Rethinking your Vehicle Acquisition Strategy with Artificial Intelligence

From more reliable inventory sourcing to enhanced car-buying operations, unlocking the full potential of AI enables greater efficiency, stronger business results, and a sustained competitive advantage.

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Introduction: Bridging the Inventory Divide

From the lingering effects of the pandemic to the continued disruptions to global supply chains, the unpredictable market conditions of the automotive sector have cast a shadow on dealers. With the economic environment encouraging people to hang onto their cars for longer or even pushing them out of the new car market altogether, dealers face increased pressure to build on-demand inventory and adapt their sourcing strategies accordingly. To stay relevant and thrive, dealers must become more versatile, efficient, and proactive.

Market dynamics are unpredictable and continue to change significantly. As prices continue rising sharply across the board, cars that historically were considered mid-range are now edging into luxury vehicle territory. On the other hand, demand for smaller and cheaper used cars continues to grow as purchasing power declines.

On the upside, this means there's been a significant rise of owners either wanting to downsize their vehicles or obtain a better vehicle with a compelling part exchange offer. In the UK, the market is still in recovery mode. While there was an 18% increase[2] in new vehicle registrations in 2023, the transport and logistics sectors were responsible for most of this growth. With so many factors out of their direct control, dealers are putting more emphasis on processes and operational efficiency to get ahead.

Opportunities exist far earlier than how dealers go about selling cars. Many are rethinking how to source them more effectively and efficiently in the first place. With more owners seeking to trade in or sell their vehicles outright, the demand is certainly there, but the operational capacity to capture it is lacking in many dealers – even those with a dedicated inventory acquisition operation. Dealers that lack a dedicated business unit still need to source inventory locally. However, car-buying leads and valuation requests often fall to the bottom of the list of priorities, with front-end sales taking up almost all the attention. This inefficient approach is simply not sustainable in periods of economic uncertainty.

Fortunately, artificial intelligence (AI) presents a proven solution with the potential to intelligently automate inventory acquisition at scale while delivering an enhanced customer experience.

A study by Accenture found that 92% of automotive dealers believe customer experience will play a vital role in future growth[3]. Moreover, almost half of customers surveyed said they would switch to a new dealer if it delivered a better customer experience. However, many dealers still prioritise unit sales over everything else, often overlooking the broader spectrum of the car ownership lifecycle, including inventory sourcing and even service. This narrow focus can diminish the overall customer experience,

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Meeting the Demands of Today's Customers

leading to missed opportunities in reliably securing inventory through an optimised car buying process. Recognising the importance of every customer touchpoint, especially in inventory sourcing, is crucial for dealers aiming to capitalise on these opportunities and foster long-term customer relationships.

Expectations vs. Reality: How Traditional Inventory Acquisition Approaches Fall Short
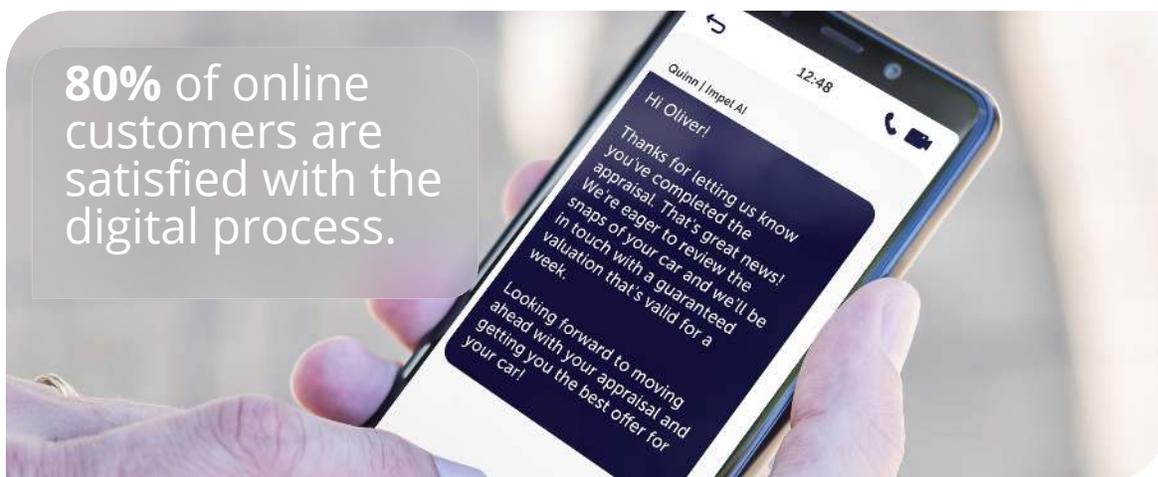
Automotive customers expect a level of service akin to what they've grown accustomed to in retail, characterised by instant responses, always-on services, detailed information, and fast resolution. These expectations are often even greater in car buying, where the time-sensitive nature of many car buying leads intensifies the demand for efficiency.

