

AI's potential to transform auto retail is powerful

Artificial intelligence is no longer a futuristic concept in auto retailing — it's a present-day game-changer poised to reshape how dealerships interact with customers and drive operational effectiveness.

A burst of investment into AI by entrepreneurs, venture capitalists and dealership technology companies over the past few years has resulted in a plethora of new tools available to help dealerships complete a wide variety of tasks such as processing warranty claims, answering customer phone calls and managing inventory levels. AI technology seems to be everywhere in automotive retail, and it's more affordable and easier to use than ever before.

"Maybe we're all sick of hearing about AI, but you better get over that — artificial intelligence underpins the most transformational technology we at Presidio have seen in decades," said Brodie Cobb, CEO of The Presidio Group. "The potential for change is comparable with life before the Internet and life with the Internet."

Rich Sands, CEO of STELLA Automotive AI, calls the pace of change spurred by AI "Olympic in its velocity." He counts AI as one of four mega technologies triggering colossal shifts in auto retailing in the last 25 years. The others? The Internet, mobile phones and cloud computing.

"It's amazing to see," said Sands, who oversees STELLA's AI assistant offerings. "Our team and other AI companies



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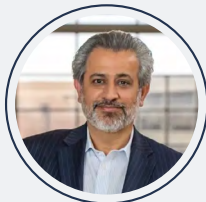
out there are producing more and better technology and features than we've ever seen before."

The increasing accessibility of that technology as the cost of AI drops is one of the more striking developments in auto retail in recent years. Where implementing AI was once a multimillion-dollar endeavor reserved for tech giants, dealerships can now integrate cutting-edge technologies at a fraction of the cost.

Even though software expense for dealers is dropping, revenue connected to automotive AI tools is soaring. According to CDK Global's AI in Automotive: Insights and Innovation Survey 2024 released last November, the automotive AI market is expected to grow to \$7 billion by 2027, up from \$2.3 billion in 2022. If revenue hits the 2027 projection, it will mean a 24.1% compound annual growth rate over that time span.

Jason Bickford, vice president of sales and operations for Bickford Ford in Snohomish, Wash., told *Automotive News* last fall that his dealership has embraced AI for help with tasks such as writing better letters to sales customers and gauging customer sentiment. He acknowledged there are things the technology is not quite ready for yet but added that the AI models are improving.

"It's a really strong tool of support and helps you to do your job faster and better and be more thoughtful with it," Bickford told *Automotive News*. "We just look at it as a big



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— Sidney Haider, senior vice president of corporate development and M&A at Reynolds and Reynolds

time-saver and support to get the job done.”

Automotive retail is particularly ripe for AI-driven transformation, experts say. Repetitive customer interactions that have traditionally depended on human intuition and manual processes can now be enhanced by predictive analytics, automated processes and personalized engagement strategies. Machine learning algorithms can analyze customer data, predict purchasing behaviors and create tailored marketing approaches that feel uniquely personal.

In the service department, AI has the potential to drive increased revenue and customer appointments. Predictive maintenance tools can anticipate vehicle problems before they become critical, enabling dealerships to proactively schedule maintenance work and reduce future breakdowns. The technology also can analyze vast amounts of vehicle data and identify patterns that human technicians might miss.

Inventory management represents another frontier. Advanced algorithms can predict market trends, analyze local demand patterns and come up with the best pricing strategies for current conditions. That means dealerships can make more informed inventory acquisition decisions, reduce vehicle time on their lots and maximize sales price and profit margins.

Technology is even emerging where AI systems learn from themselves by running continual self-assessments to finetune their programming and improve performance in real time. That effort is still in the early stages. As more data is gathered, the power of AI tools will grow geometrically.

“The more data it processes, it starts to get smarter and smarter,” said Sidney Haider, senior vice president of corporate development and mergers and acquisitions at retail tech giant Reynolds and Reynolds Company. That self-improvement feature will lead to AI programs becoming “smarter than humans in a lot of cases.”

Auto retail’s AI revolution is backed by massive capital investment. Scores of companies have raised billions of dollars to develop tools, and money continues to flow in.

But implementation of AI products has its challenges. Dealerships must carefully navigate data privacy concerns, manage initial implementation costs and address potential workforce disruption. Training and education for store staff is critical, experts said — the most successful will be those who view AI as a collaborative tool, not a replacement for human expertise.

THE POTENTIAL OF AI

Dealers and retail technology experts are enthusiastic about the potentially transformational power that artificial intelligence innovation has for auto retailing. A CDK Global survey on AI use in dealerships released in November 2024 concluded:

- The automotive AI market is expected to grow to **\$7 billion** by 2027, a **24.1%** compound annual growth rate going back to 2022
- **68%** of dealership respondents using AI said the technology has positively impacted their operations
- **AI benefits** included helping them achieve financial objectives, enhancing the customer experience and improving internal workflows
- **40%** said they are familiar with AI tools
- **28%** said they already use some AI technology in their dealerships
- **27%** said they plan to adopt AI within the next year



Source: CDK AI in Automotive: Insights and Innovations Survey 2024

At Reynolds, Haider is part of a team looking for tech startups to tap into that complement the company’s own product efforts, which are supported by an 800-person team of developers.

