

# Innovation in autos: Four case studies on interesting concepts for car sales

- Cyrix is using AI to create a “super dealer” at the car lot
- LotLinx tailors advertising campaigns down to individual vehicles
- CarNow chases down leads through 24 / 7 chat operators
- Fair.com has an innovative approach to used-car subscriptions

## Greg Spencer

AI, hyper-targeted ads, online chat and new forms of car ownership are rapidly disrupting the autos market

In the rapidly evolving business of automotive retailing, consumers spend less and less time shopping around. A [new study by Cox Automotive](#) found that the majority of U.S. consumers do most of their research online, and that 41 percent visit just one car lot before buying.

The need to quickly assess and fulfill shoppers' wishes is driving some interesting innovation, from AI that can size up perspective clients in an instant to a novel way of selling inventory to loan-shy consumers. We looked at four noteworthy innovators, some with track records, some fresh on the market. Each offers a view into where the car-buying journey might be heading in a few years' time.

### Cyrix: AI for on-site sales

Artificial intelligence (AI) has been a term loosely thrown around by marketplaces and tech platforms in recent years, usually to help online process and remote communications. However, a Danish start-up called [Cyrix](#) offers up an interesting vision of the future, one where understanding the consumer at the dealership is key.

Founded this year in Copenhagen, the company is devising a system that uses microphones, smart cameras and customized software to read the emotional cues of customers at the point of sale.

**Reza Azimi**, founder and CEO of Cyrix, described to us a scenario where Cyrix would help a car sale:

A customer walks into a dealership and a camera at the front desk takes in the person's image. The system infers the customer is 35 years old, female and professional. She glances down at her phone, and sensors note she's in a rush. She surveys the room, and her eyes light up at gleaming Lexus. She's smitten, and the software knows it.

On the sales manager's computer at the back of the showroom, a



Company	Cyrix
HQ	Ballerup, Denmark
Website	www.Cyrix.io
Countries	International
Launch year	March, 2019
Funding sources / investors	\$75,000 from Danish government, \$450,000 from private investor Vækstfonden and \$450,000 from unnamed second private investor
No. of employees	5 as of H1 2019
Revenue	None as of H1 2019
Traffic	200 total monthly visits in June (SimilarWeb)
Vertical(s) served	Autos, retail

Company	LotLinX
HQ	Chicago, United States
Website	www.LotLinX.com
Countries	United States
Launch year	2012
Major brands	LotLinX VIN View Optimizer, LotLinX VIN-specific Digital Advertising, LotLinX VINDrop
Funding sources / investors	\$8.5 million raised - \$6 million from Rembrandt Venture Partners, the rest from unnamed investors
No. of employees	150 as of H1 2019
2018 revenue	\$50 million-plus (LotLinX)
Traffic	768,840 total monthly visits in June (SimilarWeb)
Vertical(s) served	Autos

window pops up with the customer’s profile. It’s identified the shopper. She’s visited the dealer’s website twice and has inquired via chat about two of the shop’s other vehicles. The software draws in other data from Facebook and Instagram, performs a quick analysis, and makes a recommendation to the sales manager: greet the customer immediately, and let her know the Lexus is available for a test drive in 15 minutes. All of this should help create the “super dealer” without infringing on personal privacy.

Azimi said Cyrix acquires and documents intel at every customer touchpoint, whether in person, by phone, on chat or through social media. It’s organized into customer profiles and dropped into sales staff’s hands at each stage of the customer journey.

Along with in-store cameras, the Cyrix system includes microphones and driving sensors in test-drive cars that monitor

customers’ emotional responses and driving behavior. The sensing tools are coupled with a software backbone that uses existing technologies like Amazon Rekognition and Microsoft Cognitive Services, along with Cyrix’s proprietary algorithms.

Cyrix has so far raised \$500,000 U.S. in financing, about half of that from a public enterprise grant provided by the Danish government.

Although Cyrix has targeted car dealerships for its testing phase, the company hopes to market its system in other retail sectors, including banks and insurance companies.

