

Technology revolutionizes the auto logistics market

Technology is playing an increasingly important role in transforming the highly fragmented automotive logistics sector and solving key pain points for businesses that need to move vehicles around.

The potential for driving automation and new efficiencies in vehicle transport while simultaneously improving the experience for both shippers and carriers has logistics operators and venture backers investing to expand and develop new capabilities. That potential has spurred multiple startups to enter the space in recent years.

With new players and expanding capabilities, a once-staid segment of the auto industry is now a dynamic and competitive landscape. And there's more upside to come. As technology helps maximize loads and reduce the distance trucks travel without vehicles on board, increased digitization and automation is expected to significantly lower the costs of automotive transport and distribution.

"Demand for turnkey solutions in the logistics space is growing, and technology is meeting that demand head on," said Brodie Cobb, CEO of The Presidio Group. "Emerging technologies like artificial intelligence combined with online marketplaces and automated systems are helping to drive down the friction and costs associated with vehicle transfers. Integrating these various technology solutions into more holistic platforms has the potential to further streamline the process and make quick and painless vehicle shipping accessible to even the smallest of customers."

The pool of customers for logistics services is deep and includes automakers, fleet management companies, wholesale auctions, dealers, rental car companies and financial institutions. In addition to the vehicle transfer itself, some customers want ancillary services such as title and registration work, vehicle maintenance and repair and even repossessions.

The number of vehicles being moved around in the industry has expanded greatly in the last several years. As recently as a decade ago, vehicle transport was largely new vehicles traveling between automaker and dealership and used vehicles traveling between auctions and dealerships. But

RECENT AUTO TECH TRANSACTIONS

Acquisitions, investments expand reach of tech companies

Global fleet management provider Element Fleet Management acquired Autofleet, a developer of fleet and mobility software

- **When:** August 2024
- **Why:** Accelerate Element's growth, modernize digital capabilities and enhance scaling of its core business
- **Amount:** \$110 million purchase price

Dealership software giant Reynolds and Reynolds Co. acquired TSD Mobility Solutions, a provider of fleet management software

- **When:** August 2024
- **Why:** Expand Reynolds' footprint in retail automotive and leverage TSD's fleet management technology for clients
- **Amount:** Undisclosed purchase price

WarrCloud, provider of an automated auto warranty processing platform, raised a Series B round of financing to further develop its artificial intelligence capabilities

- **When:** October 2024
- **Round amount:** \$20 million
- **Lead investor:** Centana Growth Partners
- **Participating investors:** Argentum, Automotive Ventures

Numa, developer of an artificial intelligence-enabled virtual receptionist platform for dealerships, raised a Series B round of financing to accelerate product development

- **When:** October 2024
- **Round amount:** \$32 million
- **Lead investors:** Touring Capital and Mitsui & Co.
- **Participating investors:** Costanoa Ventures, Threshold and Gradient Ventures



New technology tools are rapidly changing the way vehicle transportation is arranged.

the wave of digital buying on both the wholesale and retail sides of the business jumpstarted demand for transport services and also increased the complexities involved in moving those vehicles around.

Market size

With the expanded depth and breadth of services and customers, the total addressable market (TAM) for logistics providers is huge, though there is no consensus on the sector’s ultimate market size. Estimates by players in the segment vary widely and consider differing slices of the industry.

ACERTUS, a full-service omnichannel logistics platform, estimates market size at about \$23 billion annually, including the related services it provides such as title and registration assistance, said Trent Broberg, the company’s CEO.

