

Technology and Transformation of Retail

September 2019

VinSolutions
Make every connection count.



A Day with Automation and AI



I turned on Spotify....
to listen to the
personalized playlist
Spotify curated to
start my day



Used Waze to
determine the best
route to the office



Asked Alexa
where my
package is



Scheduled to watch
the new show Netflix
recommended



I consulted Alexa on
the weather and had
her set my Nest 2
degrees cooler



Ordered breakfast
at McDonald's at
the kiosk



Scheduled my car
for service with
virtual assistant

An abstract graphic on the left side of the slide featuring a bright blue light burst or lens flare effect, with rays of light emanating from a central point. The background is dark blue with some geometric lines.

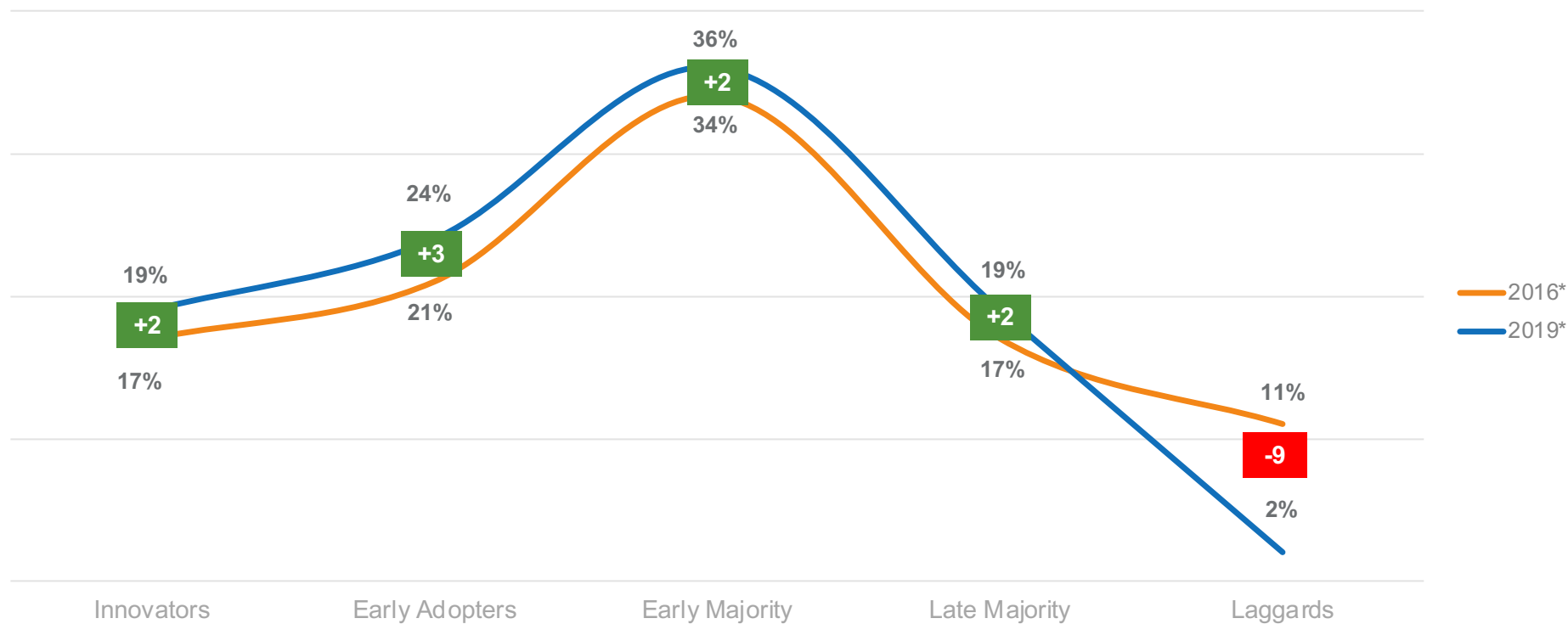
Automation & AI Are *Changing Everything*



Consumer Expectations of Technology

Technology Adoption Is Happening Faster than Ever

Tech Adoption Classification



*Please note that 2016 Car Tech data is from past 2 year buyers and 2019 Consumer TTR data is from past 3 year buyers

