The age of artificial intelligence: How A.I. is transforming the retail industry

Are Dealers Ready to Let Algorithms Set Car Prices? Is this the New One Price Model?

Has the time come when dealers can set car prices hour to hour, day to day, based on an algorithm that can crunch thousands of sales and marketing variable data in a micro second?

And can a "Learning" machine take over and keep dealer sales teams immediately apprised of current or "at the moment" pricing levels based on the competition, the weather, changing factory incentives or a dealer P&L?.

Artificial Intelligence networks are defined as learning systems. Feed unlimited data into an algorithmic program that can translate such data to a pricing outcome ---and you have a ubiquitous AI system that can be used by in major dealer enterprises right now to get the jump on the dealer across the street or town every time.

You could say there is no way this could this happen. But let's look at what is going on the other retail models like gasoline stations, airline tickets, or TVs. Soon cars, commodities, and your house?

Start with Optimal Pricing Models:
For example, gas stations in Holland and Europe are using artificial intelligence software or code to set gas prices moment to moment. Algorithms can determine the optimal prices each day or each hour at multiple locations and adjust in an instant.

The nature of the automotive dealership franchise and their locations seem to confirm that new data aggregation systems are collecting large amounts of data from thousands of locations in some cases.

An algorithm or associated neural network could be combined with the market view of a dealer's market from vAuto, for example, to provide even more insight into the market dynamics, pricing practices, and recent competitive offering.

The basic programming of an algorithm coding the modeling of consumer behavior could be a natural evolution and complement to the existing SEO function and also social media.

Computers in the dealerships can learn when to raise and lower prices. The model could move margins from consumers who are not price sensitive to those buyers who are price sensitive. This tool would work with current online purchasing practices and auto financing with companies like AutoGravity using refined machine learning technology.

Humans to prevent Computer to Computer Collusion:
The possibility of price collusion would be minimal even if the software rules. To prevent collusion, humans will have to be involved at least until Blockchain technology takes over dealer market, F&I and CRM.
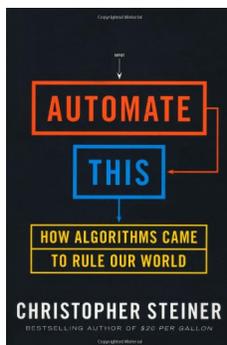

Watson vs. TrueCar:
Meantime, the price optimization business from IBM Watson and its cognitive computing capability is being used to advise retailers and soon, if not already, to advise dealers of pricing levels in the market. Several industry systems have been providing versions of this in used car marketing for years, but the replacement of a dynamic pricing model with a price optimization model will

take TrueCar, AutoTrader, CDK, and other new and used vehicle pricing sites to another level – maybe even into obsolescence.

Neural Networks are AI computer systems that function similar to the human brain. These networks use real-time signals can predict purchases from the buying experience and patterns of past and current consumer purchasing behavior.

Further, algorithms can. are, and will be used to bundle dealer services such aftermarket purchases, finance and insurance offerings.
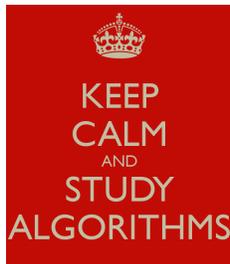
How an Algorithmic Dealer Pricing Program could work:
The automotive industry and the major dealer network stores have databases of recent and historical auto purchases from their own data, as well as LeadGen, marketing, and consulting firms. They can connect this data with the weather, existing or past dealer traffic patterns and thus get set with live data to predict future sales of specific kinds of vehicles and specific times and conditions.

Dealer management can set the pricing parameters in the pricing algorithm. Daily or hourly price changes can occur based on competitive conditions. At The end of each day, month, or sales period, this algorithm can then generate new pricing and predictions.

Who will win?
It may come down to this – "Whomever has the best algorithm and subsequent neural network of algorithms and applications will rule or control the sales, pricing, and marketing of vehicles in their respective location or market place."

And this is not a Robot talking. Read a stimulating and somewhat frightening new book, *Void Star,* and one might believe otherwise.

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