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Automation and the Future of Automotive Retail

By Mike Barrington, SVP of Ecommerce at Cox Automotive

As consumer comfort with online car buying accelerates and retailers drive for more efficient operations, digital retailing solutions are being embraced. Innovation within financing and titling, critical enablers of the digital car buying experience, began more than 20 years ago. Predictive models evolved that help lenders set parameters that facilitate improved loan decisioning. The creation of lender networks allowed online credit applications to displace the trusted fax improving response times and processing accuracy. And now, automation of financing and titling is allowing retailers to shift resources to high value profitable activities.

There is an adage that the past predicts the future. Financing advancements and automation we have seen from other industries are here to stay in automotive. Let's explore how that automation works and what's next on the horizon.

Building a frictionless, consumer-focused purchase experience

A well-constructed, thoughtful automotive ecommerce site should guide the consumer smoothly through the shopping and purchasing process, helping them to zero in on what they want to buy while facilitating how they want to buy. Search defaults should lead the consumer to what they are looking for and suggest rules-based recommendations about options and alternative vehicles.

A fully automated car buying experience should allow for credit pre-qualification based on minimal input so the consumer can confidently view – and adjust – personalized rates, reliable payment details, and aftermarket offerings specific to their needs and vehicle choices.

Improving efficiency and profitability

For retailers, fully automated ecommerce expedites transactions from first contact to vehicle delivery by adding speed, accuracy, and compliance to the most time-consuming parts of each deal.

So, how do automation and AI create efficiencies in the sales process? It all starts with training machine learning models with datasets that retailers already have, including deal records and consumer data. These models can then be used to predict interest rates that have a high likelihood of consumer acceptance while maximizing dealer profitability and deal liquidity. AI models can also determine the right aftermarket products based on vehicle details, deal structure and geo-specific data, which helps increase aftermarket product attachment and profitability.

Advanced technology speeds F&I functions by eliminating time-consuming labor from activities required to complete the deal. This is where long-standing lender automations make new connections with retailer automations. Using only a soft credit pull, artificial intelligence predicts a profitable rate – specific to the consumer, vehicle, and deal structure – that a lender is likely to purchase. Along with the personalized deal structure, this streamlines the F&I process by ensuring the highest probability of approval while optimizing the retailer's profit, and it helps finalize the deal without the need for retailer or lender intervention.

Automated fraud preventive safeguards such as multifactor authentication and facial recognition help ensure the identity and validity of the consumer buying the car. Once the contract signing process is complete, an automated ecommerce solution can submit a complete and accurate contract package that is ready for funding.

What's next?

Although the adoption of individual digital retailing solutions unlocked some consumer benefits and improved dealer efficiencies, it did not fundamentally change the underlying deal process. But automation via AI and machine learning represents a complete transformation encompassing shifts in technology, mindset, behavior, and expectations. It broadens retailers' geographic reach and boosts profit opportunities with increased personalization and greater likelihood of sales success.

Choosing your long-term technology partner

Scaling your business with solutions designed to meet the demands of the marketplace, now and into the future, requires the right partner. Cox Automotive has a portfolio of unparalleled solutions across the industry's retail, wholesale, operations and mobility ecosystem, creating a space where buyers, sellers, lenders, OEMs, and emerging technology companies come together and add value and drive better business outcomes. Together, our brands provide a comprehensive set of products and services that simplify workflows, remove friction and enable the smart, connected experience dealers, lenders, OEMs, mobility providers and consumers expect.

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