Customers seeking the part exchange value of their vehicles expect quicker response times than ever before and are rarely willing to wait several days for an answer. However, not all inquiries are from customers ready to sell; distinguishing between 'tyre kickers' who are merely curious about their car's worth and serious sellers is a significant challenge. With employees occupied spending time responding to routine queries and chasing low-intent leads, it can be close to impossible to deliver the rapid, personalised responses that customers want.

Other dealer inventory acquisition teams rely heavily on in-person valuations and appraisals. These are still important, and it is vital that dealers have the staff on hand to deliver. However, it should not come at the expense of the automated, digital-first experience that many customers expect today. An increasing majority of car owners prefer using online channels to facilitate valuations and part exchanges, with one study finding that 80% of online customers are satisfied with the digital process.[4] The same study found that, in contrast, only 57% were satisfied with in-person part exchange processes. This is exacerbated by in-person-only valuations, which result in delayed response times – and wasted opportunities.

The mismatch between customer expectations and what most dealerships are currently able to deliver clearly exemplifies the inefficiencies of traditional methods of car buying lead management and customer-facing communications.

Scaling and Efficiency: Operational Hurdles in Conventional Acquisition

80% of online customers are satisfied with the digital process.

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Hi Oliver!

Thanks for letting us know you've completed the appraisal. That's great news! We're eager to review the snaps of your car and we'll be in touch with a guaranteed valuation that's valid for a week.

Looking forward to moving ahead with your appraisal and getting you the best offer for your car!

Scaling operations in line with market growth and evolving customer expectations, all while maintaining low operating costs and a lean staff, is a formidable challenge for many dealers. As operations expand, delivering fast and personalised responses to a growing number of leads only gets harder. The inability to distinguish serious sellers from casual visitors complicates the process further, leading to wasted resources and missed opportunities.

One of the biggest executional hurdles is the inability to integrate, process and intelligently activate actionable insights from customer data. In most cases, the data is available, but it is what dealers do with that data that counts. In many cases, a dealer's key systems of record (DMS, CRM, inventory management, website feeds, etc.) aren't fully integrated with each other. Sales, service, and inventory acquisition operations are often siloed from each other – and the patchwork of tools each department uses don't communicate with each other, nor do they integrate seamlessly with the dealer's core tech stack. This lack of ecosystem and data unification engenders vast operational inefficiencies, increased workloads, and significant revenue opportunity loss. It also causes a disjointed and disruptive customer experience, increases customer defection, erodes customer lifetime value, and diminishes profitability. Car buying is an after-thought and often operates blindly, without the data, resources, or processes to ensure healthy and sustained inventory acquisition.

