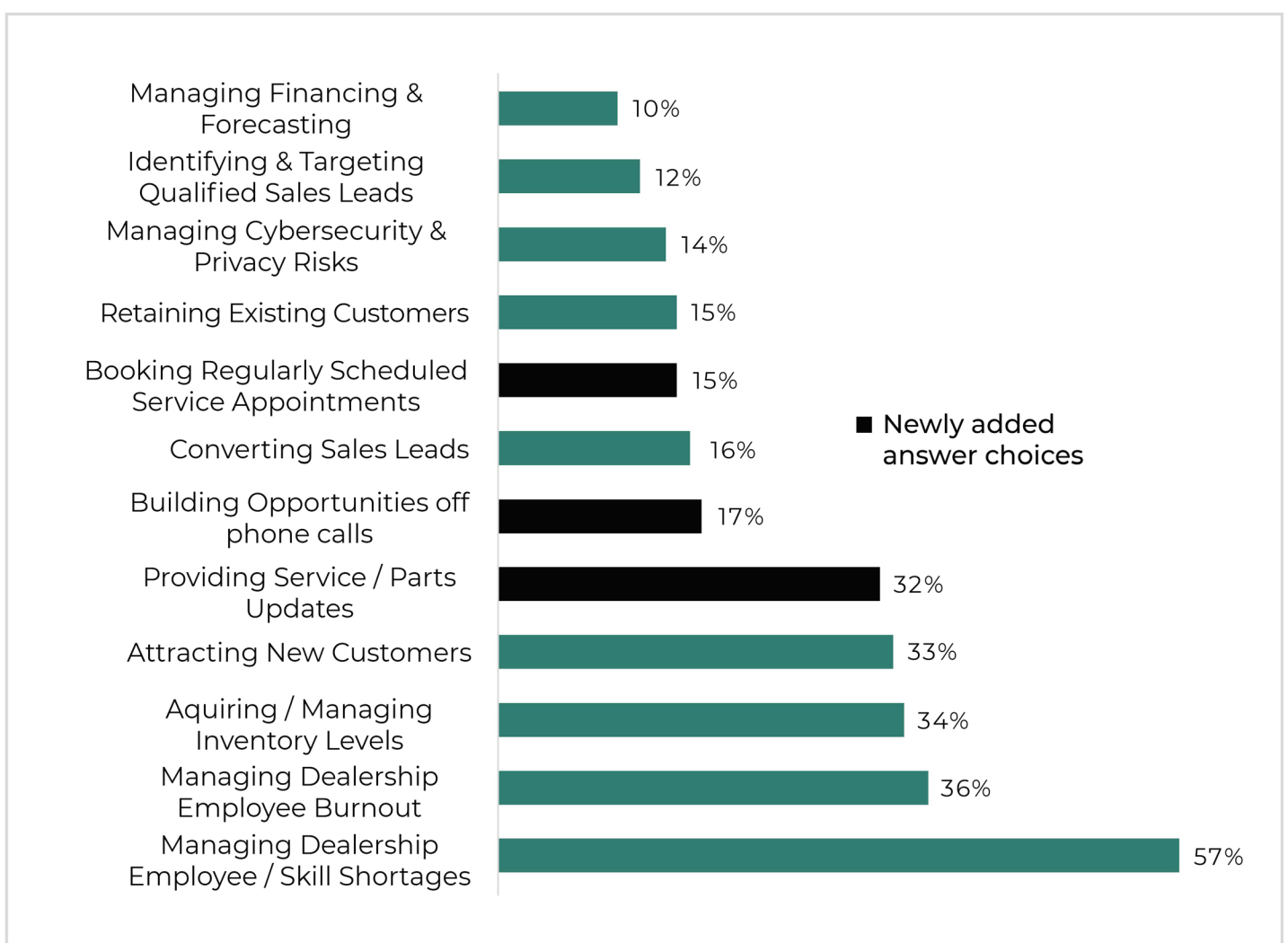
Other Areas of Concerns Among Dealers

- ✓ 32% Providing Service/Parts Updates
- ✓ 17% Building Opportunities Off Phone Calls
- ✓ 15% Booking Regularly Scheduled Service Appointments

Breakdown by Department:

- ✓ 54% Fixed Ops team members are primarily concerned with providing Service and Parts updates
- ✓ 49% of Sales and F&I leadership are primarily concerned with managing inventory levels; 44% were concerned with converting Sales leads

Top Challenges for 2023:



While these results provide valuable insights, they should be interpreted with the understanding that respondents were required to choose their top three concerns.

