

TURNING AUTOMOTIVE LOGISTICS INTO YOUR BRAND'S COMPETITIVE ADVANTAGE



While employing strategic logistics has been a differentiator for many successful retail brands and industries over the last few years, this trend is just now catching on within the automotive space.

More so than ever before, industry players need a strategy to stay competitive. It's critical that vehicle retailers secure the logistics necessary to navigate industry disruptions and position themselves well to compete.

Automotive retail has undergone more change in the past three years than it has experienced in the prior 30 years combined. Major disruptions, innovations and trends have shaped the auto industry, creating seismic shifts in consumer behavior and giving rise to digital retailing.



Pre-COVID Shifts

Even before COVID-19 idled factories, closed dealerships and sent vehicle sales into a freefall, the auto industry was bracing for a difficult year. Major shifts around auto retailing, slowing sales momentum, falling volumes and a digital transformation were already underway.¹

The largest pre-pandemic shift was in consumer behavior, as a rapidly increasing number of consumers chose to go online for their vehicle-shopping needs. Customers were demanding a faster, easier and more transparent vehicle-buying experience. However, initially, auto retailers struggled to adopt this trend quickly and keep pace, especially as they worried about loss of control over vehicle sales or job security for their sales teams.²

This consumer-behavior shift ultimately led to a “clicks to bricks” phenomenon, with car buyers demanding a hybrid of online and offline options with the vehicle-shopping experience. While digital experiences are becoming more important along the car-purchase funnel, and some customers choose to conduct the entire process online, a larger group of customers opt for omnichannel car shopping. Oftentimes, customers will complete a lot of vehicle research online, gathering details on financing and extras like extended warranties at their own pace, but still go to a dealership to do in-person test drives, perform close-up evaluations of vehicles and finalize the purchase.

Up until this point, ecommerce had fundamentally changed every major retail market with the exception of automotive. Many retailers were hesitant to fully adopt an end-to-end ecommerce purchase experience without any manual intervention required by the dealership. This gave rise to massive digital retailers like Vroom and Carvana, which offered customers the convenience of online shopping, home delivery options and the promise of a simple return process. These online retailers primarily focus on vehicle logistics that can guarantee customers quick, convenient and reliable car deliveries.



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Millennials and Generation Xers,³ already accustomed to the ease and speed of online shopping, were particularly drawn to this model. These generations and their preferences have been a significant driver of increased digital-retailing options for cars, boats and even homes, and as they age and are able to make more serious investments in the future, these numbers will only increase. Currently, while less than 1% of all used-vehicle transactions happen online, it's estimated the number will climb to 50% of all vehicle transactions by the year 2030 - pointing to a likelihood that these trends will only continue to grow, especially as younger generations begin purchasing vehicles.⁴



Post-COVID Shifts

Beyond emerging digital-retailing trends, there were also four disruptive megatrends brewing pre-COVID, as showcased by the tech-driven revolution shaking up the auto industry and the associated C.A.S.E. acronym - connected-car technology, autonomous vehicles, shared mobility and electric vehicles (EVs). However, once the COVID-19 pandemic hit, these trends accelerated in a major way.

Four Disruptive Megatrends

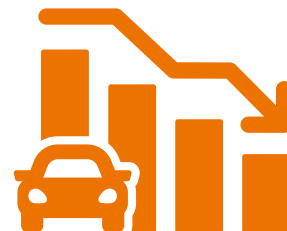
- C**onnected-car technology
- A**utonomous vehicles
- S**hared mobility
- E**lectric vehicles



During the height of the pandemic, more than ever, consumers wanted the safety and convenience of being able to order a vehicle from the comfort of their own home.⁵ As consumers became increasingly used to ordering items like groceries, home supplies, pet food and everything else with just a few simple clicks, and having those items arrive at their doorstep, they began to expect the same options for larger purchases, as well. At the end of 2020, ACERTUS engaged a data firm to conduct an independent study on these trends, particularly around consumer preferences. This report showed that a staggering 80% of car shoppers were open to purchasing vehicles online, which was a 50% increase from pre-COVID numbers.⁶ As 2021 began, new opportunities for digital retailing and conversion to home deliveries and pickups appeared, especially as consumers continued to demand contactless service and increased safety precautions with the vehicle-shopping process.

Undoubtedly, there have been many other shifts post-pandemic, as well, and these certainly include global supply-chain disruptions that have hit the automotive sector particularly hard. At the beginning of the pandemic, many car dealerships closed and car shopping came to a sudden halt, with auto sales plummeting about 47% in the U.S. in April 2020.⁷ The year 2020 is now the fourth-largest annual decline for the U.S. auto industry - behind a 19.1% loss in 1980 and both 18% and 21.2% declines during the Great Recession, in 2008 and 2009, respectively.⁸

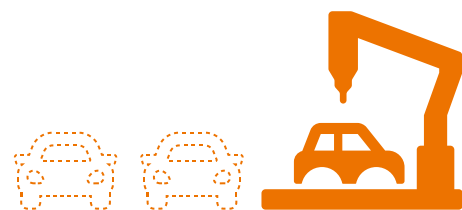
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Similarly, mobility behavior changed drastically with the pandemic, as many commuters worked from home. Others chose to stay away from public transportation due to health concerns, so as the pandemic progressed, consumer demand for vehicles eventually grew.