Technology Adoption Is High Across Generations – Not Only the Youngest

% Who Are Tech Forward by Age
(Innovator, Early Adopter, or Early Majority)

| 18-24 | 25-34 | 35-44 | 45-54 | 55+ |
|-------|-------|-------|-------|-----|
| 86% | 85% | 81% | 74% | 70% |



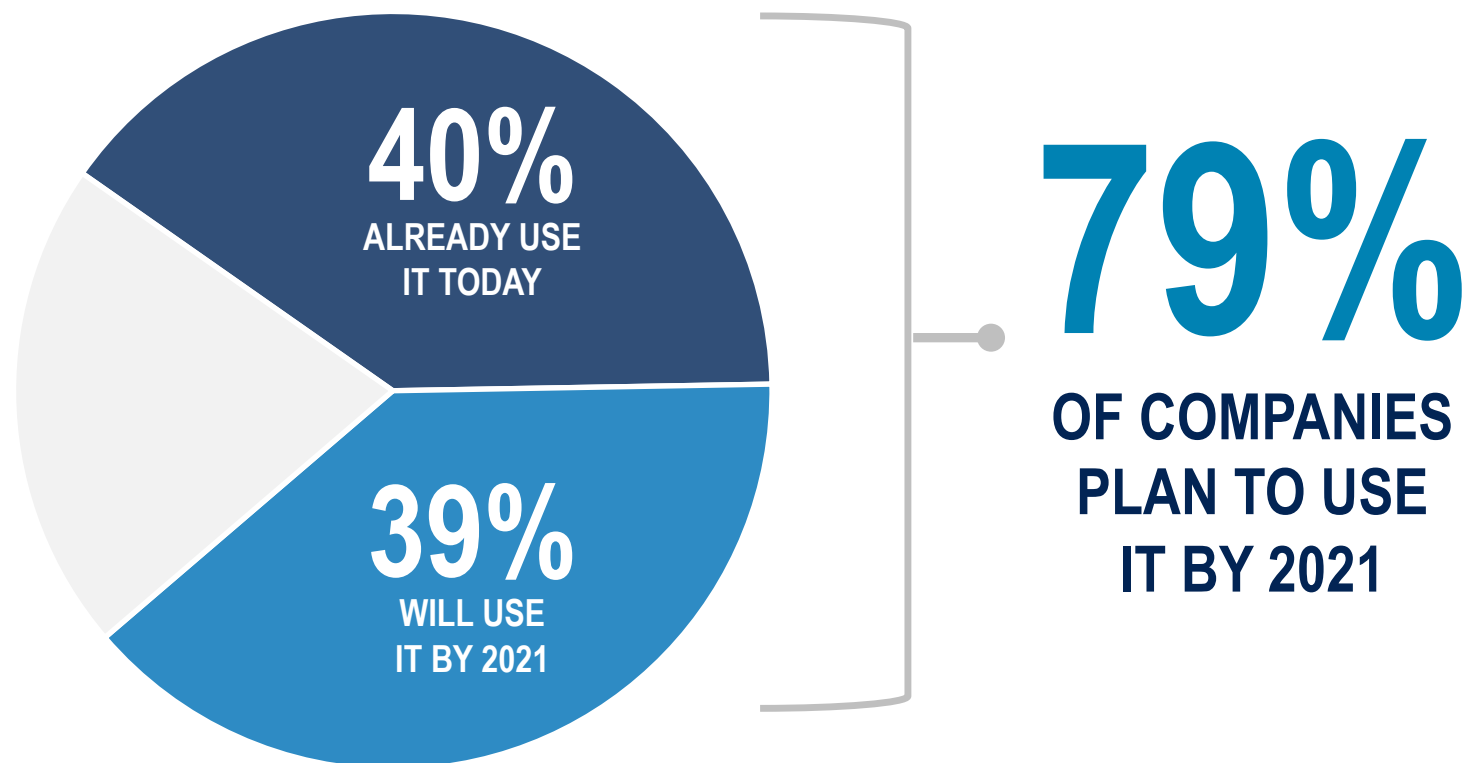
Consumers Are More Reliant on Technology than Ever Before