Other traditional methods of sourcing vehicles, such as auctions and in-person part exchanges, are similarly difficult to scale. Since they

Lack of integration disrupts the customer experience and diminishes profitability
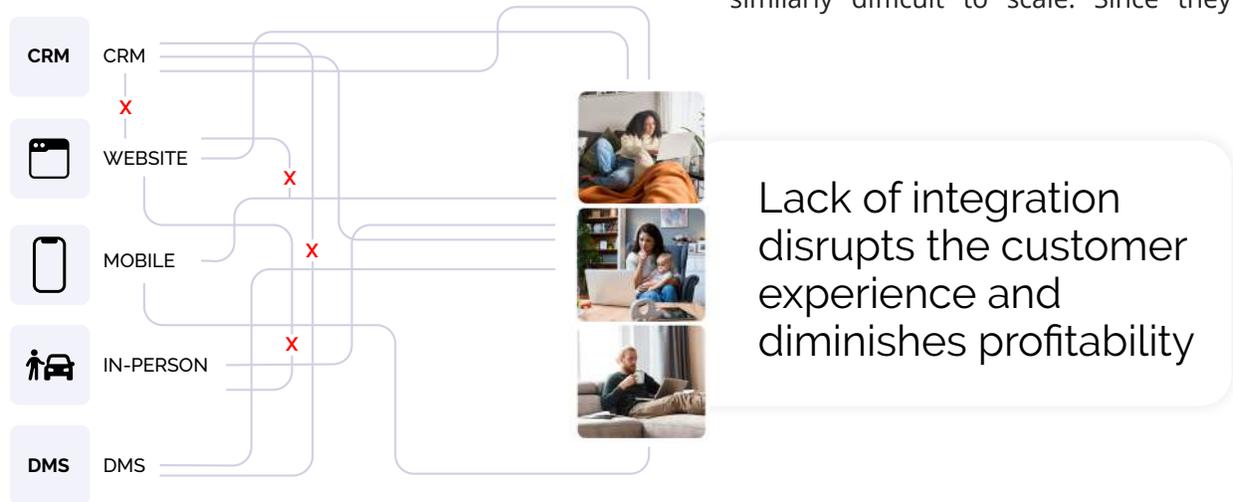
involve time-consuming manual processes, many dealers see little choice but to expand headcount. However, in times of economic uncertainty, that is neither practical nor cost-effective. Other dealers might instead decide to have their sales and service teams assume the responsibilities of vehicle acquisition, which can lead to lower productivity and excessively stretched resources. It also creates lost opportunities, as sales and service personnel will always prioritise unit sales and service appointments over longer and more complex car-buying leads. Naturally, this adversely affects the customer experience.

These operational hurdles underscore the need for solutions that are scalable and adaptable to fluctuating volumes while also enhancing the customer experience. Current approaches lead to sub-optimal inventory levels and rely on cost-intensive manual tasks that significantly erode profit margins, as each vehicle acquired at a higher cost means less margin upon resale.

Perhaps the greatest risk is that conventional methods undermine the dealership customer experience, which is vital for building customer loyalty and securing a future sales pipeline.

The transition towards AI-powered automation offers a compelling opportunity to address these challenges, paving the way for enhanced operations, improved inventory acquisition, and stronger customer relationships.

Unlocking the Potential of AI-Powered Inventory Acquisition

When most people think about the role of AI in business, they primarily think of automating low-level, repetitive routine tasks that do not require a human touch. While AI certainly accomplishes that, it can do much more. Many dealers are already looking into how they can use AI to acquire and manage inventory levels more efficiently[5]. Despite this, it is easy to miss the bigger picture; that AI is not just about automating and replacing, but about amplifying human capabilities and boosting productivity.

Enhancing the Process: Supercharging Car-Buying Lead Management with AI

Dealers can use AI to support the complete range of inventory acquisition strategies. Just like sales, inventory acquisition is fundamentally a numbers game, involving management of a vast number of leads that must be identified, prequalified, and managed efficiently. AI-powered solutions can significantly streamline this process by forecasting inventory demand, proactively calculating needs through ongoing market surveys, and pinpointing high-intent leads.