“Long term, AI is going to be in almost every solution to increase efficiency,” he said. “For the first time, we can see the light at the end of the tunnel.”

Reynolds has made AI-related investments in such companies as STELLA, Sheeva.AI and Skaivision and is open to acquisitions in the AI space, Haider said. His team is working with about a dozen companies now and will consider partnering with more if their technology seems like a good fit.

It’s a snapshot of the intense focus that retail tech companies big and small are placing on AI. And it’s early days yet.

Simply put, AI will be “one of the most transformative technologies in our lifetimes, if not the most,” Cobb said. “It will have huge, profound impacts on the automotive retail ecosystem.”

DEALERSHIP TECH SPOTLIGHT

Presidio highlights technology companies adding value to the auto retail ecosystem via products that improve the customer experience, drive revenue, increase efficiency and/or enhance profitability. This quarter we take a look at dealerships' use of technology to create an auto insurance profit stream.



AutoComplete, a startup founded by proven entrepreneur Ahmed Khaishgi in late 2021, is tackling the nearly \$400 billion U.S. vehicle insurance market with the aim to streamline the insurance process for dealerships and consumers.

AutoComplete's technology is integrated with dealership management systems and can be switched on at the store level in moments. The fully digital experience automatically gives consumers a quote with no salesperson involvement, and dealers get paid either a referral fee or a share of insurance commissions, creating a new insurance profit stream.

"Every dealer has tried insurance before us," Khaishgi said, "but prior solutions were super-duper complex, requiring agents in-store, or car salespeople having to pitch insurance. Dealers want an extremely simple solution that requires no work for them."

Three out of four car buyers lower their insurance cost when AutoComplete pulls a customer's existing insurance details and vehicle information to price shop policies among 20-plus major providers. Consumers can save between \$750 and \$1,100 annually, according to a 2024 survey of car buyers who received AutoComplete quotes or switched providers via the platform. Thousands of customers have given AutoComplete five stars on Trustpilot, making it the review site's top-rated insurance agency.

More than 50 of the country's largest dealership groups are clients. AutoComplete's rooftop count grew 400% in 2024 to 1,000-plus stores, said Khaishgi, who is targeting a store count of 5,000-plus dealerships within two years. "It's a no-brainer for dealers," he said. "They get a brand-new large passive profit stream, there are no costs or implementation work, and it saves the customer money."

Serra Automotive launched AutoComplete at two locations in Illinois in August 2022 and has expanded it into three other states. Serra CFO Mark Borkowicz called the program easy to use, with the onboarding process only taking a minute and no need for store-level employees to do anything.

"AutoComplete has been great for our dealership group, helping our profitability," Borkowicz said. "The ease of use is amazingly simple. The onboarding process takes about a minute, and the store-level employees do not need to do anything. The AutoComplete team does all the work."

Serra has even invested in AutoComplete, as have several other retailers, including CarMax, Del Grande Dealer Group, AutoNation, Butler Automotive Group, Flow Automotive Group, Ken Garff Automotive Group and Pohanka Automotive Group. Consumers buying insurance through AutoComplete gave dealers much higher customer satisfaction scores — 24 percentage points better at the highest rating level — in a survey conducted in late 2024 and early 2025.

Khaishgi, who previously founded successful startup SquareTrade, which was acquired by insurance giant Allstate for \$1.4 billion, saw a significant opportunity in the fragmented auto insurance landscape by concentrating efforts in the dealership channel. "For a dealer, there's no training," he said. "It's not another product that the salespeople have to try to sell."

RECENT AUTO TECH TRANSACTIONS

Investments, acquisitions focus on logistics, commercial vehicles and AI services



February 2025: Self Inspection, a vehicle inspection platform provider, raised a **\$2.9 million** seed round to expand its engineering team and accelerate product development. DVx Ventures, Costanoa Ventures and Westlake invested in the round.



March 2025: J.D. Power, an automotive data, analytics and software company, acquired Superior Integrated Auctions, a cloud-based digital wholesaling platform, for an undisclosed amount to strengthen and streamline J.D. Power’s used-vehicle inventory management offerings.



March 2025: Work Truck Solutions, a commercial vehicle software platform, sold a majority stake to **Rubicon Technology Partners**, a private equity firm focused on growing software companies, for an undisclosed amount. Rubicon’s investment is intended to better position Work Truck Solutions to accelerate its product initiatives and further scale its business.



March 2025: Pinewood Technologies Group, a United Kingdom-based dealership management system provider partially owned by Lithia Motors, acquired Seez, an artificial intelligence-powered marketing and virtual assistance platform, for **\$42 million** to improve its own AI platform and better position its expansion into the North American dealership market.



March 2025: Carpool Logistics, an automotive logistics company, raised **\$12 million** in a Series A round of funding to accelerate its growth and enhance its technology and product development. The round was led by Wavecrest with participation from CarMax.



March 2025: Fleetio, a fleet management platform, raised **\$450 million** in a Series D round of funding with investments coming from Elephant Partners and Goldman Sachs Asset Management. A portion of the proceeds was used to acquire Auto Integrate, a maintenance authorization platform, for an undisclosed amount.

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