86%
OF US CONSUMERS
AGREE THEY ARE
**MORE DEPENDENT
ON TECHNOLOGY
THAN IN THE PAST**



The Majority of Companies Either Use or Plan to Use AI

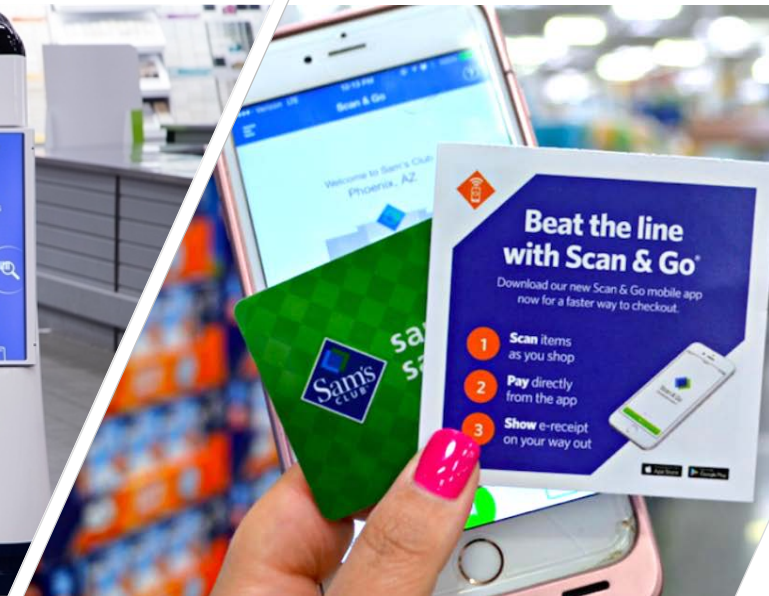
Retail & Consumer Products Companies Using AI-Driven Intelligent Automation