Three Dealer Challenges Solvable With AI

1 | Resolving Employment Challenges

AI technology can optimize employee skillsets and automate tasks, enabling dealerships to work more efficiently and effectively. For example, it can identify qualified sales leads, build targeted marketing messages, and proactively convert prospects. It can also help team members improve their skills and provide better customer service. Embracing AI technology and hiring skilled individuals can help dealerships stay competitive and overcome employee turnover.

2 | Acquiring and Managing Inventory Levels

The automotive industry is undergoing major changes, creating an ever-growing problem of available and on-time inventory. New consumer expectations, emerging business models, growing competition, and evolving vehicle technologies make different inventory requirements and pressure parts inventory management, sales, and F&I leaders.

The variability in inventory can dramatically change the purchase experience. AI-powered solutions that forecast inventory demand and proactively calculate needs by surveying the market for desired vehicles can boost in-dealership and online sales by driving purposeful interactions.

3 | Attracting New Customers

In the competitive automotive retail landscape, dealers strive to find creative ways to attract new customers. Data and customer profiles can be used in AI solutions to target new customers and improve marketing efforts and ROI. It can also be used to identify in-stock vehicles and estimate new payments to send your prospect a more tailored, timely and relevant message while minimizing "over-marketing" that tends to harm your business relationships. In addition, solutions that use NLP allow you to respond more appropriately to customers calling the dealership, leading to more Sales and Service appointments.

Fixed Ops Employees Want Customer-Centric Solutions

Third-party repair shops are taking over the market, causing dealers to rethink how to differentiate their customers' experiences. We know that trust plays a key role in retaining and winning back customers for Service. With the right mix of AI technology and customer-focused strategies, dealers can provide more proactive and personalized service that leads to higher customer satisfaction and loyalty.

Across all touchpoints of a dealership's Fixed Ops department, AI has a positive impact. From **expediting the Service scheduling process** and gauging customer concerns or needs through NLP to **proactively predicting service failures**, AI has the potential to help dealers increase revenue and customer satisfaction while saving time and money.



Fixed Ops Leaders Share Most Valuable Usage of AI

Across Parts, Service and Executive leadership, survey respondents recognized the highest value in following features:

✓ **AI Virtual Assistant:**
Automates assistance in scheduling appointments and handling customer calls while gauging customer sentiment through ML and NLP

✓ **Service Retention Monitor:**
Identifies customers who are likely to and not likely to return to the dealership for service, helping build Service provider-consumer transparency and trust

✓ **Predictive Service:**
Recommends additional inspections based on vehicle model and condition to proactively identify service failures, helping to build Tech expertise and customer trust

✓ **Parts Inventory Predictor:**
Recommends appropriate stocking levels for parts by estimating demand and forecasting inventory needs

****Fixed Ops feature questions were asked to the following areas at the dealership: *Parts, Service and Executive Leadership***



Sales and F&I Employees Want Help Selling

Due to current supply and demand challenges, many dealers are looking for ways to streamline expenses and increase revenue while maintaining conservative inventory levels. This means having more qualified sales leads, the ability to **forecast expected sales by vehicle**, and more **insight into added accessory or bundle opportunities**. AI can help dealerships better understand which inventory to stock so they can act proactively versus reactively.

For example, an AI-powered lead generator tightly integrated with your CRM can identify and qualify customers more likely to purchase a vehicle and suggest a specific vehicle for that lead, along with actions to take when selling that vehicle based on the customer's profile.

“It helps my team be proactive with clients: Knowing their needs before they do and allowing us to provide an effortless ownership experience.”