**LotLinX: Targeted ads for every vehicle**

Another company touting AI capability is LotLinX, a car-marketing specialist launched in the U.S. in 2012. LotLinX promises a more cost-effective way of advertising by

# CarNow

# fair

Company	CarNow
HQ	Atlanta, United States
Website	www.CarNow.com
Countries	Canada, Puerto Rico, United States
Launch year	2014
Major brands	BuyNow, MessageNow
No. of employees	100-plus as of H1 2019
Traffic	115,000 total monthly visits in June 2019 (SimilarWeb)
Vertical(s) served	Autos

Company	Fair
HQ	Santa Monica, United States
Website	www.Fair.com
Countries	United States
Launch year	2017
Funding sources / investors	\$500 million in equity financing from Softbank Investment Advisors, Next 47, Javelin Venture Partners and BMW I Ventures; and \$1.05 billion in debt financing from Sherpa Capital and Silicon Valley Bank
No. of employees	500 as of H1 2019
Traffic	268,000 total monthly visits in June (SimilarWeb)
Vertical(s) served	Autos

tailoring ad campaigns right down to individual vehicles.

“Normally people just upload their entire inventory to a portal,” explained **Lance Schafer**, GM of LotLinx’s product and technology division. “Our original idea was that every vehicle should have its own specific ad.”

LotLinx starts by feeding a car’s VIN – vehicle identification number – into its patented technology. The system looks at local sales data for similar makes, models and years, and sees what other dealers are listing them at. It sees how quickly the cars are selling at different price points and who’s buying. The information comes from various third-party data providers, including dealer clients of LotLinx as well as syndicated services that provide industry data.

LotLinx’s technology recommends

campaigns based on the dealer’s goals.

Ads are created and distributed to online advertising services, such as Google Ad Words, and managed on a continual basis by LotLinx’s technology. The company’s tech interacts with the ad services’ tech to adjust who sees the ads and at what time, on which device, and which location. The tech makes thousands of these tweaks per day, as compared to the dozens or perhaps hundreds that can be made by a human.

Schafer claims that on average LotLinx subscribers can move cars seven to eight days faster and gain profit margins \$300-\$500 larger than with more conventional approaches.

One LotLinx client, Florida Fine Cars, a four-store dealership in South Florida, corroborated those results for the AIM Group. The company, which employs 250 people and sold 9,000 vehicles in 2018, has been using LotLinx ad services for four years.

Although it's difficult to parse just what factors are responsible for which sales, company marketing director **Jamie Suid** figured that Florida Fine Cars spends about \$300 per vehicle on advertising, which he believes is half the industry average.

"I prefer to draw traffic to the vehicles I need to get eyes on, rather than just letting the chips fall where they may," Suid said. "We all know which vehicles naturally get more views. Why spend extra, or any at all, on getting even more?"

### **CarNow: Capturing clients by chat**

Technology isn't always the answer, though. CarNow takes a digital retail solution but makes human assistants its competitive advantage.

CarNow, launched in 2014 and headquartered in Atlanta, is a digital retailing service catering to 4,000 dealerships across the U.S., Canada and Puerto Rico. The company's proposition is pretty simple: with the majority of car shoppers starting their search online, why not meet them there?

In practice, this means giving online shoppers the possibility to talk to human assistants via chat. CarNow provides that assistance from three call centers in suburban Detroit. A total 260 of sales assistants work the computers three shifts a day to provide 24 / 7 live assistance to online shoppers.

According to **Aaron Baldwin**, senior VP of product and business development at CarNow, today's marketplace demands around-the-clock service. Having worked previously in online retail, Baldwin came to understand that more and more of today's

shoppers are found online during evenings and weekends. And because they're doing it during personal time, they tend to be more serious and eager to close than daytime shoppers at brick-and-mortar stores.

CarNow's assistants tend to be recent college graduates, some with little prior knowledge of the automotive industry, Baldwin said. But CarNow gives them a rigorous training and equips them with gobs of data, from syndicated automotive information services to localized information about taxes that apply in every CarNow market.