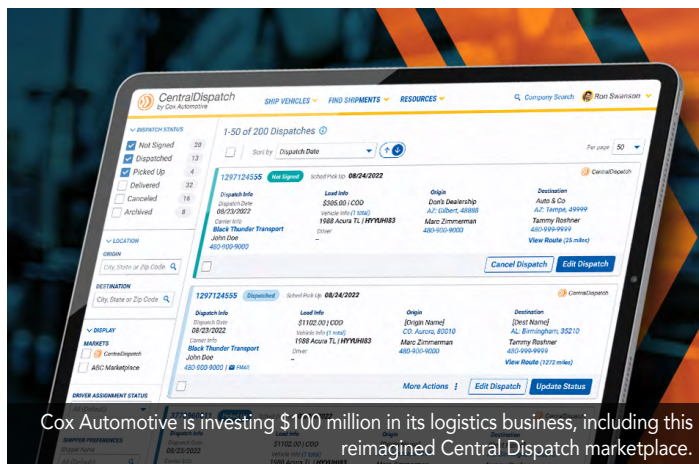
RunBuggy, a technology platform that connects car shippers and transporters, considers its total addressable market to be in the \$70 billion range. That includes core logistics services plus the software necessary to manage the logistics ecosystem, RunBuggy CEO Kevin Malik said.

And HopDrive, a provider that specializes in short-distance transport, particularly service pickup and delivery, has another spin on it. HopDrive CEO Nick Mottas estimates the company’s total addressable market at around \$85 billion, which is based on the number of service transactions in the industry.

Cox Automotive, a major player in the logistics space, doesn’t put an exact number on market size but considers it to be in “the tens and tens of billions of dollars,” said Joe Kichler, Cox’s senior vice president of digital inventory and supply chain solutions.

Cox this year said it is investing more than \$100 million to transform its vehicle logistics services using technology. The money will help turn its Central Dispatch operation from a matchmaking service connecting shippers and carriers into a fully integrated transportation marketplace, Cox said. Central Dispatch’s new marketplace platform was unveiled in August.

“We want to keep everything on a platform so that you only have to go to one place to make your life as a shipper or a



Cox Automotive is investing \$100 million in its logistics business, including this reimagined Central Dispatch marketplace.

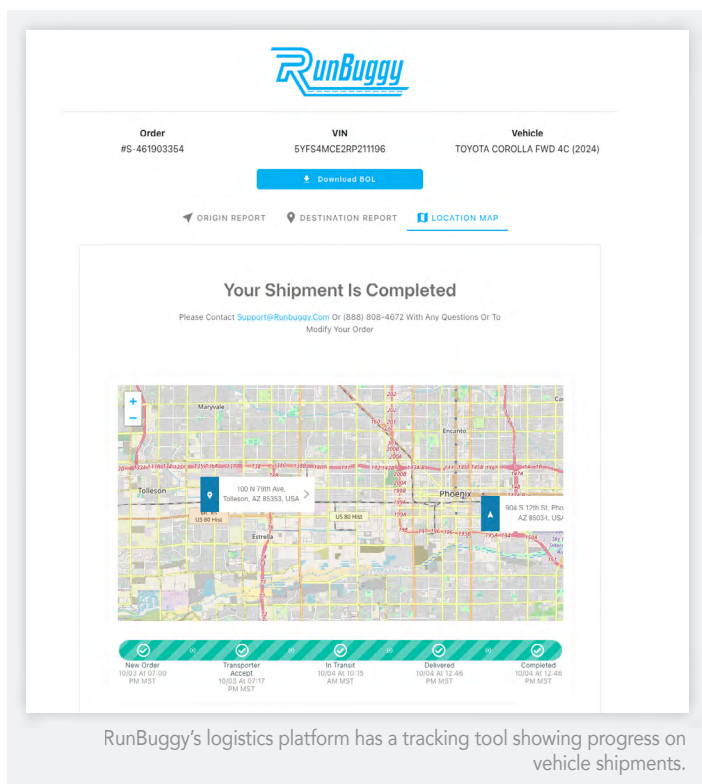
carrier very easy and control everything and streamline the process for everybody," Kichler said.

Such technology investments are the lifeblood of the evolution in the space.

At RunBuggy, a sizeable research and development team that includes several people with doctorates puts artificial intelligence and machine learning in place to automate processes in a way that improves both efficiency and the customer experience for users of the platform. The company started nearly six years ago with the aim to build a highly scalable platform that integrated with the existing ecosystem and allowed customers to put in an order for one car or 10,000 and long haul or last-mile moves, Malik said.

Key to success was launching a "platform of familiarity and ease of use ... like Amazon and Uber," he said. RunBuggy expects to more than double revenue this year and again in 2025, and its long-term growth trajectory is robust, Malik said.

