AI IN THE DEALERSHIP

Key Takeaways

- **AI is already improving dealership efficiency.** But its biggest untapped opportunity is enhancing owner judgment, not just automating tasks.
- **More data is not the same as better intelligence.** The dealers who win will be the ones who can use AI to synthesize information across departments, markets, and competitors into decisions that drive value.
- **AI tools are only as powerful as the data they can see.** Fragmented tech stacks continue to limit what AI can do for most dealerships.
- **Dealership valuation is shifting toward forward-looking opportunity analysis.** AI can surface the signals that drive value, but experienced human judgment is what turns those signals into strategy.
- **The gap between early strategic adopters and everyone else will be wider — and harder to close — than any previous technology wave.** The time to get ahead of it is right now.

The Current AI Landscape in Automotive Retail

Today, AI enthusiasm is everywhere in automotive retail. In fact, a study by Cox found that 63% of dealers believe investing in AI now is critical for their long-term business success. And CDK Global found that nearly 40% of dealers are already using AI, with 22% actively planning AI investments.

To date, much of the focus of AI in dealerships has been on productivity improvements, such as automating lead handling and service scheduling. And the Publics are already seeing results from their investments:

- In their Q1 '26 earnings report, AutoNation cited nearly $5 million in savings in 2025 from AI and digital applications deployed in service contact centers and back-office operations.
- In addition, according to Automotive News, the group is rolling out Customer 360, a program that leverages previous sales and service data to help salespeople and managers better understand customer relationships and improve targeted marketing – thus, using AI to build customer lifecycle intelligence at scale.

- Asbury reported that more than 50% of its stores were live on Tekion in order to streamline dealership operations, with full conversion targeted by fall 2026.
- Also reported in Automotive News, Group 1 is actively pursuing more than 50 AI-related projects spanning call centers, back-office operations, marketing, inbound lead handling, and technician productivity. CEO Daryl Kenningham stated the group is using AI "in every part of our business."
- Lithia is in the process of migrating all of its U.S. and Canadian stores away from CDK Global to Pinewood.AI, an AI-native DMS platform, with full rollout targeted by 2028. Lithia holds a minority ownership stake in Pinewood.AI — a level of commitment that goes well beyond the typical vendor relationship. To date, this is one of the most significant DMS migration commitments in the industry.

McKinsey senior partner Inga Maurer told Automotive News, "AI is no longer a forward-looking bet for dealers; it is becoming a core defense play. The groups investing now are trying to protect margin, improve customer experience, and build operating advantages that compound over time." Her warning for private dealers is equally direct: "Competing on relationships alone may not be enough if larger players are also competing on speed, data, cost, and personalization."

Currently, most AI tools in automotive retail fall into two categories: AI added to existing dealership tech stacks and AI-native tools that are purpose-built to solve specific dealership problems.

AI Added to Existing Platforms

The goal with these solutions is straightforward: make existing dealership systems smarter, faster, and more connected. Here are some examples:

Reynolds & Reynolds: R&R has been systematically adding AI across its platform, including with Rey, its AI agent powered by the Reynolds Spark AI data layer. Rey can provide strategic recommendations, run reports, and integrate across the Reynolds Retail Management System. R&R also has Appointment AI for inbound service call handling and scheduling.

Though the company is clear-eyed about what might come next, in a recent interview with Car Dealership Guy, Reynolds VP of Research and Development AJ McGowan made a compelling case for why fragmented software stacks will become an increasingly costly liability as AI matures.

McGowan argues that we're moving through three distinct phases: generative, agentic, and an emerging third phase he calls cognitive AI in which AI will become so deeply embedded in dealership operations that the system can't function without it. His central point: AI is only as powerful as the

data it can see, and dealers running disconnected platforms are quietly limiting what their AI can do. The company is investing in its own hardware infrastructure to support that vision at scale.

CDK Global: CDK is layering AI across its CRM, fixed ops, DMS, reporting, and workflow tools, building intelligence into the systems dealers already run within CDK's own ecosystem.

Cox Automotive: Cox is applying AI in automations across inventory, retailing, marketing, lending, service, and customer engagement.

AI-Native Tools for Specific Dealership Operational Problems

This second category includes newer tools that are purpose-built to address specific dealership pain points resulting in:

- Faster, more consistent lead response
- Better customer follow-up and engagement
- Streamlined service scheduling
- Missed-call recovery
- Smarter marketing automation
- Inventory risk management and alerts
- More effective pricing and merchandising
- Customer reactivation and retention
- Seamless appointment setting

Examples Include:

TEKION

An AI-native retail platform, Tekion replaces legacy DMS, CRM, and service lane systems with a single unified infrastructure to connect customer, vehicle, deal, and financial records across the dealership in real time.