However, there have been significant challenges when it comes to producing enough vehicles to meet consumer demand. Early in the pandemic, the shutdown of car-manufacturing plants both abroad and domestically led to a huge decrease in the amount of new-vehicle inventory being produced. Even after plants continued to ramp up their production after the initial shutdowns, supply-chain disruptions landed another critical blow, especially when it came to the lack of critical vehicle parts like semiconductor chips.⁹

This overall lack of enough new-vehicle inventory led to a surging demand for used vehicles.¹⁰ Many retailers are now sourcing inventory from consumers themselves, or even going to multiple sites like other retailers, auction houses, rental-car companies and others, to source quality inventory. These methods have proven quite useful for retailers and have helped the industry keep up with consumer demand. Yet, these new methods of sourcing inventory also equate to an increased need for vehicle transports, oftentimes, with more frequent stops for vehicle pickups. These additional transports and frequent stops add to the already tight schedules and capacity-level concerns facing carriers across the country.



The auto industry, and especially dealers, have had to stay agile, adapting to rapid shifts in buying behaviors, inventory shortages on critical vehicle parts, demand that heightened as the pandemic continued on, a tough economy and changing customer expectations when it came to speed, convenience and home-delivery services. While consumers' desire for home delivery has grown, the auto industry is still seeing unprecedented capacity constraints, as well as an ongoing driver shortage. This has resulted in a more limited carrier network, struggling to get vehicles to market and navigate constrained capacity levels.



Turning Logistics into a Competitive Advantage

Digital retailing has truly revolutionized vehicle sales and service, stemming an unparalleled access to inventory, increased online transactions and more consumer expectations for faster fulfillment. Now, dealers know they must be able to compete in the digital space, but they are often left with the challenge of how to move more product quickly, while upshifting the customer experience.

Moving vehicles from point A to point B often entails a complicated, time-consuming and risky web of activities. For many decades, this process has remained unchanged and unhurried. However, with changing customer expectations as a result of the “Amazon effect”¹¹ - the ability to receive any items they choose at their doorstep with speed, transparency and low costs - speed, more responsiveness, more automation and better overall customer service are now all musts. Logistics are often a true differentiator between good companies and great companies, with great companies employing logistics in a strategic way to achieve success.

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As retail leaders continue to disrupt more traditional business models, supply-chain velocity becomes increasingly critical. Auto retailers need to partner with a tech-enabled logistics company that can meet the demand for speed, while also providing superior service, comprehensive protection of their assets and visibility into the shipment process. Ideally, this partner can ensure vehicles are road-ready before they're ever delivered to their final destination. Logistics providers can expand their partners' footprint, increase their capacity, instill visibility into the process and multitask to create efficiency and complete a full range of vehicle services.

Expand Footprint

Through expert logistics, dealers can expand their total addressable market and sell to customers both in- and out-of-state. By increasing their overall reach, retailers can both acquire and turn over inventory quickly - something that is crucial during this time of limited inventory and high consumer demand. Because customers want vehicles now, and inventory is limited and selling quickly, many shoppers are willing to go online to give themselves even more vehicle-shopping options, including purchasing their next car from an out-of-state retailer.

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A hub-and-spoke infrastructure can also help dealers streamline their logistics, especially at a time when there is such tight capacity. With facilities strategically located across the country, these hubs work like a ship-and-port operation to pick up, store, drop off, transport, consolidate or de-consolidate freight, while also bringing in additional vehicle services as required. Hubs can be used to prep vehicles for the last mile with services like reconditioning, oil changes, body work, detailing and more. This ultimately maximizes efficiency, removing unnecessary stops at multiple locations with one centralized location for vehicle serving, storage and repairs.



Increase Capacity

The auto industry is grappling with the tightest carrier-capacity constraints in its history. Capacity still hasn't returned to pre-COVID levels due to labor losses from the pandemic, much of the truck-driver workforce retiring¹² and carriers now making more frequent pickups and drop-offs on their routes. Third-party logistics providers (3PLs) can help drive more efficiency and scalability for retailers. Without assets of their own, they can more easily flex up or down based on demand. Ideally, dealers won't have to fill every truck for every move, and a 3PL will have a wide range of truck sizes - everything from a nine-car carrier to a flatbed operator - to accommodate their customers' needs.

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Instill Visibility

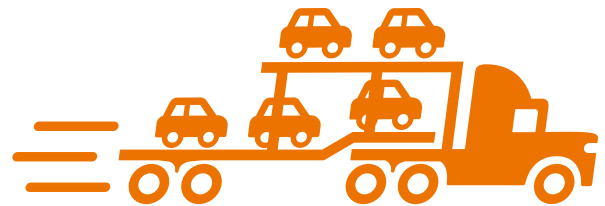
Visibility is critical when it comes to making well-informed business decisions. A tech-enabled logistics provider can help boost supply-chain velocity by delivering critical information in real time to keep shippers informed. Such visibility options not only give companies peace of mind on their assets, but they deliver crucial insights and ensure companies can change pace or, as necessary, make decisions while vehicles are mid-route.



