



Could AI software put a value on a car dealership? Some say yes

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Determining a dealership's value remains a subjective area, industry experts say, eliciting questions about how much of an assist artificial intelligence can provide to the process.

But one mergers and acquisitions company working on a proprietary tool thinks its AI technology will disrupt the buy-sell space.

"Jump IQ is our most significant project to date, and when I say that, it's because of how this really changes the industry," Dave

Cantin, CEO of automotive advisory firm Dave Cantin Group in New York City, told Automotive News.

Jump IQ, a multifaceted AI tool, uses machine learning capabilities to infer data and allows users to value dealerships, review performance metrics, develop strategic targeting plans for acquisitions and more, Cantin said. Dave Cantin Group, which was founded in 2017, began sharing Jump IQ with clients in June, in beta phase to continue to update the tool. The firm will decide this year if it will make the product publicly available.

Still, buy-sell professionals Automotive News talked with say the human nature of these transactions could slow AI's integration into deal valuation. Several dealers asked about the employment of AI weren't aware of its potential use in buy-sell valuations and didn't have opinions about it.

Alan Haig, president of Haig Partners based in Fort Lauderdale, Fla., who was speaking generally about AI use in buy-sell transactions and hasn't seen Jump IQ, told Automotive News that myriad factors weigh on a buyer's opinion of value, including location, facility, competition and timing.

"There's no one opinion out there," said Haig, whose firm has been helping to evaluate and sell dealerships since 2014. "We sometimes have very different offers coming in on the businesses that we're selling, so there's no common methodology being used to value businesses today."

'Highly subjective'

Haig said sales in other industries, such as the housing market and the stock or bond markets, consist of publicly disclosed transactions, unlike dealerships.



DAVE CANTIN GROUP

Dave Cantin, CEO of Dave Cantin Group, says his firm's AI software program called Jump IQ will change the industry.

"The prices for dealerships are kept highly confidential," Haig said. "And the valuation methods that users are using today are often proprietary, and I would say, highly subjective."

In the buy-sell process, a dealership's financial statement is used to help determine value, but statements are often incorrect, Haig said. They may not show certain personal expenses, for example. An average of a 22 percent increase in a dealership's pretax profit following a reevaluation of its financial statement was found in the last 10 transactions Haig Partners completed, he said.

Despite reservations, Haig said there are areas where AI can help, and his firm already uses it to research an area for data on its economy, demographics and economic development.

Haig said one space in which AI could prove valuable is in eliminating discrepancies in real estate appraisals, which he has seen vary by as much as 20 percent. Because real estate transactions are public, Haig believes AI tools could pull in enough data to provide more uniform estimates.

Cantin said Jump IQ helps reduce the subjective nature of valuing dealerships while also providing targeted performance and related data for any U.S. franchised retailer. A team of 14 people work on the product every day, led by Bruce Molloy, chief AI officer for the project, Cantin said.

The response to Jump IQ demos has been positive, he added.

"And as we're explaining it to them before we start the demo, they're all like, 'Yeah, yeah, yeah, this sounds great,' " Cantin said. "And then they see it, and they're like, 'Wow!' " From the publics to those in the top 150, he added, there hasn't been a dealer who hasn't "been wowed."

What can Jump IQ do?

By comparing financial details that those dealers voluntarily share, Cantin said Jump IQ consistently crunches correct data within 1 to 9 percent of the actual numbers. Jump IQ infers the numbers on its own, without gleaning a single data point from the dealership itself, he said.

In addition to its clients across the country, which include some of the biggest private dealership groups, the firm has shown Jump IQ to public auto retailers, Cantin said, including Lithia Motors Inc. CEO Bryan DeBoer and COO Adam Chamberlain. His firm has meetings scheduled with Group 1 Automotive Inc., Asbury Automotive Group and Penske Automotive Group, he said.