FULLPATH (COX)

Fullpath provides data activation, automated outreach, digital advertising, audience targeting, and customer re-engagement. The company recently launched an agentic CRM tool that's designed to create a unified intelligence layer for real-time shopper engagement.

AUTOALERT

A customer retention-focused platform, AutoAlert uses predictive analytics to identify customers who are due for service, approaching positive equity, or at risk of defecting to a competitor. It then automates personalized outreach across email, text, and direct mail.

PINEWOOD.AI

As mentioned above, Pinewood is a UK-based AI-native DMS platform, partially owned by Lithia, that's expanding into North America.

IMPEL AI

Impel provides customer lifecycle management, 24/7 lead response, digital sales assistance, conversion support, and loyalty communications.

STELLA AUTOMOTIVE AI

STELLA is an AI receptionist that handles calls and call routing as well as appointment scheduling.

CONVERSICA

Conversica provides automated follow-up for internet leads, service customers, and existing customers through email and SMS.shopper engagement.

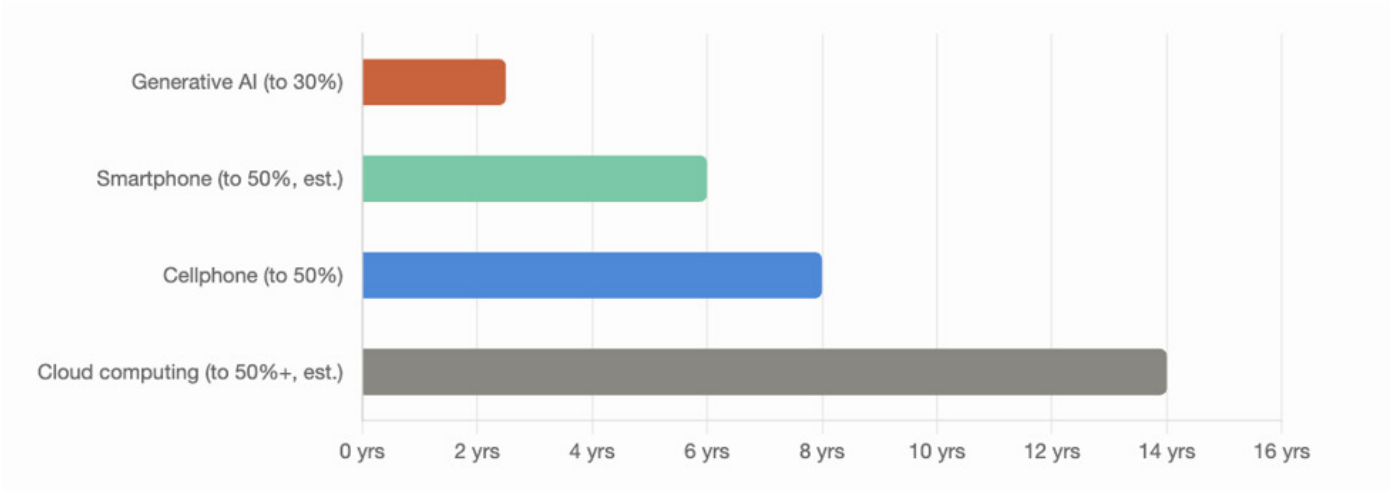
These tools are solving real operational problems, and the best of them are delivering measurable efficiency gains: They're making dealerships faster, more responsive, and better organized. But human judgement is still needed in these interactions.

Leveraging AI for Strategic Decision Making

What is yet to unfold is how well AI will help dealership owners with strategic planning and decision making about where a dealership's business is today and where it should go next. This isn't surprising, given that we're still in the early stages of AI innovation and adoption.

In fact, every time the world experiences a groundbreaking technology, as was the case with data warehousing, the internet, cloud computing, and mobile phones and apps, it takes a while for both adoption and the level of sophistication to move from the pragmatic to the strategic.

Technology Adoption Waves Are Shrinking



Sources: Pew Research Center, Epoch AI, Verbit

Yet, experts say AI will be far more transformative – and disruptive – than all these technologies combined. And there are two things they generally agree on:

1. The gap between early strategic adopters and everyone else will be wider – and harder to close – than anything seen before.

