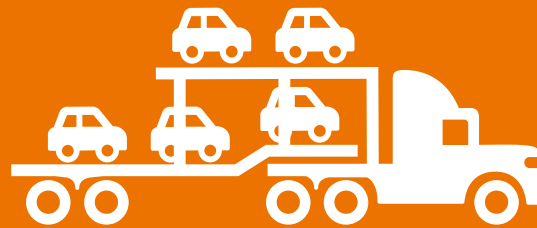


# MAJOR AUTO INDUSTRY TRENDS AND THEIR IMPACTS ON VEHICLE LOGISTICS



The future of the automotive industry is being impacted by a wave of disruptions, innovations and evolving consumer expectations. Transformative changes at an unprecedented speed will be necessary to keep up. While there are many unknowns as to what the next few years will hold, what's certain is that the industry will have to stay agile, working not only to navigate more disruptions as they arise but also striving to meet consumers' rapidly changing demands.

# Supply Chain Challenges

The automotive industry is facing a whirlwind of disruptions that are causing significant impacts to key players within the space and creating massive delays within the automotive supply chain.

New car production and inventories are still lagging nearly three years after the COVID-19 pandemic brought manufacturing to a standstill due to safety protocols and an ongoing shortage of critical vehicle parts including semiconductor chips, rubber and foam.<sup>1</sup> These concurrent disruptions presented automakers with continued challenges, particularly around ramping up new-vehicle production and meeting demand.

The ongoing shortage of new-vehicle inventory led to an increased demand for used vehicles, which in turn, caused used-car pricing to surge and, ultimately, peak in early 2022. Used-vehicle prices have finally started to fall, with prices dropping significantly between April and August 2022, likely in part due to rising interest rates and inflation.<sup>2</sup> However, consumer demand for vehicles remains high, and without enough inventory to meet this demand, automotive retailers have been forced to source inventory from wherever they can - even buying back vehicles from consumers themselves.

In an effort to alleviate the shortage of available semiconductor chips and better support vehicle manufacturing, the U.S. Congress passed the CHIPS Act in July 2022 with the goal of increasing domestic production.<sup>3</sup> While no immediate impact is expected, it is anticipated this new law will ease supply-chain burdens and boost U.S. domestic production over the next few years.



# Labor Shortage

In addition to these challenges, a longstanding truck-driver shortage has been exacerbated by a workforce that is quickly aging out. With the majority of drivers now over the age of 45 years, many are getting close to retiring. At the same time, during the height of COVID-19's spread, many drivers chose to retire or switch jobs as a result of pandemic-related stressors. In fact, COVID caused serious hits to the trucking industry, particularly in early 2020 when ecommerce was slowed down, and businesses were operating under limited hours or completely shut down. Colliding social and economic factors further impacted the driver workforce, and during the height of the pandemic, many drivers simply left their jobs. In early 2022, truck drivers frustrated with mandates and requirements around masking, vaccines and testing set up convoys and created blockades along the U.S.-Canada border, creating even more supply-chain challenges and causing many auto manufacturers to have to find alternate routes while moving vehicles from one country to the next.<sup>4</sup>



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All of these compounding labor matters have had implications for vehicle shipping and logistics. When there is a lack of available drivers in the industry, and there is increased consumer demand for vehicles, there are simply not enough drivers. As such, there is not enough truck space to meet the vehicle-shipping demand. Capacity becomes stretched to a breaking point, dramatically reducing load factor and preventing other vehicles from being able to move. This causes further impacts on the speed that vehicles can be transported or serviced, often slowing down the overall process and creating new delays for both automotive players and end customers.

The Infrastructure Investment and Jobs Act – signed into law in November 2021 and referred to as the bipartisan infrastructure bill – includes legislation that allows younger drivers to start entering the workforce via apprenticeship programs. This program, called the Safe Driver Apprenticeship Pilot Program (SDAP), officially launched in August 2022.<sup>5</sup> Many automotive players are hopeful the program will help fill the driver gap and ease the capacity crunch impacting carriers and the industry moving forward. Beyond helping with driver recruitment, the better training through this program will likely reduce risks for the drivers and those sharing the road with them by ensuring drivers are better trained earlier on in their careers, making them safer on the roads throughout their careers.