Jump IQ has 40 data points for each store, Cantin said, including total gross revenue, net profit, finance and insurance income, and all key performance indicator factors for operating a business. The tool can enhance and improve all aspects of a dealership's business, he said, not just in buy-sell times.

In under a minute, a Jump IQ user who owns a Chevrolet dealership in Maine, for example, could pull up data points for every other Chevy dealership in the country and compare its metrics. On a smaller scale, it could pull up sales data from a competing Chevy store down the street and see which performs better in each department.

Beta tester feedback

Bill Camastro, a dealer partner with Serra Automotive, is a beta tester and a believer in Jump IQ, which was named Dealership Solution of the Year in October in the AutoTech Breakthrough Awards.

"If I can coin a phrase, Jump IQ becomes the [Kelley Blue Book] of the buy-sell industry," Camastro, who runs Serra's Gold Coast Cadillac store in Oakhurst, N.J., told Automotive News.

In addition to artificially driven data, the tool uses absolute data, Camastro said, meaning it draws from every source possible for a dealership and the community surrounding it.

"There's data sources that, if you were able to get your hands on them, it would take you forever to compile that data in a usable format," he said. Jump IQ does it in a matter of seconds.

Camastro said that over the course of his career spanning decades, he has had experience with heavy mergers and acquisitions, including publicly traded companies. He said he's never seen anything like Jump IQ, and it will be the industry disrupter that Cantin aims for.

How AI is improving

AI is getting better at automating the analysis of large datasets, particularly for the purpose of finding patterns, said Matthew Bower, a partner at the Varnum law firm headquartered in Grand Rapids, Mich. His practice areas include AI, real estate, and mergers and acquisitions, among others.

"Property valuation is basically the act of analyzing a large set of data comprised of comparable properties based on location, size, sales history, market trends, and other factors," he told Automotive News in an email. "If the dataset is good, AI-powered tools can help real estate professionals make faster and more informed decisions about property valuations."

However, Bower said, AI is not as good at looking into more qualitative data — and property valuation still requires analysis of those characteristics that can't be "easily measured or expressed using numbers." Aspects influencing the value of dealership real estate, specifically, could be the condition, design or aesthetic appeal of a building, or things such as market perception of a location.

For any property, there are "bound to be subjective characteristics" that must be considered when making comparisons with similar properties in the market, Bower said. Purely numerical data should not be solely relied upon, he added.

What a dealer wants

Joe Gentile, general counsel for Empire Automotive Group, of Huntington Station, N.Y., said he doesn't have a ton of AI experience but feels curious to see what the technology may add in the buy-sell space. He has not seen the Jump IQ tool.

Gentile, a 2023 Automotive News 40 Under 40 honoree, said he would find AI useful for giving more context behind the story of a dealership's numbers. "I think where it could really help is with streamlining the process of understanding the information that we've been given," he said.

Meaning, perhaps, an AI tool could help with adding context around a dealership's metrics. Every franchised car dealership has a financial statement, plus a customer service index, and sales efficiency and customer loyalty reports, Gentile said. He would like to see a tool that helps stitch a story together about what's driving those numbers.

Traffic patterns or bodies of water could affect how accessible a dealership actually is to the public, Gentile said. "A traffic pattern is something that wouldn't appear on a factory report, but it's vital to understanding the reasons behind the numbers," he added.



Cantin said Jump IQ will include traffic patterns and real estate valuations next year.

Outside factors also affect brand loyalty, so getting related information proves helpful when evaluating a prospective store, Gentile said. For example, is a brand less favorable in a particular area because a manufacturing plant for a competing brand is located nearby? Did the brand with a local plant ever do anything to fall out of favor with the community?

"These are factors that dealers and buyers are aware of and could ultimately find out without AI," Gentile said. "But an AI tool may help us to understand the nuance of a prospective acquisition quicker and, in the buy-sell market regardless of industry, keeping the pace of a deal moving is paramount."