Opportunities to Interact with AI Driven Technologies Are Everywhere



SEPHORA



Consumers Feel Current Use of Personalization Mostly Benefits Companies

78%
OF CONSUMERS BELIEVE
PERSONALIZATION
TECHNOLOGY BENEFITS
COMPANIES MORE THAN IT
BENEFITS THEM

Resulting in a Perception of Privacy Invasion

58%

OF CONSUMERS FEEL
PERSONALIZATION
TECHNOLOGY
VIOLATES MY PRIVACY

56%

OF CONSUMERS FEEL
PERSONALIZATION
TECHNOLOGY IS
TOO CREEPY



Personalization Must Be Done with the Consumer Experience in Mind

68%

**OF CONSUMERS DON'T MIND COMPANIES
USING PERSONALIZATION TECHNOLOGY
IF IT IMPROVES THEIR OVERALL
SHOPPING EXPERIENCE**

~76%

**AMONG AGES
18-34**



Personalization Offers Opportunity in Automotive

**Consumers Agree Personalization
Technology Will Improve...**

67%

**THE VEHICLE
BUYING PROCESS**

63%

**OWNERSHIP
PROCESS**



Consumers Already Expect Personalization in Sales

76%

**EXPECT THEIR
DEALER TO KNOW
SOMETHING ABOUT THEM
BEFORE ENTERING
THE DEALERSHIP**

The trade-in value of my current vehicle 38%

My budget 35%

The previous vehicles I have purchased or leased 24%

The vehicles I've researched online 22%

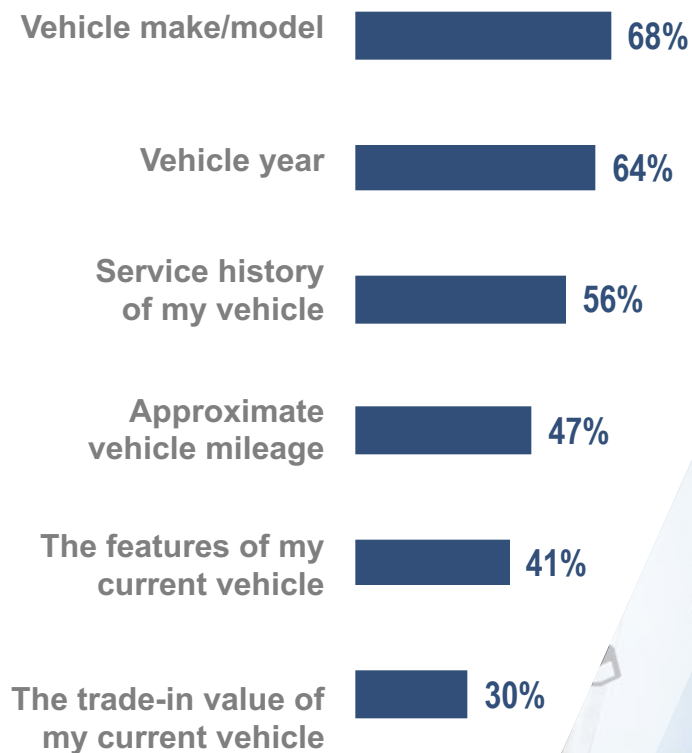
My financial history 21%

The reason why I'm purchasing or leasing the vehicle 20%



Consumers Also Expect Personalization in Service

88%
EXPECT THEIR DEALER
TO KNOW SOMETHING
ABOUT THEM WHEN
THEY REACH OUT
FOR SERVICE



Personalization Is Worth the Investment if Done Right!

Consumers believe dealerships who implement personalization technology offer a more:

66% **EXPEDIENT CUSTOMER
SERVICE EXPERIENCE**




64% **EFFICIENT CUSTOMER
SERVICE EXPERIENCE**



62% **RELEVANT CUSTOMER
SERVICE EXPERIENCE**





Dealer Perceptions of Personalization Technology

Dealers Also See a Need for Adopting
Automation and AI Technology

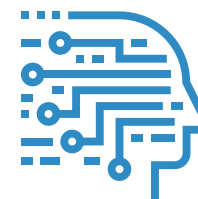
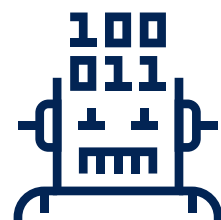
63%

**OF DEALERS AGREE THAT
AUTOMATION AND/OR AI
IS NECESSARY TO ADAPT
TO THE CHANGING
DEALERSHIP PRESSURES**



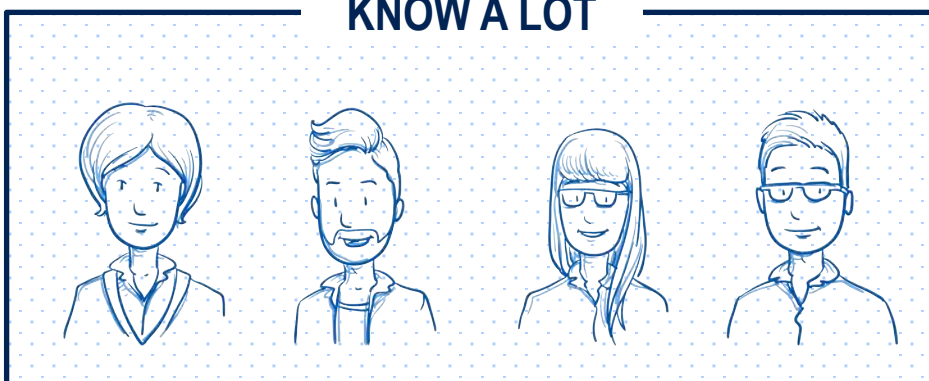
...But Only Half of Dealers Know A Lot About It