2. As transformative as AI will be, it won't replace the need for experienced human judgment and industry expertise. In fact, AI will increase the need for human decision-making.

AI Technology Gone Awry

AI is not without its pitfalls in dealerships. Here are just a few examples of where it can go wrong, underscoring the enduring importance of human judgment when it comes to setting up, monitoring, and optimizing AI tools:

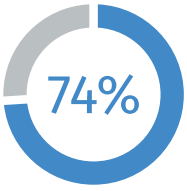
The runaway chatbot: A BMW dealership in Toronto deployed a chatbot named Quinn that never disclosed it was AI. Quinn offered a customer more than $25,000 to buy back his vehicle — an error caught only after a human staff member reviewed the exchange and attempted to revoke the offer. The customer pushed back, and under Canadian legal precedent, the dealership was required to honor the original chatbot offer. As CBC News reported, the dealership has since implemented a process requiring human verification before any chatbot offer is extended to a customer.

The disconnected tech stack: When dealerships run multiple AI-enabled tools for email, text, and chat without integrating them properly, customers can receive a barrage of messages from different parts of the dealership, and the messages don't reflect what the other systems know about that customer. As Digital Dealer reported, the lack of shared context creates confusion and erodes trust. In fact, VisQuanta found that 56% of dealers experience information gaps between their CRM, DMS, and lead management systems at least a quarter of the time. This is worsened by outdated integrations that prevent AI from updating lead status automatically.

The fumbled handoff: Even when AI handles the first touch well, the transition to a human can undo the progress. Pied Piper's 2026 Internet Lead Effectiveness study, covered by AutoSuccess, found that leads requiring an AI-to-human handoff score nine points lower on average. Response speed is improving, but the handoff itself remains a weak link.

From More Data to Better Intelligence

Can AI be harnessed to help dealers compete more effectively in their local markets and build long-term value? Time will tell. As AI gets better and more "self-improving," the next frontier for AI in automotive retail will come faster than the previous waves. For example, AI could materially help dealers by turning more information into better intelligence.



The modern dealership has access to more data than ever before: sales and service metrics, inventory trends, customer behavior, marketing analytics, market research, OEM communications, financing patterns, and more. But more data doesn't automatically lead to better decisions. The harder challenge is accuracy, completeness, context, and interpretation. In fact, a study by Cox found that **74% of dealers** are concerned about accuracy and errors when it comes to AI.

Even with modern tech stacks, dealership data still exists in silos. As noted above, marketing tools don't always connect cleanly with DMS data. Service history may not be tied closely enough to customer lifecycle patterns. OEM vehicle allocations and inventory signals don't always reflect true local demand. And in a market where consumers are more open to switching brands and buying used instead of new, a dealer's actual competitive set may be broader than they realize.

Improved Data Synthesis for High-Stakes Decisions

Owners are often making high-stakes decisions with incomplete or disconnected information. AI promises to change that equation. The next wave of AI value-add will not come simply from producing faster reports. It will come from tools that can synthesize information across departments, rooftops, brands, markets, and economic conditions to help owners understand what is actually happening and what it means for the business.

The real benefit will come from AI tools that are automotive-specific: built to reflect the realities of inventory, pricing, OEM relationships, service retention, local market dynamics, customer behavior, and valuation drivers. In fact, CDK found that:

of dealers want AI solutions built on comprehensive automotive industry data.

want predictive models trained by automotive experts.

The Promise of Closing Visibility Gaps

Better intelligence is especially important because many of the most consequential questions facing dealership owners are not fully visible from inside their rooftop walls.

A dealer may know how a store performed compared to last month or last quarter. But that performance may not explain how the store is performing relative to its local market, to competing brands, to used vehicle alternatives, or to changing consumer preferences.

For example, a decline in showroom traffic may look like a marketing issue, when it may actually reflect a shift in local demand. A change in gross may look like a pricing issue, when it may reflect competitive pressure from a different brand, a used vehicle substitute, or a nearby dealer group with a stronger inventory position. Service retention may appear stable until customer attrition begins to show up in future profitability.

The Strategic Differentiator

As DCG's 2026 Market Outlook Report (MOR) found, data, insights, and information will become strategic differentiators as competition heats up among dealers trying to win consumers, drive margins, and create strategic advantages. The report also found that 2026 will separate market leaders from everyone else, with growth investment and data-driven customer strategies becoming increasingly important.