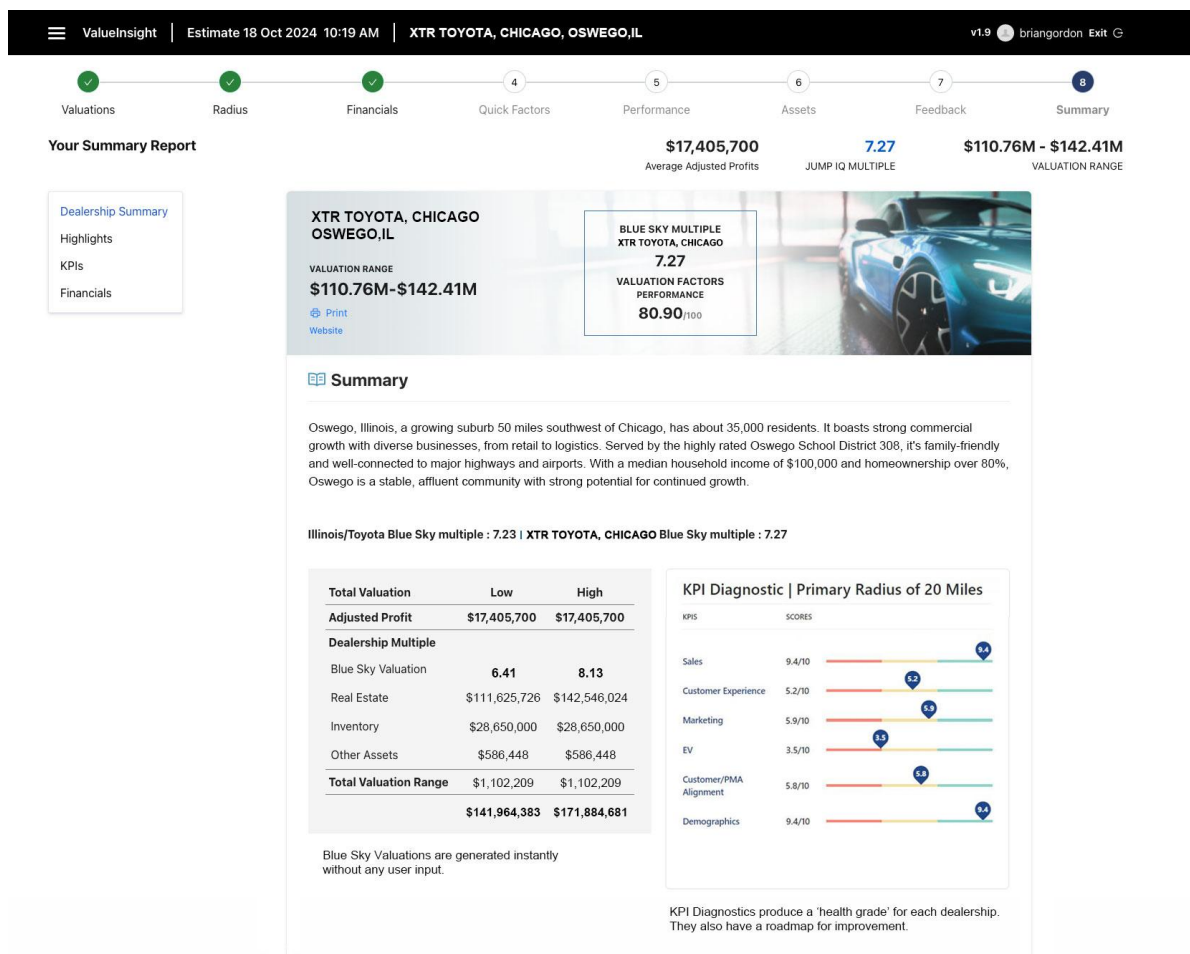


Figure 1: Jump IQ Summary page includes Blue Sky Valuations and KPI diagnostics generated instantly without any user input

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