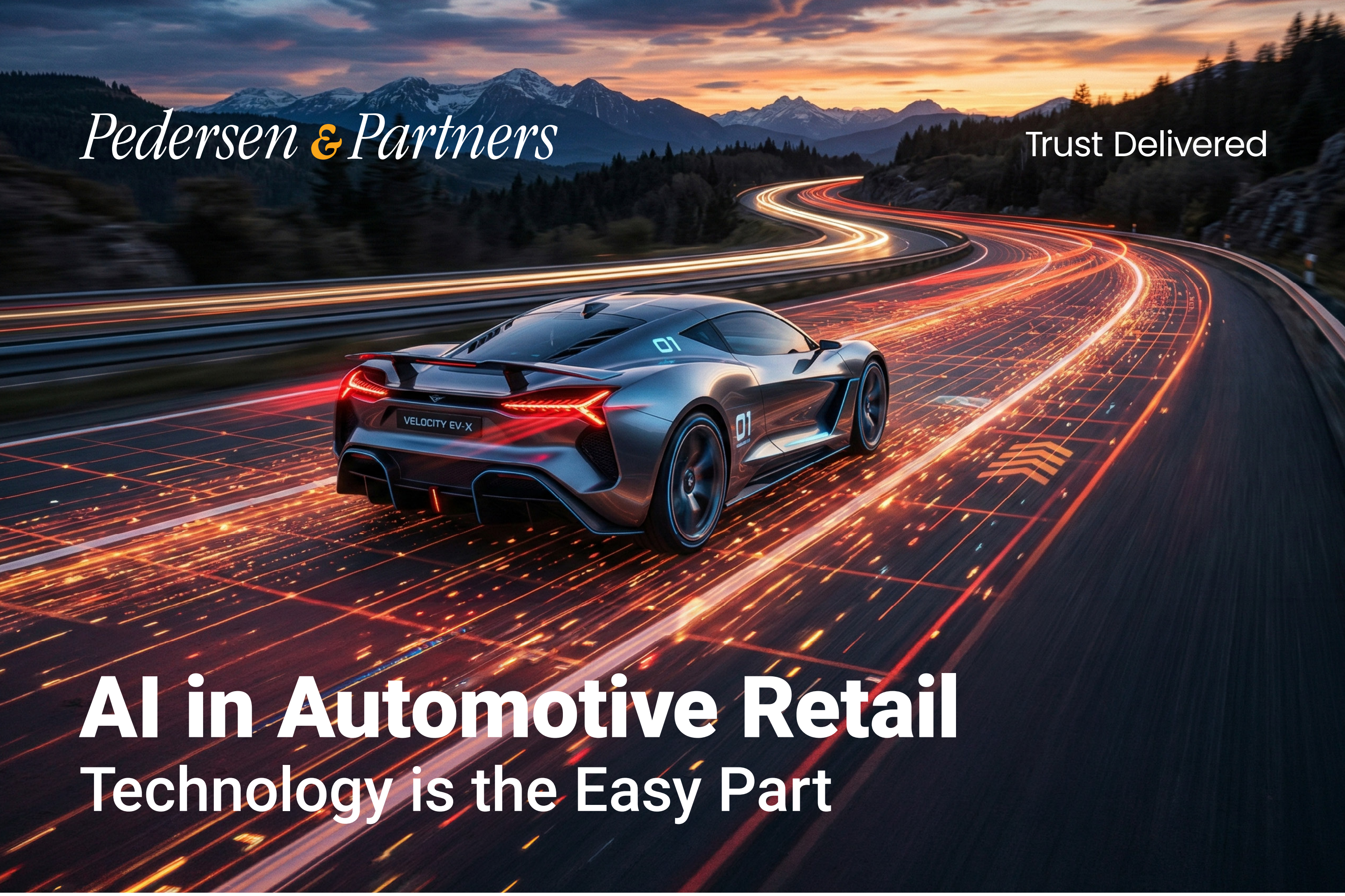

Pedersen & Partners

Trust Delivered

AI in Automotive Retail
Technology is the Easy Part

Why the next phase of Artificial Intelligence (AI) adoption will be decided by leadership, organisation and talent

Artificial intelligence is no longer an emerging technology in automotive retail. It is present, sometimes quietly, sometimes conspicuously, across sales, service, marketing and administration. Chatbots respond to customer enquiries at all hours, algorithms recommend which vehicles to price aggressively, and automated systems reconcile invoices faster than any human team ever could.

Yet despite this progress, the industry's experience with AI remains uneven. Some dealer groups are extracting clear value, while others are accumulating tools with little impact on productivity or profitability. From a leadership and executive talent perspective, this divergence is not primarily about technology maturity. It is about leadership capability, organisational readiness and the ability to build and deploy new competencies at pace.

AI, in this sense, is less a disruptor than a mirror, reflecting the quality of leadership, clarity of strategy and robustness of organisational design within automotive retail businesses.

Where AI stands today: adoption without full transformation

Industry research shows that most automotive retailers are now using AI in some form, particularly in marketing, lead management and customer communication. Cox Automotive's AI Readiness study found that a majority of dealers believe AI is "here to stay" and increasingly critical to long term success, yet only a minority have embedded it deeply into workflows and decision making.

The pattern is familiar. AI is introduced as a point solution, a chatbot here, a pricing engine there, rather than as part of a coherent operating model redesign. McKinsey and BCG have both observed that productivity gains from digital investment in auto retail have often been offset by rising complexity and SG&A costs, largely because processes, roles and accountabilities have not been rethought alongside technology.

From a leadership standpoint, this reveals a structural issue. Technology has moved faster than management capability.