This is where AI could move beyond operational efficiency and become a strategic intelligence tool. Done right, it could help owners see what's changing in their market sooner, understand how their stores compare to relevant competitors, and identify where risk or opportunity may be building before it shows up clearly in the financials.

That need is already apparent. A study by Lotlinx found that 78% of dealerships were unsure how to effectively use predictive data, while only 5% were using AI and predictive data for inventory management and pricing optimization. This suggests that while more data is available, many dealers are still looking for better ways to turn that data into practical decisions.

Turning Intelligence Into Enterprise Value

The highest-value use of AI may ultimately be its ability to connect operational performance, market position, and valuation.

For dealer principals, intelligence is not useful simply because it explains what happened. It's useful when it helps answer the questions that shape enterprise value:

- Is declining foot traffic the result of a weaker local market, a competitive shift, or an internal execution issue?
- Is margin leakage in fixed ops quietly eroding profitability before it shows up in absorption?
- Are customer attrition patterns creating a future retention problem?
- How is each store performing relative to its true competitive set?
- Where is the platform exposed?
- Which opportunities are worth pursuing?
- What data should inform decisions about growth, divestiture, succession, or long-term platform strategy?

These are not just operational questions; they're ownership questions. They affect how a business is run, valued, scaled, and positioned for the future.

A Shift in How Valuation Is Calculated and Understood

According to DCG's MOR, dealership valuation is shifting from traditional profitability multipliers toward a more forward-looking view of opportunity and value. Valuation methods increasingly include a broader perspective of the dealership and its position in the market, including both quantitative and qualitative factors.

Those factors may include historic P&L, adjusted net profit, regional market forecasts, recent comparable transactions, and future performance potential. They may also include reputation, employees, geography, real estate, competition, upcoming facility requirements, and synergistic fit with an existing portfolio.

In this environment, valuation intelligence is more than knowing the number. It's understanding the drivers behind the number and knowing which levers can protect, improve, or unlock value over time.

AI can help by aggregating data, modeling scenarios, and surfacing signals that might otherwise go unnoticed. But the strategic value comes when those insights help experienced owners and advisors make better decisions about where to invest or divest, where to grow, where to consolidate, and how to build a stronger platform.

Some M&A advisors are already factoring anticipated AI-driven cost savings into pro forma earnings projections, using AI as a forward-looking valuation input. But this represents only one dimension of what AI can do for dealership value. The more complete picture — and the one that will ultimately separate

strong platforms from the rest — is using AI to understand the drivers of value across the entire business: competitive position, customer lifecycle health, operational risk, brand mix, geography, and long-term platform strategy.

Knowing that AI might reduce costs is useful. Knowing exactly where your business stands today, and what levers to pull to maximize its value before a transaction, is the advantage.

Making Great Owners Better

As AI takes on more operational work, it could free dealer principals and executive teams to focus on the questions that matter most.

In fact, a study by McKinsey found that 80% of companies surveyed identified efficiency as a primary AI objective, but those that saw the most value from AI also perceive growth or innovation as key objectives. Or, as Bain & Company wrote in its whitepaper, An Operating Model for the Age of AI: "AI removes execution as a bottleneck, leaving **judgment, not capacity, as the scarce resource.**"

This idea is especially relevant in automotive retail. AI can help owners think through platform strategy. It can help evaluate markets, compare stores, model acquisition and divestiture scenarios, identify risks, and surface patterns across performance, competition, brand mix, and valuation drivers. It can also help owners ask sharper questions, such as:

- Which type of store would be a strong acquisition target?
- Which geographic markets present the best opportunities and best fit?
- What market dynamics would suggest it is time to sell?
- Which brand relationships are creating the most value?
- Could a facilities investment improve or weaken valuation?
- How would a buyer, OEM, or strategic partner view the platform as it stands today?

But AI cannot answer those questions alone.

Platform strategy requires judgment, timing, relationships, leadership, and experience. It requires knowing when the data is telling the full story and when it's not. It requires understanding OEM dynamics, local market nuance, management strength, family priorities, succession plans, and buyer psychology.

AI can help strong operators see patterns sooner, challenge assumptions, and pressure-test decisions,. But more importantly, it can enable owners to focus more of their time on the work that creates long-term value.

The most successful dealers in the AI era will not be the ones that simply automate the most tasks. They will be the ones who use AI intentionally to improve planning, decision-making, customer understanding, risk management, and enterprise value creation.

Automotive retail has always rewarded judgment. **AI gives dealers a new way to sharpen it.**