Conversational AI in particular has enabled dealerships to scale their capabilities and capacities dramatically, while mitigating the risks of human error and misinformed decision-making. One major UK dealership successfully deployed car buying AI to send out half a million email and SMS messages resulting in 68,000 engaged leads. This effort saved more than 24,000 labour hours, highlighting the substantial efficiency gains achievable with AI.

Car Buying AI

500,000
email & SMS
messages sent

68,000
engaged leads

24,000+
labour hours
saved

Rather than staff spending time chasing low-intent or unresponsive leads, conversational AI draws on sentiment analysis, intent data, and robust customer conversations to prequalify leads and prioritise follow-up engagements. Furthermore, AI can swiftly respond to inquiries and assist customers with

self-valuation based on predefined business rules and data from customer, inventory, and dealership management systems. It can also address other queries related to payments and part exchanges, thereby delivering timely offers and capitalising on more car-buying opportunities.

Dealers in the UK have successfully deployed AI to facilitate customer engagement and manage larger volumes of valuation inquiries, resulting in a steady stream of prequalified leads that are genuinely interested in selling their in-demand used cars, thus enhancing both lead dynamics and inventory acquisition efficiency.

Levelling Up Engagement: Personalising the Part Exchange Experience

One of the most common misconceptions about AI is that it can only provide robotic, impersonalised experiences. That used to be the case in the era of pre-scripted chatbots that were programmed to provide generic responses to common questions. However, thanks to the use of natural language processing (NLP) and generative artificial intelligence (GenAI), AI can manage a far wider and more complex range of activities to drive better business outcomes. To that end, it can personalise the part exchange experience by responding immediately and conversationally at any time of day with valuable advice and even conditional quotes based on factors like make, model, year, and mileage.

AI offers a flexible and customisable framework for inventory acquisition that can go well beyond inbound leads. It can also support proactive outreach thanks to integration with existing customer data stored in CRM and DMS systems. Consider, for example, a dealership actively seeking in-demand used vehicles. Using equity mining and predictive analytics, AI can sift through the dealer database to identify customers who have previously purchased the specific models the dealership is interested in,

> By leveraging equity mining capabilities and predictive analytics, the AI can continually identify and contact customers in equity positions who are most likely to be interested in a lease buy-back, part exchange, or outright sale of their vehicle.

and who may be soon ready to sell or trade in their vehicle based on their sales, service, and leasing history. The AI can then send customised offers to buy these vehicles, accompanied by a link to the dealership's part exchange page.

Another effective deployment of AI is sending tailored offers to past customers at the right time. AI-driven automation can continuously mine the DMS and deliver personalised outreach based on sales data, service history, and OEM recommendations. When deployed at scale, AI can streamline the entire service communication function by providing a full-fledged business development capability without the need to hire more staff. A fixed ops AI platform can also accelerate inventory acquisition. By leveraging equity mining capabilities and predictive analytics, the AI can continually identify and contact customers in equity positions who are most likely to be interested in a lease buy-back, part exchange, or outright sale of their vehicle.

Charting a Course Forward

Whether you want to launch a one-click buyback campaign or a fully-fledged online car-buying operation, AI can provide the comprehensive, responsive, and personalised experience today's customers crave, and it can do so efficiently and at scale.

By adopting generative conversational AI platforms that can automate car buying lead processes, service outreach, equity mining, and other solutions across sales, service, and inventory sourcing, dealers can deliver seamless customer experiences across the entire ownership lifecycle.

When it comes to inventory acquisition, this new vision means:

- Increased opportunities to reliably secure used inventory

- Highly scalable operations powered by intelligent automation

- Fewer missed leads due to labour constraints or lack of prioritisation

- More thoroughly pre-qualified sellers and less time spent engaging low value leads

- More in-demand vehicles acquired to support sales team

- The opportunity to expand inventory acquisition activities efficiently across every department

Most importantly, AI can enable these results while preserving and even enhancing the customer experience. It's time to start leveraging AI to drive your dealership's inventory acquisition operations.

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Sources

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