93%
AWARE OF
AUTOMATION



91%
AWARE OF AI

KNOW A LOT



Top Barriers to Automation and Artificial Intelligence Adoption

Top Automation/AI Challenges

Not Worth the Cost

Staff Resistant to Change

Not Having the Right Quality/Quantity of Customer Data

Wouldn't Fit in Current Process

Would Require Extensive Training

Not having the Right Partner

49%

STAFF RESISTANCE TO CHANGE
IS THE TOP CHALLENGE AMONG
THOSE NOT LIKELY TO ADOPT
ANY NEW TECHNOLOGY
IN THE NEXT 2 YEARS

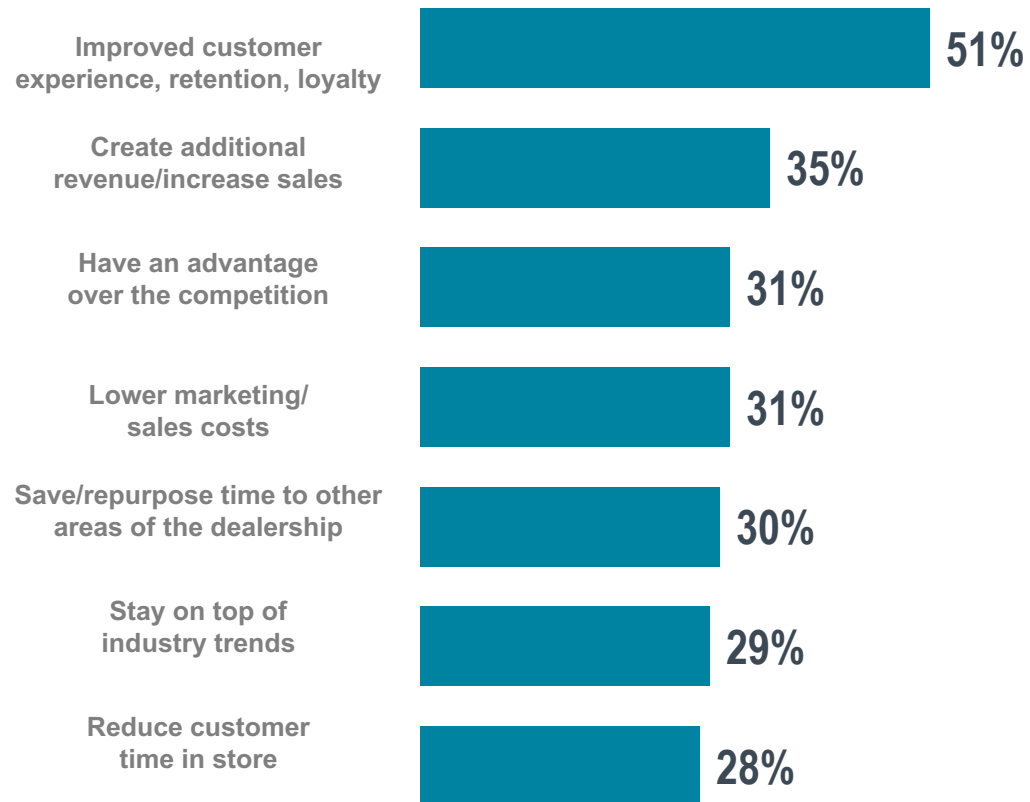
“

“Quality training during rollout will **reduce their resistance** to embracing the technology and result in a quicker uptake of the process enhancement.”*

”

Top Benefits of Automation and Artificial Intelligence Adoption

Top Automation/AI Benefits



Consumers Will Greatly Benefit from AI & Automation in the Long Run

Investment Areas from AI/Automation Technology Savings

MORE TECH TO IMPROVE IN-STORE CUSTOMER EXPERIENCE



INCENTIVES/ SPECIAL EVENTS FOR CUSTOMERS



CONCIERGE SERVICE OFFERINGS FOR CUSTOMERS



DEALERSHIP INTERIOR/ SPECIAL AMENITIES



Automation and AI are Empowering Employees, Not Replacing Them

% of Dealers Who Say...

72%

**AUTOMATION / AI ALLOWS
DEALERSHIP STAFF TO
FOCUS ON OTHER AREAS
AT THE DEALERSHIP**

VS

28%

**AUTOMATION /
AI REPLACES
DEALERSHIP STAFF**

Non-Automotive Examples

Increased use of ordering kiosks is allowing McDonald's to create new jobs in other segments of the production chain.²

Applebee's is seeing increased check averages when tabletop tablets are in use, and tips are holding steady or even increasing.¹

1. The Restaurant Technology Guys (link in notes section)
2. Eater.com (link in notes section)

AI and Automation Provide an Opportunity to Reposition Your Relationships

62%

WANT A MORE TRUSTING
RELATIONSHIP WITH THE
DEALER – LIKE AN
ADVISOR, MENTOR,
PARTNER OR FRIEND

| | Typical Relationship | Ideal Relationship |
|--|----------------------|--------------------|
| No relationship | 21% | 15% |
| A retailer | 38% | 22% |
| An advisor, mentor, partner, or friend | 41% | 62% |