"There's a lot of stuff that goes into car buying and it's our job to simplify the process so it's understood by all consumers," Baldwin told the AIM Group.

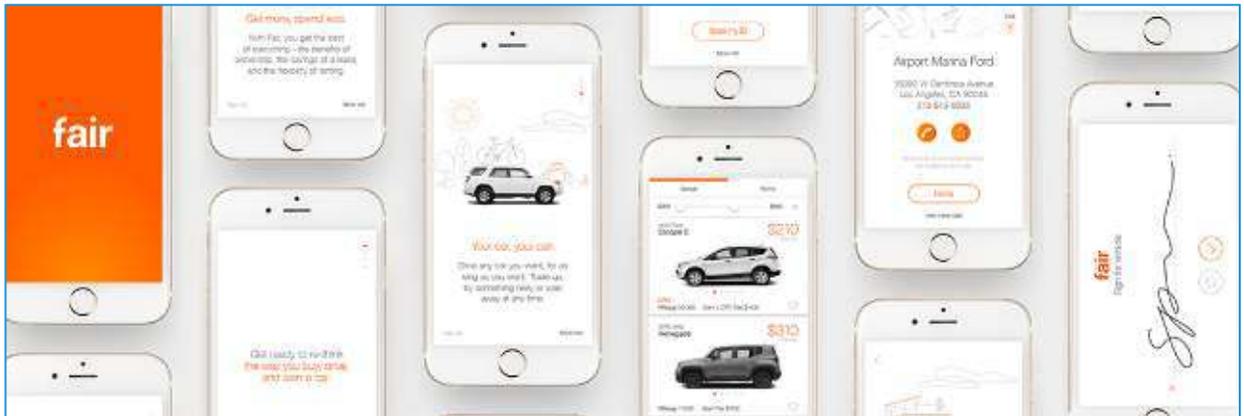
"Why is it necessary to give my social security number? Why do I need to fill out a credit application even when I'm paying cash? We have to explain all that."

Despite the human assistance and the option of buying with a phone or computer, Baldwin said just 4 percent of CarNow's shoppers actually buy a vehicle online. However, a full 25 percent who start shopping online end up purchasing a car within a week, most of them at an offline dealership.

"A substantial part of the audience starts the process online but don't complete it," Baldwin said. "This becomes a powerful sales lead for dealerships. There's this whole degree of trust that they have to build."

The AIM Group reached out to a handful of dealerships about their experiences with CarNow and two responded, both with positive feedback.

"When the BuyNow product came to market, it allowed for the transparency to go to a whole new level," wrote **Drew Tuffon**, GM of the Ed Voyles Automotive Group, a six rooftop dealership in Marietta, GA. "You can now show the unit through texting



When a Fair.com user chooses a car on subscription, the company buys the car directly from the dealer  
Source: Fair.com

when needed without the customer being in the store or on the phone. Our customers and team have loved the communication and non-confrontational interaction this has brought.”

**Ed Voyles** started using CarNow’s services in 2015, one of the first dealerships to subscribe. Today, 10 sales per month are concluded online, meaning the customer never sets foot on the lot. But, in a confirmation of the overall picture painted by Baldwin, many customers start their shopping online but make the purchase in person in “a more traditional experience,” Tutton said. Sales at its largest six lots have increased by 15 percent since 2015, and Tutton said the adoption of CarNow was the biggest factor.

Another dealership, Williams Automotive Group in Wesley Chapel, Florida, also reported good results. The company had prior experience using website marketing, including with chat. The adoption of CarNow’s chat tool resulted in a 34 percent increase in numbers of chats that resulted in sales, said Williams’s VP **Michael Speigl**. Speigl said the company tried three different digital retailing platforms and that CarNow’s BuyNow service produced 25 percent more sales leads than the second-best provider. He said 20 percent of those leads result in sales on a consistent basis.

### Fair.com: Car subscriptions on used cars

Indicative of the changing model of car ownership and how dealers are adapting to a new environment, U.S.-based Fair.com has developed a “cars-as-a-service” solution in addition to its traditional dealership model.