# Shifts in Consumer Buying

Amid many disruptions facing the automotive space, there are major shifts when it comes to consumer-buying behavior. Pre-COVID, a growing number of consumers were going online to research and shop for their next vehicle purchase, especially with online-only vehicle retailers launching and growing in popularity. Although these consumer-buying shifts were happening, more traditional dealerships were a bit slower to adopt ecommerce options.

However, once the COVID-19 pandemic struck in early 2020, consumer demand for online options surged, as customers preferred to browse, shop and ultimately purchase vehicles from the comfort and safety of their own homes. According to a 2020 Cox Automotive study that looked at auto shoppers' habits, 60% of respondents reported wanting to take more



vehicle-purchase steps online post-pandemic, as compared to before COVID-19.<sup>6</sup> As a result of this dramatically shifting consumer demand, dealers quickly adapted their business models to include ecommerce options.

Due to health and safety concerns, consumer demand also quickly grew when it came to vehicle home delivery. Consumers had already grown accustomed to having items like groceries, pet supplies, new furniture and nearly anything else they wanted delivered to their front doors. While, pre-pandemic, home-delivery service on vehicle purchases had been mostly reserved for luxury vehicles, electric vehicles or for those who purchased with specific digital retailers, after COVID became a reality, many states and localities put shutdowns in place that forced dealers to close their doors for a period of time. Similarly, dealers quickly learned that, regardless of local mandates, many consumers didn't want to leave their homes to walk into a dealership site during the pandemic.<sup>7</sup> Instead, they wanted the option to have vehicles delivered.

Since the pandemic, this demand has grown rapidly, with customers clearly signifying to dealers they want these home-delivery options. In early 2021, ACERTUS conducted a study in which 65% of car buyers said they were now open to short-distance delivery, while 49% reported being open to long-distance deliveries.<sup>8</sup> Dealers are now striving to meet this growing demand for delivery options, working closely with logistics providers to transport vehicles quickly and securely to their new owners.

Beyond just offering final-mile service, many dealers are further optimizing the customer home-delivery experience, offering options for premium, white-glove service. Logistics providers can help dealers offer such premium deliveries, complete with company branding, full car detailing and additional customer support. A white-glove service offering like this ensures customers have access to a full showroom experience, right at their driveway.

Ultimately, as home delivery continues to rise in popularity among automotive consumers, retailers need to establish a seamless ecommerce solution, a logistics strategy and final-mile solutions for their business and customers.

# Electric Vehicles

EVs have taken the auto industry by storm, and more and more consumers are going electric. Several moves by car manufacturers, the federal government, state governments, commercial enterprises and more have led to an overall rise in EV adoption.

Notably, the federal government has taken significant steps toward electrifying vehicles in the US – with the goals of reducing carbon pollution, boosting vehicle efficiency and reducing the country’s greenhouse gas emissions – through the passage of both the Infrastructure Investment and Jobs Act in 2021 and the Inflation Reduction Act in 2022.<sup>[9] [10]</sup>

Members of the U.S. Congress have been looking at possible legislation to help extend weight limits for carriers that haul all or a majority of EVs. But because there is no legislation around this that has been put into law, carriers continue to work around these challenges, and the industry continues to monitor what changes occur at the federal level with EVs and carrier weight restrictions.



## Vehicle Subscription Services

With the lack of enough vehicle inventory on the market, consumers cannot always find the exact make and model they want. Consumers’ priorities are starting to change with less focus on car ownership and more attention on achieving mobility, having a vehicle available for specific purposes and even gaining access to luxury vehicles for certain periods of time.

For consumers not yet ready to purchase vehicles, or those holding out until the exact vehicle they want is back on the market, vehicle-subscription services can provide a compelling alternative. Subscribers can pay a monthly fee to drive the vehicle and, depending on the specific subscription program and provider, enjoy coverage on maintenance, registration and insurance. Additionally, many subscription programs allow users to drive vehicles for shorter lengths of time than a car lease entails, and there is usually much more flexibility around cancellation than with a lease agreement.<sup>11</sup>



Certainly, the global car subscription market size is expanding, with the industry projected to reach \$15.56 billion by the year 2030, growing at a compound annual growth rate (CAGR) of 23.1%.<sup>12</sup> Urbanites who do not want to own a vehicle or prefer to only drive a vehicle for certain periods of time, younger drivers that do not want to worry about upkeep and repairs and consumers who want the ability to switch out luxury-vehicle models regularly all make up this growing subscriber base.