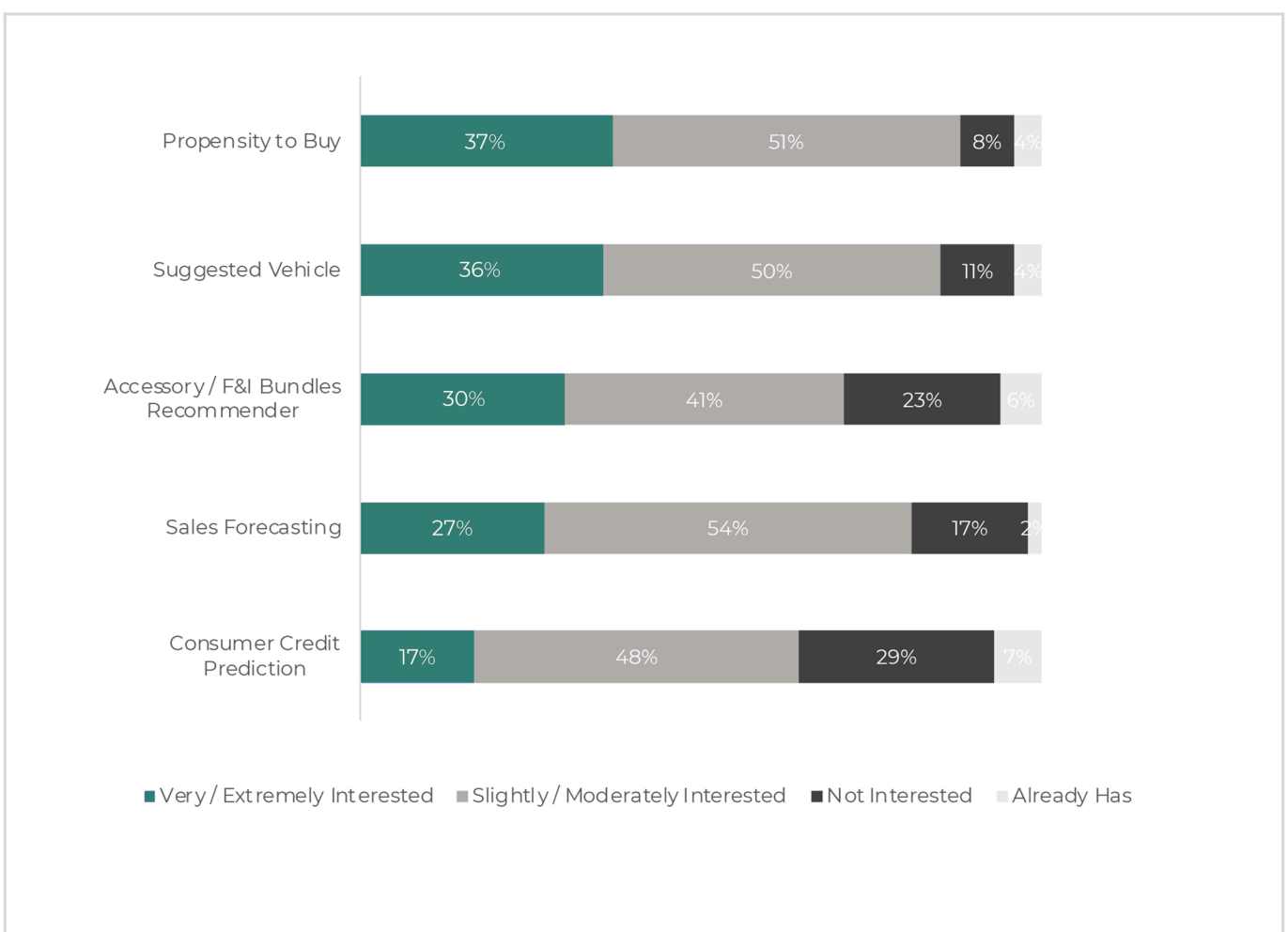
> GENERAL MANAGER

AI also helps dealers optimize their inventory based on market trends. As a result, customers have a better buying experience because the dealership has the cars available when they want them.

Most Valuable Usage of AI for the Sales and F&I Departments

Across Parts, Service and Executive Leadership survey respondents recognized the highest value in the following features:

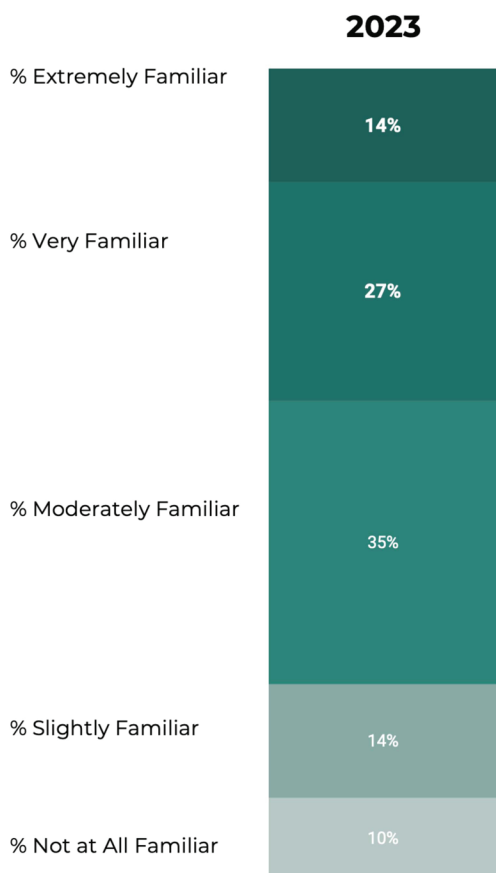
- ✓ **Propensity to Buy:** Predicts buyer's likelihood to purchase a vehicle based on CRM profile
- ✓ **Accessory / F&I Bundles Recommender:** Recommends accessory and F&I product bundles for specific customers
- ✓ **Suggested Vehicle:** Suggests specific vehicles for qualified leads and recommends actions to take to sell a car
- ✓ **Sales Forecasting:** Forecasts expected sales by vehicle type to maintain performance levels
- ✓ **Consumer Credit Prediction:** Predicts the outcome of a credit check for a potential buyer