Where AI is being deployed, and what that means for leaders

Sales and marketing: Managing human AI systems

AI enabled lead qualification, automated follow up and predictive targeting are now mainstream. CDK Global reports that a significant share of dealers are actively using AI to improve response times, appointment setting and conversion efficiency.

The leadership implication is subtle but profound. Sales leaders are no longer managing people alone. They are managing hybrid systems in which algorithms influence priorities, pacing and customer engagement. This shifts the leadership task from supervision to:

- Interpreting probabilistic insights.
- Coaching teams to trust and challenge AI outputs.
- Redefining what "good performance" looks like.

Service and repair: Leadership readiness lags ambition

Aftersales remains one of the biggest value pools in automotive retail, and one of the least AI mature from a leadership perspective. While AI is increasingly used for service reminders, scheduling and diagnostics support, academic research suggests organisational readiness in aftersales is still relatively low, particularly in leadership capability and workforce reskilling.

This raises important succession and talent questions. Do today's fixed ops leaders have the analytical fluency and change leadership skills required for the next phase of value creation?

AI Driven Lead Management at Johnson Honda

Sales productivity through speed and consistency

Johnson Honda reported a significant sales uplift after deploying AI chatbots to manage lead qualification, test drive bookings and follow up around the clock. The key benefit was not just automation, but consistency. No missed leads, faster response times and clearer prioritisation for sales teams. Industry analysis highlights that such gains depend heavily on leadership willingness to redesign sales workflows around AI qualified leads rather than treating AI as an add on.

Back office: From cost centre to strategic capability

AI driven automation in finance and administration is delivering some of the clearest efficiency gains. Baker Tilly and others document dramatic reductions in invoice processing times and error rates. But the deeper shift is organisational. As routine work is automated, finance and administration increasingly become centres of insight, control and decision support.

This demands a different leadership profile, less transactional, more analytical and more strategic.

How customers experience AI, and why leadership accountability increases

Customers have generally embraced AI where it improves speed, convenience and relevance. Automated chat, service reminders and digital scheduling are widely accepted. However, tolerance for failure is low. Poorly

governed AI, incorrect answers, awkward handovers, or impersonal escalation, can quickly erode trust.

This elevates AI from a technical concern to a brand and governance issue. Deloitte's board level research highlights AI governance, transparency and ethical oversight as emerging leadership responsibilities rather than IT problems.

Are retailers gaining value? It's about execution discipline

The evidence suggests that AI creates value where leadership teams are disciplined, selective and outcome focused. Dealers that prioritise a small number of high impact use cases, integrate AI into workflows and link initiatives clearly to P&L outcomes report tangible gains in conversion, inventory turns and cost efficiency.

Conversely, organisations that treat AI as an accumulation of tools often experience rising complexity and diminishing returns. BCG's research shows that dissatisfaction with AI progress is rarely due to technical failure. It is more often caused by weak adoption, premature celebration or insufficient organisational change.

The competency landscape today: Strong operators, limited system leaders

From a talent advisory perspective, the current competency landscape in automotive retail shows clear strengths, and equally clear gaps.

Many leaders bring deep domain expertise, strong commercial instincts and well honed people management skills. However:

- Digital and data fluency at senior levels is inconsistent.
- Experience in managing human AI systems is limited.
- Change leadership capability is uneven, shaped by years of mixed digital outcomes.
- Talent models remain role based rather than capability based.

Research into AI driven talent management in retail SMEs shows that without leadership capability building, AI initiatives tend to stall at pilot stage.

Back Office AI Automation in Multi Site Dealer Groups

Scaling without proportional cost growth

Baker Tilly documents how dealer groups have used AI enabled accounts payable and reconciliation tools to reduce invoice processing times from minutes to seconds, freeing finance teams to focus on insight and control. The leadership lesson here is that value was realised where finance leaders repositioned their function from processing to performance management, rather than simply cutting cost.

Competencies for the future

AI does not eliminate existing competencies. It re weights and recombines them. Five capability clusters stand out as critical:

1. Digital and data fluency at leadership level

Leaders must confidently interpret AI outputs, understand data limitations and translate insight into action, even without technical backgrounds.

2. Human AI orchestration

The ability to decide which decisions should be automated, augmented or human led, and to redesign roles accordingly, will become a core leadership skill.

3. Advanced change leadership

AI adoption is cumulative and continuous. Leaders must move beyond project based change to sustained transformation capability.

4. Strategic organisational design

Automation reshapes spans of control, middle management roles and decision rights. Leaders must actively redesign organisations, not let structure drift.

5. Ethical judgement and governance

As AI influences pricing, credit, customer prioritisation and service access, leadership accountability for fairness, transparency and trust increases.

Scale matters, but leadership depth matters more

Large dealer groups benefit from scale. They can centralise analytics, attract specialist talent and absorb investment risk. However, research across retail consistently shows that capability depth and leadership quality matter more than absolute size.

Smaller retailers can compete by focusing on:

- Proven, automotive specific AI solutions.
- Partnerships rather than bespoke builds.
- Deliberate leadership development and succession planning.

Conclusion: AI is a mirror of leadership quality

AI will continue to advance, becoming cheaper and more accessible. What will remain scarce are leaders capable of turning AI into sustained advantage.

For Boards, CEOs and investors, the central question is no longer: "Are we adopting AI?" but "Do we have the leadership, organisational design and competencies required to lead in an AI enabled retail environment?"

Predictive Inventory and Pricing Analytics

From intuition to evidence based decision making

Certain tools use AI to predict inventory risk, optimise pricing and reduce days to sale. Dealers adopting these tools report better capital efficiency and faster stock turns, but only where leadership teams were prepared to challenge intuition led decision making and accept data driven recommendations.

For a conversation about your leadership and talent needs in AI in Automotive retailing, or indeed across your wider organisation, please contact:

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