

STATE OF THE INDUSTRY

FUEL INCREASES,
CAPACITY CONSTRAINTS,
INVENTORY SOURCING
AND ONGOING IMPACTS



ACERTUS has taken a closer look at the current strains on the automotive industry, identifying ways to navigate these changes to the environment with its partners.

Current Auto Environment

As the auto industry grapples with several recent disruptions, ACERTUS is closely monitoring these events and their impacts. A variety of macro-economic pressures in the supply chain have resulted in the tightest capacity constraints in history, accelerating operational complexity and pushing up driver wages with our network of best-in-class carriers.

Currently, ACERTUS has identified three key areas where there have been the most notable disruptions:

- ▲ Fuel Increases
- ▲ Capacity Constraints
- ▲ Inventory Sourcing



Fuel Increases

The Organization of the Petroleum Exporting Countries (OPEC) recently surprised markets **by extending out oil-production cuts** for at least another month.

Ultimately, OPEC's oil-production decisions have resulted in fuel prices increasing by about 12%, leading to carriers facing even more stressors as they work to perform amid tight capacity constraints. As such, these fuel-price increases directly impact carrier costs.

As carriers are forced to pay significantly more just to fuel up for each respective transport, these costs cut into their overall earnings and leave them with a tighter pathway to move forward. To offset these heavy cost impacts, carriers have been forced to raise their own fees for vehicle transports, which has caused ripple effects throughout the industry.



Capacity Constraints

In the aftermath of numerous global shutdowns and tighter regulations, the industry is still seeing unprecedented capacity constraints and **ongoing driver shortages** across the board. **Carrier capacity has not returned** to pre-COVID-19 levels. In addition to these challenges, new-vehicle production remains exceedingly low, and the now more-limited carrier network is currently struggling in its capacity to get vehicles to market.

As carriers work to transport vehicle inventory on behalf of their partners, they are increasingly making more pickup and drop-off stops than usual, further constraining their already-tight capacity levels.

With a limited carrier base available, and with those carriers consistently booking a higher number of pickups at more individual locations than typical, more than just capacity has been impacted. Not only have these capacity levels become increasingly tight, but carrier tender rejection rates - the rate at which carriers must reject an order - **have actually exceeded 20%** since early August 2020.

Inventory Sourcing

While consumer demand for vehicles *continues to be high* and most plants in the US and abroad have now reopened, OEM production continues to remain low due to a shortage on new-vehicle parts - *specifically, on semiconductor chips* - and delays in the larger auto supply chain. This has *further limited the level* of new-vehicle inventory on the market, lessening the number of new vehicles that are available for retailers to acquire and sell. As such, the demand for used-vehicle inventory has skyrocketed, and retailers are working diligently to find new and creative ways to source high-quality used vehicles for their customers.

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Oftentimes, this means retailers are sourcing vehicle inventory from multiple sites at one time. Beyond looking for high-quality used inventory in the usual spaces - other retailers, rental-car companies, auction houses and more - they are also acquiring individual vehicles from customers themselves, many times arranging to have vehicles picked up at their respective home or workplace.

Such efforts like multi-site vehicle acquisition or direct-customer acquisition have largely saved retailers working to fill their lots and meet consumer demands these last few months, and these methods continue to prove useful. However, as a result of these new and innovative approaches to sourcing vehicles, more transports are often necessary, adding to the already-tight schedules and capacity levels of the carriers that conduct these transports.



ACERTUS Taking Steps to Help Its Auto Partners

We understand these circumstances have caused serious disruptions to the industry and continue to present unknowns for multiple stakeholders throughout the auto supply chain. ACERTUS realizes that its auto partners need support, guidance and a clear path forward during this unprecedented time.



As such, ACERTUS has taken the initiative to address many of these concerns, establishing a plan on behalf of its many different partners in the industry. There are a number of key factors that make this plan possible, differentiating ACERTUS from our competitors and allowing us to gain a slight advantage for our many different auto partners as we move forward:

- 🔑 Technology-Driven Platforms are Key
- 🔑 Secure Dispatch Infrastructure with Wide Availability
- 🔑 Service Teams Committed to Speed and Flexibility



Technology-Driven Platforms are Key

Long before the circumstances facing the industry today, we made the appropriate investments, so we could be a technology-driven provider. These decisions continue to prove productive, especially in the current reality, for both our teams and our auto partners.

Our automated, technology-enabled solutions – including our proprietary online software VINlocity – allow us to support the customers we partner with, providing crucial information and facilitating decision-making as customers continue to navigate obstacles like inventory shortages, capacity constraints, high consumer demand and rising fuel prices. With transparency as a top priority, our teams strive to deliver fast and efficient reporting and updates, so customers have visibility into the status of their assets at any given time.

Secure Dispatch Infrastructure with Wide Availability

Now more than ever, we're aware that our partners need to know their vehicles are being transported and handled with the utmost care - and they need more flexibility with hours and dispatch availability. Therefore, we are bringing in additional logistics professionals and resources, ensuring we can support our partners during this time and deliver success.

Our goal is to continue staying ahead of the constraints and changes as they occur, innovating new solutions wherever possible and heading off as many problems as we possibly can, as we move forward together.



Service Teams Committed to Speed and Flexibility

Teams at ACERTUS consistently work under the belief that we must excel in delivering the most effective, fastest and most flexible service to our partners, both in good times and challenging ones. This commitment certainly holds true now, amid ongoing challenges throughout the industry.

We've committed to working tirelessly to insulate our customers as much as possible from potential supply chain or capacity stressors, while still maintaining transparency and keeping them informed of what is going on at any given point during a respective transport or logistics move.

We stand firm in our promise to move your freight with the highest-possible level of efficiency, keeping you abreast of any obstacles our carrier network faces and partnering closely with you to develop the best go-forward strategy for your business.

We Remain Your Steadfast Partner During This Time

Regardless of whether you need a status update on an order, have a vehicle-transport question or want to speak with us about adapting your overall logistics strategy - our teams are here and ready to help. We will partner you with one single point of contact for all your business needs, streamlining your process and ensuring you receive timely updates as they arrive.

PLEASE REACH OUT WITH YOUR QUESTIONS AND CONCERNS.

WE ARE COMMITTED TO SERVING AS YOUR PARTNER DURING THIS TIME.



Learn more on our [website](#).

To reach one of our team members more quickly, call us at 855-ACERTUS (855-223-7887).

You can also connect with us on [LinkedIn](#) or follow us on [Facebook](#).