Many Dealers Are Already Using AI

We found that **76%** of responding dealers are familiar with AI, with 41% feeling that they are either extremely or very familiar with the topic.

Moreover, **76%** of all respondents have already implemented one or more AI-based applications in their dealership or plan to do so within the next **three years** — a 18% increase from 2021.



Breakdown by Department

AI Familiarity	Yes	No
Marketing	60%	5%
BDC	44%	13%
Sales	44%	22%
Service	36%	18%
Accounting	25%	46%
Parts	17%	48%

When asked:

'Has your dealership ever considered incorporating Artificial Intelligence (AI) solutions into its operations?'

23% said 'yes'
 29% said 'no'
 48% said 'I'm not sure'

Dealers Are Optimistic of AI Benefits



Dealers agree that AI has had a positive impact on their business

With an 11% increase in “strongly agree” segment from 2021

Dealerships Currently Using AI

Overall, dealers are very optimistic that AI has or will positively impact their business.

- ✓ 67% of Dealer Leadership using AI said converting sales leads was the main benefit

Dealerships Not Using AI Yet

- ✓ 71% of those working in Fixed Ops foresee booking regularly scheduled service appointments as the leading benefit
- ✓ 52% of those working in Sales and F&I foresee managing dealership employees as the leading benefit

How Dealers Are Using AI

“To determine future service needs of customer vehicles”

> FIXED OPS MANAGER

“We use AI to communicate to leads that have become unresponsive, contacting lost service customers, and we target various lists depending upon the circumstances.”

> DEALER PRINCIPAL

“An AI-customer database that targets our customers with content based on where they are in the buying cycle.”

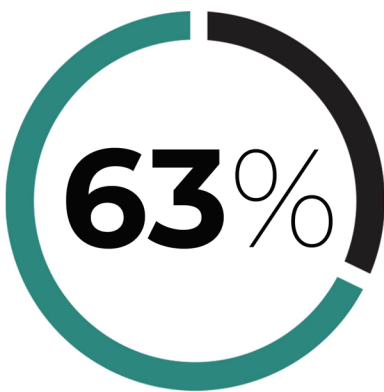
> SALES MANAGER

“Predictive assumptions of customer buying patterns and reservations. Anticipation of market swings based on real-time data.”

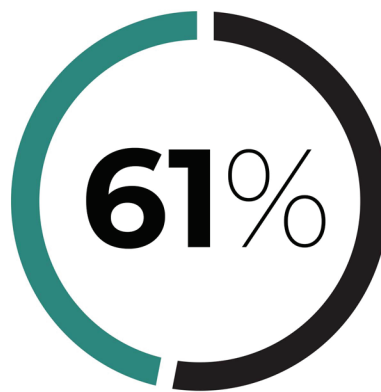
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AI Investments Prove Valuable to Dealers

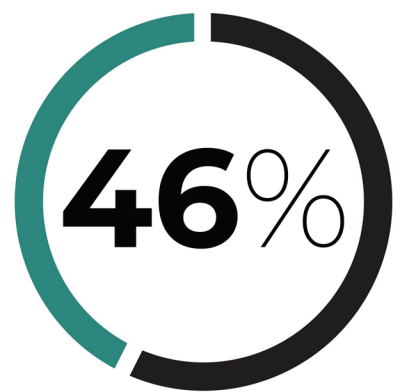
Which Departments Do Dealers Think Would Benefit Most From AI?



Service Department



Sales Department



Marketing & Advertising

The **top three departments** dealers believe would benefit the most from AI are **Service, Sales** and **Marketing/Advertising**.