AI & Automation Will Also Positively Impact Efficiency and the Bottom Line

Top 3 Areas that AI/Automation Would Impact Most At Dealership

NUMBER OF SALES OVERALL



EMPLOYEE EFFICIENCY



TIME IT TAKES TO MAKE A SALE




Three Considerations When Implementing Automation and AI

#1: Keep the Personal in Personalization

#2: Transform Relationships With Insight

#3: Adapt to Individuals

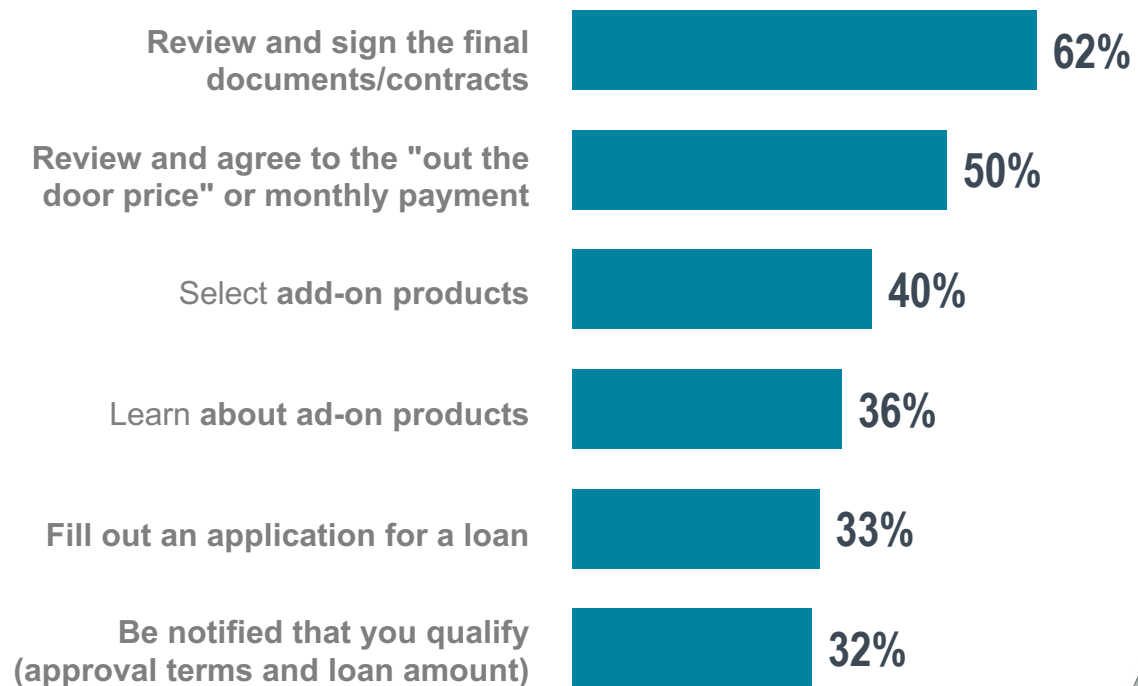




Keep the Personal in Personalization

Humans Still Play a Key Role In the Car Buying Experience

% of Consumers Who Want to Complete Step at the Dealership with a Dealership Representative



Consumer Prefer To Engage With Humans

% of Consumers Who Say...

Digital Technologies Preference

Human Customer Service Preference

I am okay interacting with AI devices as long as I get the answers I need

38%

62%

I prefer speaking to a real person when I need to get answers

I prefer AI devices because they provide more accurate information than a human

33%

67%

I prefer humans because they provide more accurate information than AI devices

I prefer to use AI devices if that means getting my question(s) answered quicker

37%

63%

I prefer chatting with humans even if that means waiting to get my questions answered

Dealers Agree Human Touch is Necessary and Irreplaceable

“Even though AI is smart technology, it **cannot replace human excitement, facial expressions, empathy, sympathy, and comradery.**”

“At the end of the day, **nothing can replace the human touch and the benefits of human interaction**, especially to influence a customer's decision.”

“Customers, as much as they may dislike dealing with a salesperson, want the **personal interaction that only a human can give.**”

“**The human contact will always be the most important part of any buying process.** This interaction cannot be reproduced by a machine at this time.”