Launched in 2017 in the Bay Area, Fair.com claims to offer used-car subscriptions that are less expensive than rentals and more flexible than leasing or buying. A Fair subscription is made by mobile phone. Customers explore their options, select a car and send a photo of their driver’s license for user verification. If approved, they go to the lot, and drive away with their car in 10 minutes’ time.

According to co-founder **Georg Bauer**, a former executive at Mercedes and BMW, millennials seeking a-to-b transport at an affordable cost comprise one key target market. For such customers, Fair can offer a simple, small car – for example, a three-year-old Kia Rio or Ford Fiesta – for \$150-200 per month – roughly half of what it would cost to rent, Bauer said. The price includes service and maintenance, with insurance being an optional add on. There’s a minimum upfront payment that averages four monthly fees, depending on the car. But the customer can end a subscription on five days’ notice, no questions asked.

Fair.com has expanded from its California base and is now live in 35 cities in 22 states.

Fair also markets itself as a valued partner to car dealers by bringing them a new stream of customers at no cost. The cars posted on Fair's mobile app are the same cars listed for sale at Fair's 4,000 dealership partners across North America. The company merely reposts this inventory on its own app, and when a Fair app user chooses a car for subscription, Fair buys it, and then rents it out to the customer. When the customer ends the subscription -15-18 months later, on average, is the company's experience - Fair offers it back to the dealer, who has the right of first refusal. If the dealer declines, Fair sells it on the open market.

Fair's offer to dealers, then, is to bring in another stream of revenue, with Fair doing all the marketing.

Aim Group contacted two car dealers who have partnered with Fair, and both reported good experiences.

At Los Angeles's New Century Auto Group, encompassing 10 sites in and around the city, about 350 cars have been sold through the Fair partnership since it started in late summer 2017, said VP of operations **Mike Van Bommel**.

Because Fair customers complete most of the transaction by mobile phone, there's little effort required by the dealership, Van Bommel confirmed. All that's needed is for an employee to make sure the car is ready to go when a car is ordered. When the customer arrives at the lot, an employee "immediately takes them to their vehicle and they then typically take a test drive."

"For the customer, it's quick and a no-brainer," Van Bommel said. "Our industry is largely antiquated. Fair is a leader in the revolution of our industry."

Another Fair partner, also in Southern California, is Huntington Beach Chrysler

Dodge Jeep Ram. Since partnering with Fair in August 2018, the dealership has sold an additional 2,000 vehicles, said company president **Pete Shaver**.

Shaver figures most of those cars were lower-cost cars that would have otherwise gone to auction at a smaller profit margin than customer sales provide. "The algorithm Fair uses recognizes value and prices the payment for their customer accordingly," Shaver explained. "When we have an aged vehicle that hasn't sold, we can price above auction but discounted and it sells."

Shaver welcomes the new business. "I have been a retailer for 32 years and know that action begets action," he said. "Exposure to new thinking. Purchase leverage. We buy bigger quantities of vehicles and that offers me more margin on non-Fair retail sales."

"Purchase customers won't come back to the dealership more than once every five to seven years," Bauer said. "Fair customers will come back four to five times more frequently. And when they come onto a lot and drive away in 10 minutes' time with a car, they're having a positive experience. There's a sales opportunity from them just having a good experience there."

The company has raised \$500 million in equity financing and another \$1 billion in debt, Bauer said. A substantial part of that financing went toward the purchase of Uber's Xchange Leasing business, which supplies many of the ride-hailing company's vehicles. Since Fair took it over, it's provided the same service, albeit under Fair's own subscription offer, to Uber drivers. That part of business currently generates half of Fair's income, Bauer said.

Bauer also noted that the company is currently acquiring 300 new customers per day, which puts it on track to add 80,000-100,000 customers per year. Bauer said half of Fair's customers are women and half are millennials, the demographics Fair had set its sights on. At current growth rates, the company would not seek additional financing until 2020.