HopDrive, which launched in 2018, has taken a different approach than others by focusing on moving vehicles short distances — one big use is moving cars to and from retail customers to dealerships for service appointments. The company has attracted investments from ACERTUS and Cox among others.



RunBuggy's logistics platform has a tracking tool showing progress on vehicle shipments.



"We want to keep everything on a platform so that you only have to go to one place to make your life as a shipper or a carrier very easy."

— Joe Kichler, senior vice president of digital inventory and supply chain solutions for Cox Automotive

When the pandemic started, "the consumer sentiment and mindset around the convenience economy absolutely shifted," said Mottas. "That has translated to other things, like, why should I have to go to the dealership anymore."

Fragmentation and consolidation

The industry's logistics players agree that the space is fragmented.

"It's ripe for consolidation. As the industry goes through this digital transformation process, there is a ton of capital expenditures associated with innovation, new technologies and so forth, and a lot of the smaller entities will be challenged in keeping up," ACERTUS leader Broberg said. "There's a lot of opportunity for these great management teams to come in and provide opportunities within ACERTUS and within other companies that they otherwise wouldn't have."

ACERTUS in April purchased Guardian Auto Transport, its sixth acquisition in the space.

Cox's logistics capabilities were born through acquisitions with the purchase of what is now Ready Logistics in 2012 and then Central Dispatch as part of its Dealertrack deal in 2015. The company is open to more acquisitions to augment its internal investment in Cox's broad logistics platforms, Kichler said.

"If there's a company that will help accelerate what we're trying to do and we don't have to build ourselves, we would love to do that," he said.

DEALERSHIP TECH SPOTLIGHT

Presidio highlights technology companies adding value to the auto retail ecosystem via products that improve the customer experience, drive revenue, increase efficiency and/or enhance profitability. This quarter we take a closer look at the inventory management software sector.

VINCUE

VINCUE provides its users with real-time data on millions of vehicles by aggregating VIN-specific data from more than 45,000 dealership websites daily and normalizing data coming directly from automakers and data providers and from integrations with leading dealership management system and customer relationship management companies. With its Vehicle Lifecycle Management software platform, the company aims to help dealership leaders make better decisions in such areas as inventory management, acquisition, pricing and marketing and to improve the overall customer experience.

"We're able to expand variable and fixed growth, speed inventory turn, increase volume and reduce dependency on auctions for our clients at significantly lower software fees than they were previously paying," said Danny Zaslavsky, co-founder and president of VINCUE.

The company, which was founded in 2015 and officially went to market in 2018, doesn't publicly disclose the number of dealerships using its software, but VINCUE leaders said the client base is growing significantly with sizable dealership groups that operate a dozen or more stores signing on.

Adopters of the technology say they are seeing results. One Toyota dealership in New Jersey reported a 56% increase in site traffic and a 30% gain in engaged sessions during its first month using the company's VINCUE BOOST automated VIN-specific targeting tool, the company said.

Butler Automotive Group, a 14-store group based in Macon, Ga., has reported gains in profitability, volume and turn from using the software. Specific numbers weren't disclosed. Butler had been searching for a way to modernize its inventory management and reduce its reliance on legacy systems and disparate bolt-on systems and widgets.

"By partnering with VINCUE, we've transitioned from outdated systems to a cutting-edge, integrated technology platform that aligns with our vision and mission for the future," said Kevin Deutsch, general manager at Butler Lexus of South Atlanta. "The data and advanced tools have transformed the way we make appraisal, stocking and pricing decisions for our inventory."

While Butler has begun to see performance gains using VINCUE, the retailer is targeting further improvement. "We have challenged our team and the VINCUE team to keep innovating for the future we both want," Deutsch said.

PRESIDIO AUTO TECHNOLOGY SUMMIT SPOTLIGHT

Presidio's tech event: **Where innovation meets capital**

Technology entrepreneurs are taking aim in growing numbers at the \$1.2 trillion automotive industry to drive operational improvement and enhance the customer experience — and investors are providing the capital to fuel innovation in auto tech. The Presidio Group's second annual Auto Technology Summit in Denver on Oct. 23 put those themes front and center for both entrepreneurs and investors. Both groups are focused on finding a winning formula as the industry moves at a lightning pace toward an uncertain — yet highly advanced — future.