- **41%** are using AI to assist them in identifying and targeting qualified Sales leads

Dealers Using AI Share AI-Derived Benefits:

- **21%** Assistance building opportunities from phone calls
- **18%** Acquiring and managing inventory through forecasting supply and demand
- **13%** Providing Service and Parts updates

AI technologies provide significant and measurable benefits across many industries – the automotive industry is no exception. However, it's impertinent employers stay current with modern technologies. **"AI is not going to take your job. Someone who understands AI might take your job. Get good at it."**

- Professor Scott Galloway, NYU University

Dealers Not Currently Using AI Are Excited About the Possibilities

How Do You Plan To Use AI at Your Dealership?



Booking regularly scheduled Service appointments



Providing Service and Parts updates



Converting Sales leads



Retaining existing customers



Identifying and targeting qualified Sales leads



Managing dealership employee/skill shortage



Top Three Dealer Concerns With Implementing AI

1

Not getting return on investment (ROI)

Survey respondents from both 2021 and 2023 shared the same primary concerns that must be considered before introducing AI into the dealership. Those top three concerns are not getting a good ROI, difficulties in setup and training, and employee resistance to change.

AI Is Meant to Enhance Human Connection

Unsurprisingly, the loss of a personal touch and human connection was the most commonly shared concern in our open-ended question. This misconception most likely stems from a lack of understanding about how AI works and should be used.

Ultimately, AI is not meant to replace human connection, as it's our most valuable asset.

2

Difficulties in setup and training costs

For example, AI helps identify your customer's needs, sometimes even before they know what they're looking for, and then correctly leads them to the best department. Once the customer reaches your department, the discovery process has already taken place. Now, you can have a productive conversation with your customer and complete the service on time.

In other situations, AI helps:

- Enhance operations by giving employees insight into otherwise unpredicted outcomes
- Predicts service-related outcomes when considering real-time and historical situations to improve provider-consumer transparency and productivity

*"The loss of **personal touch communication.**"*

- Parts Manager

3

Employee resistance to change



Next Steps

Step 1

Consider AI To Attract and Retain Customers

To bring in an initial positive ROI, dealers should look at AI as a tool to assist the Sales department in finding qualified opportunities, and the Service department in retaining existing customers.

Step 2

Consider AI To Address Employee and Skill Shortages

To solve staffing challenges and help employees become experts faster, dealers should consider solutions that use data and ML to simplify resource-intensive tasks and augment employee skills.

Step 3

Leverage Data Insights

Dealers must keep in mind that data is the fuel for any AI initiative. Consider a solution that provides the right combination of data, analytics and AI, to provide the insights needed to solve problems and identify opportunities.

About This Study

For the second year, CDK Global presents our survey on the state of AI in the automotive industry. This survey is part of our ongoing commitment to deliver valuable insights to our customers, stakeholders and the industry at large.

In this study, you'll find comprehensive results and analysis derived from our 2023 survey. Join us in exploring the current landscape of the automotive retail industry through the lens of automotive professionals, as we continue our dedication to impactful research.



Emily Hernandez

Product Marketer

As the Product Marketer for the CDK Data and Intelligence portfolio of modern software technology, Emily orchestrates go-to-market strategies for automotive retail products infused with components of data science and artificial intelligence. Her recent work reveals where data science is fueling the automotive industry and key insights to consider when evaluating AI technology.



Maya Kassis

Study Lead Researcher

Maya Kassis is a Market Research Analyst at CDK Global. After initially joining CDK as a Market Research intern, she returned and began her career as an Analyst. She completed her undergraduate studies at the Questrom School of Business at Boston University, concentrating in Marketing and Global Business. At CDK, Maya has conducted several research studies for topics such as Women in Automotive and Artificial Intelligence that have provided key insights and guided decision-makers in the automotive industry.



About CDK Global

CDK Global is a pioneer in automotive retail, providing end-to-end, omnichannel retail commerce solutions to our partners in the automotive and heavy truck industries.

We are a leading provider of integrated data and open, agnostic technology to nearly 15,000 retail locations in North America. By connecting people with technology, CDK solutions integrate all parts of the dealership and customer relationship.

For more than 50 years, CDK has been empowering dealers and OEMs with the tools and technology they need to build deeper relationships with customers.

To learn about how we're using AI to help our customers, visit us at neuron.ai

RESOURCES:

NADA Dealership Workforce Study
McKinsey Analytics Global AI Survey

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Learn more at CDKGlobal.com