Transform Relationships With Insight

Insights From Tracking Customer Preferences Can Be Powerful

THE AMAZON
RECOMMENDATION ENGINE
IS ESTIMATED TO GENERATE

35%

OF THE COMPANY'S REVENUE

Source: Blake Morgan "How Amazon Has Reorganized Around Artificial Intelligence And Machine Learning"

Dealers Are Taking the First Steps in Tracking

Dealers Are Most Familiar With...

1. Trade-in value tracking
2. Social media activity tracking
3. Online data tracking for personalized marketing offers

Dealers Are Most Likely to Adopt in the Next 2 Years...

1. Activity and communication tracking to identify top leads
2. Trade-in value tracking
3. Activity tracking to predict customer purchase preferences and interests



Know Customers Before They Ever Step Foot on the Lot

ONLINE DATA TRACKING FOR PERSONALIZED MARKETING OFFERS



By tracking this information, you can meet the customer where they are in the buying process and **customize your offers/response**.



ACTIVITY TRACKING



We can track all the vehicles a customer has looked at online to determine where their interests lie, especially if the vehicle they inquired about is no longer available. **It gives us additional options.**



SOCIAL MEDIA TRACKING AND ONLINE DATA TRACKING FOR PERSONALIZED MARKETING OFFERS



They are able to utilize the vast amounts of data that we are able to capture and greatly assist in **targeting consumers low in the sales funnel with accurate, detailed info** to help them make an informed purchase.





Tracking Alone *Won't Improve The Customer Experience*



But Tracking Alone Won't Improve Customer Experience


Top 3 Technologies Dealers Think Would Improve Customer Experience, Retention, or Loyalty

1. Multichannel communication
2. Activity tracking for seamless online-to-in-store experience
3. Digital showroom

Top 3 Technologies Consumers Think Would Improve Customer Experience, Retention, or Loyalty

1. Virtual assistants
2. Vehicle resale monitoring
3. Digital showroom





Adapt to
Individuals

Consumers Want a Personalized Experience at the Dealership

74%
**OF CONSUMERS FEEL
THAT A PERSONALIZED
EXPERIENCE AT
THE DEALERSHIP
IS IMPORTANT**



These Trends are Largely Driven by Younger Generations

% of Consumers Who Say
“A Personalized Dealership Experience is Important”

74%
ALL CONSUMERS



87%
AGE 18-24

81%
AGE 25-34

Younger Generations Will Soon Dominate the Market

Millennial Predictions

By 2030, Millennials will outnumber Boomers by **22 million**¹

By 2025, Millennials will represent more than **45%** of the potential car buying cohort²

1. Tom Flierl "MILLENNIALS: 80 MILLION STRONG AND READY TO SPEND"

2. McKinsey



Preferences Change by Person and Purpose

| Preferred Communication Method | Schedule a Test Drive | Request Information on Current Incentives, Special Offers and Rebates | Finalize The Purchase Price or Lease Cost | Schedule Service Appointments |
|--------------------------------|-----------------------|---|---|-------------------------------|
| Remote (Net) | 65% | 73% | 36% | 86% |
| Phone call | 34% | 23% | 13% | 47% |
| Email | 24% | 42% | 18% | 36% |
| Text | 19% | 19% | 9% | 24% |
| IM / Chat | 16% | 20% | 9% | 21% |
| In-store (Net) | 46% | 43% | 74% | 27% |
| Face-to-face | 40% | 34% | 69% | 17% |
| Kiosk | 10% | 14% | 9% | 12% |



Consumers Don't Want the Relationship to End After the Sale of the Vehicle

86%

WANT TO HEAR FROM
THEIR DEALER IN
SOME CAPACITY
AFTER THEIR
VEHICLE PURCHASE

| Areas of Biggest Opportunity for Post-Sale Communication | Frequency | Method |
|--|------------|--------|
| 1. Notified me of any recalls | It depends | Email |
| 2. Educated me on the best time to trade-in my vehicle | 3-6 months | Email |
| 3. Shared offers or promotions for vehicle service/maintenance | 3-6 months | Email |



THE RECAP:

Things to Consider
When Implementing
Automation & AI

Three Considerations When Implementing Automation and AI

#1: Keep the Personal in Personalization

#2: Transform Relationships With Insight

#3: Adapt to Individuals





You Don't Have to
Do it Alone...