"Today's auto tech is characterized by experienced leadership, strong cap tables and advanced technologies that are solving real pain points in the automotive retail and mobility sectors," Presidio Managing Director Keith Style said in kicking off the one-day event at the Denver Art Museum.



Presidio CEO Brodie Cobb opened the second annual Auto Technology Summit by welcoming the attendees.

Presidio Director of Research Kevin Tynan set the tone by walking the audience through his view of the industry and the challenges to watch out for in the future. He was followed by keynote speaker Colin O'Brady, an extreme adventurer and 11-time world record holder, who talked about goal setting, achievements and overcoming obstacles in what proved a perfect message for a maximum capacity room of 125 attendees.

More than two dozen speakers hailing from startups, established tech companies, leading dealership groups and venture capital firms concurred that the change in auto technology is accelerating faster than anyone could predict.

Innovators and investors are natural partners in that ever-changing automotive retail model.

Among the summit's themes:

- A panel of retail experts — dealers Liza Borches, Eric Flow and William Knowles — delved into the evolution of technology in vehicle sales, opportunities for enhancing efficiency and best practices for evaluating tech investments.
- Venture capitalists Chase Fraser of FM Capital, Pearl Percy of JM Family Enterprises and Tony Rimas of XPEL, Inc. provided invaluable insights into the current state of capital markets, deal activity and the evolving landscape of auto retail. They discussed the impact of technology and artificial intelligence on operations, the importance of middleware in dealership management and emerging trends in auto tech investing.
- An Entrepreneur 101 panel featuring Mike Maroone of Maroone USA, Sandy Schwartz of Cox Enterprises and Sohum Doshi of Argentum Group focused on how successful entrepreneurs navigate the journey from startups to impactful companies delivering exceptional shareholder returns.
- Bill Cariss of Holman, Amy Mills of Cox Automotive and Julien Schneider of Cars Commerce shared their insights on best practices for business transfers, strategies for navigating the market and tips for portfolio diversification and technology investments.



Presidio Managing Director Keith Style talked venture capital with (from left to right) Tony Rimas of XPEL, Inc., Pearl Percy of JM Family Enterprises and Chase Fraser of FM Capital.

- And AI took center stage with Eric Edwards of Reynolds and Reynolds, Mark Queen of SkaiVision, Thor Jonsson of PAVE and Rich Sands of STELLA Automotive AI as they addressed current AI initiatives, lessons learned and how AI can drive profitability while creating a frictionless customer experience.

The Presidio Auto Technology Summit, produced in partnership with Holman Growth Ventures, had the support of lead sponsor JM Family Enterprises, along with gold sponsors NCM Associates, Cars Commerce and FM Capital. Carputty and the Colorado Auto Dealers Association were bronze sponsors.

For more information on the lineup and on future Presidio events, visit thepresidiogroup.com/events.



Presidio President George Karolis moderated a panel of tech-minded dealers featuring (from left to right) Liza Borches, Carter Myers Automotive; Eric Flow, Flow Automotive Companies; and William Knowles, Maroone USA.



Presidio Managing Director Keith Style opened the summit for 125 attendees including more than 60 company founders, CEOs or presidents.



A panel on artificial intelligence included (from left to right) Eric Edwards, Reynolds and Reynolds; Thor Jonsson, PAVE; Mark Queen, SkaiVision; and Rich Sands, STELLA Automotive AI. Presidio Managing Director Jason Stein moderated.



Presidio CEO Brodie Cobb shared a lighthearted moment with Chase Fraser of FM Capital during a conversation about entrepreneurial success.



Maroone USA CEO Mike Maroone, left, and Cox Family Office CEO Sandy Schwartz, right, talked about entrepreneurship with fellow panelist Sothum Doshi of Argentum.



Record-holding explorer and keynote speaker Colin O'Brady captivated attendees with tales of crossing Antarctica and climbing the world's highest mountains. His message: "Be resilient and find your own personal Everest."