While vehicle subscriptions have been around for some time, there is now a much bigger push to expand these services throughout the industry - including with auto manufacturers themselves. Manufacturers are providing everything from luxury subscription models to customizable programs where the customer chooses every aspect of the subscription service they want.<sup>13</sup>

The growing demand means the auto industry will need to anticipate the priorities of many of these consumers, considering how they can diversify their offerings and deliver vehicle-subscription services to customers that do not want to own or lease vehicles. Over the next few years, it's likely that even more auto manufacturers, startup companies and dealerships will take steps to establish subscription programs like these.

The growth of subscription services will see further demand for vehicle logistics by auto players offering these subscriptions, including demand for additional storage options, so they can hold vehicles until they're ready to be used. Similar to rentals or leases, when vehicles come back into the hands of auto players, there will typically be a great need for care and maintenance, as well as reconditioning services. These elements must be taken into consideration as companies work out their specific transport, storage and logistics plans for vehicle subscriptions moving forward.

Ideally, companies that offer these vehicle-subscription services will have programs in place, whether using their own teams or an outside logistics provider, that will ensure vehicles are repaired, reconditioned, stored as needed, fueled and fully detailed on a fast, rotating basis before cycled back into use with the next subscriber.



# ACERTUS as a Logistics Partner

The automotive industry is rapidly evolving, with major trends taking shape, shifting and impacting how different automotive players operate. While it's difficult to know now how all these trends will change moving forward, or what new trends may be on the horizon, it's critical for automotive players to have the right logistics strategy in place, so they can stay relevant and competitive moving forward.

With a full suite of vehicle-logistics services, ACERTUS can help partners stay ahead of trends as they emerge. Blending technology, people and experience to create an intelligent approach to logistics, ACERTUS provides visibility into every aspect of the journey, a carrier fleet with flexible capacity, drive-away service with high-touch customization and

unmatched infrastructure for storage, repair and reconditioning. Access to comprehensive vehicle services will help automotive players navigate labor shortages, shifting consumer demands, electrification and shifts in mobility.

Despite ongoing challenges with labor shortages and a constrained supply chain, ACERTUS is well-positioned to solve challenges created by these capacity limits. With the largest carrier network in North America, ACERTUS delivers access, ensuring OEMs, fleet-management companies and others have the ability to flex their logistics based on demand.



ACERTUS can assist vehicle retailers and others in meeting shifting consumer preferences when it comes to vehicle home delivery, with a team that can complete final-mile deliveries through car-haul or drive-away service. Drivers are well-trained in safe, reliable transport methods, and they can successfully complete these deliveries in densely populated cities, along narrow streets, in areas with low-hanging trees or anywhere else. Drivers are also properly equipped to transport EVs, ensuring these vehicles have an optimal charge at all times and that they're kept out of extreme heat or cold to further protect their batteries and battery charge.

Further locking in customer loyalty, ACERTUS also offers branded white-glove service on home deliveries. Beyond providing shipment delivery time and cost, ACERTUS can personalize the experience throughout the delivery process, ensuring companies can differentiate themselves when it comes to logistics.

ACERTUS has also made the appropriate investments to successfully handle EV transportation and logistics. ACERTUS has charging infrastructure – both stationary and fast-charging equipment – so drivers and carriers can move, store and properly care for their auto partners' EVs while completing orders.

ACERTUS has 67 highly secure and well-positioned storage hubs throughout North America, all of which allow for in-storage vehicle maintenance, prep and reconditioning services, including car detailing, mechanical repairs, windshield repairs, body work and more. These hubs can also serve as temporary storage facilities, so inventory can be repositioned into certain markets or vehicles can be held for future use.

The ACERTUS team can also support auto partners with vehicle title-and-registration and compliance services in all 50 states, Puerto Rico and Canada. Our team closely monitors federal, state and municipal changes as they occur, staying up to date on all new requirements and standards. If any regulatory changes occur with EVs, the ACERTUS team will be able to assist companies in making vehicles fully compliant. All services can be done while vehicles are in storage or en route for maximum efficiency, ensuring vehicles are ready to drive upon arrival.

As the only full-scale, tech-enabled automotive logistics company designed to move, store, recondition, title and register finished vehicles, ACERTUS' start-to-finish service turns logistics into a competitive advantage for auto manufacturers, retailers, fleet-management companies and any other businesses looking to ship vehicles.



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