Technologies like electronic proof of delivery (ePOD), Transportation Management Systems (TMS) and geo-targeting can help logistics providers deliver this critical information in a timely fashion, guaranteeing that companies have the visibility they need for their respective business interests during the vehicle-transport process.

Multitasking for Efficiency

To help expedite these processes further, companies can choose to work with a logistics provider that can handle a full range of services, even beyond transport. These can include title and registration, reconditioning, emissions testing and more, all of which allow a logistics provider to multitask and help increase retailers' operational efficiency. With services like these in place, vehicles can arrive at their destination ready-to-drive.



Adopting an Intelligent and Tech-Enabled Approach

Connective, intelligent technology has become essential to making smarter business decisions. A partnership with a tech-enabled logistics provider can help retailers achieve a more intelligent and streamlined approach by employing data for better planning, using predictive analytics to sense potential disruptions, leveraging machine learning to mitigate disruptions and automating to create a faster, more simplified and more efficient vehicle-logistics process.

Employ Data for Better Planning

To improve supply-chain speed, especially during this time of unusual supply-chain delays, logistics providers can share accurate and up-to-date data with retailers to help them determine the best modes of transport and routes, as well as help with freight matching and bundling opportunities. In fact, by identifying ideal opportunities for bundling vehicle-logistics orders, better load consolidation can occur, and efficiency can be increased - giving companies the agility and scalability they need to be successful in keeping their operations moving.



Use Predictive Analytics to Sense Potential Disruptions

Predictive analytics pave the way for proactive risk mitigation. Logistics providers that have these capabilities can collect data from external sources (such as data points around costs of fuel, weather impacts and capacity levels), leveraging historical data in the process, and running data points through advanced analytics systems to sense potential disruptions that could impact business. When such potential events are detected, providers can send out alerts in advance, notifying the companies they partner with that such events could affect the supply chain.

Use Machine Learning to Mitigate Disruptions

Machine learning and data science can ensure logistics providers are able to identify the best routing options for their partners. Such learnings can also be prescriptive in terms of what they offer to carriers, helping carriers to get moving more quickly, so they can complete orders with speed and efficiency. This data also paves the way to procure better marketplace capacity when hauling vehicles, so they can understand which carrier and truck type is best for each respective long-haul, medium-haul or short-haul scenario.

Automate to Create Faster, More Simplified and More Efficient Vehicle Logistics

When logistics providers employ automated dispatching, there is far less downtime spent waiting for carriers to receive their load assignments, and the carriers can move more quickly and work through orders with more speed. Such an automated model allows carriers to access an online platform, book their own loads when they choose, on any day and at any time - ultimately, leading to more efficient and more streamlined operations.

Supercharging the Last Mile to Exceed Customer Expectations

Home-delivery services are now fundamental to excellent logistics and exceeding the customer's expectations. Beyond being able to provide shipment-delivery time and estimated costs, personalization has become a new differentiator with such auto logistics. Because an increasing number of deals are happening in the driveway instead of the dealer's showroom, retailers have to bring the showroom experience there. To meet this demand, a logistics provider can offer a fully branded experience and white-glove service when delivering vehicles and acting on the retailer's behalf. While last-mile logistics like these are often the most challenging and costly, they also give companies an opportunity to impress their customers and nurture long-lasting customer loyalty.

Many retailers are now branching out to offer their customers other at-home conveniences like at-home trade-ins, test drives, vehicle maintenance, repairs, returns or recall service.¹³ Remote options like these give customers the ability to quickly and easily request vehicle services without ever having to leave their homes - something that continues to grow in importance for many customers.

About ACERTUS

With start-to-finish service driven by a transformative combination of technology, people and experience, ACERTUS can turn logistics into a competitive advantage for retailers and all companies moving vehicles.

As retailers are left with the challenge of how to move more product faster, even as disruptions continue to shape the industry, ACERTUS can offer access to a carrier fleet that delivers flexible and on-demand capacity, hub-and-spoke infrastructure for any storage or reconditioning needs and drive-away service that allows for high-touch customization.

ACERTUS' technology platform provides visibility into every aspect of the journey. With data-driven learning and execution, ACERTUS can serve its customers and improve their business performance.

Beyond sending shipment delivery times and costs, ACERTUS can instill personalization into the home-delivery process. Working on behalf of the retailer, the ACERTUS team can offer fully branded, white-glove service on final-mile deliveries to help upshift the overall customer experience. Ultimately, ACERTUS has created the only completely comprehensive approach to automotive logistics with the ability to move, store, recondition, title and deliver vehicles anywhere in the country. With one company to handle the entire vehicle journey, this strategy dramatically improves efficiency and reliability for customers. Our people, process, innovative technology and relentless drive to deliver are just some of the reasons we made Inc. Magazine's list of the 5,000 fastest-growing companies in the US.

For more information, call 855-ACERTUS (855-923-2477), or visit www.ACERTUSdelivers.com.

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