



# ON TRACK

A  
Newsletter  
FOR THE  
*Auto Auction Industry*

02 Full Speed Ahead

03 Beyond Smart Cars

04 Electric Cars in the  
Auction Lanes

05 What's New at IAA




# Full Speed Ahead

It’s difficult to describe how truly exciting it is to be in the automotive industry in 2018. It seems that every day, we’re seeing news that changes how we view transportation and mobility in the modern era.

When it comes to influencing our society, there’s no doubt that innovations on the consumer side are the most top-of-mind. Nevertheless, technology that enables autonomous or electric cars also has far-reaching impact on the supply chain.

That’s why we’re dedicating a full issue of OnTrack to technology’s role in shifting paradigms – behind the scenes. From manufacturing processes to forecasting used-car auction demand, new technology is pushing the auto industry to new heights. IAA will continue to push our capabilities, develop new products and establish partnerships to always be a leader in this space.

Regards,



JOHN  
KETT

Chief Executive Officer and President

## GREETINGS

From manufacturing processes to forecasting used-car auction demand, new technology is pushing the auto industry to new heights.

”

ONTRACK



# Beyond Smart Cars

There are few things more exciting in the automotive industry than artificial intelligence.

The industry is innovating fast, utilizing AI from manufacturing to quality control. In this article, you'll find how AI is changing the way things are done, with or without drivers.

## Core Changes

Artificial intelligence is not only changing how we drive, but also how cars are made. Strategic consulting firm McKinsey & Co. recently released [a report](#) saying that AI will impact all levels of the supply chain, highlighting AI's use in preventative maintenance. With its ability to amass and analyze data from sensors, AI can monitor equipment around the clock to detect anomalies and diagnose problems—significantly reducing manufacturing downtime.

Similarly, AI can also practice quality control up to 90% more accurately than humans. Continued insights and feedback

from AI quality testing can even reveal root causes of defects and improve the production process. And when it comes to forecasting demand for cars, AI can use machine learning to accurately make predictions and autonomously make supply-chain management decisions, like routing volume to meet demand spikes.

## Auction Impact

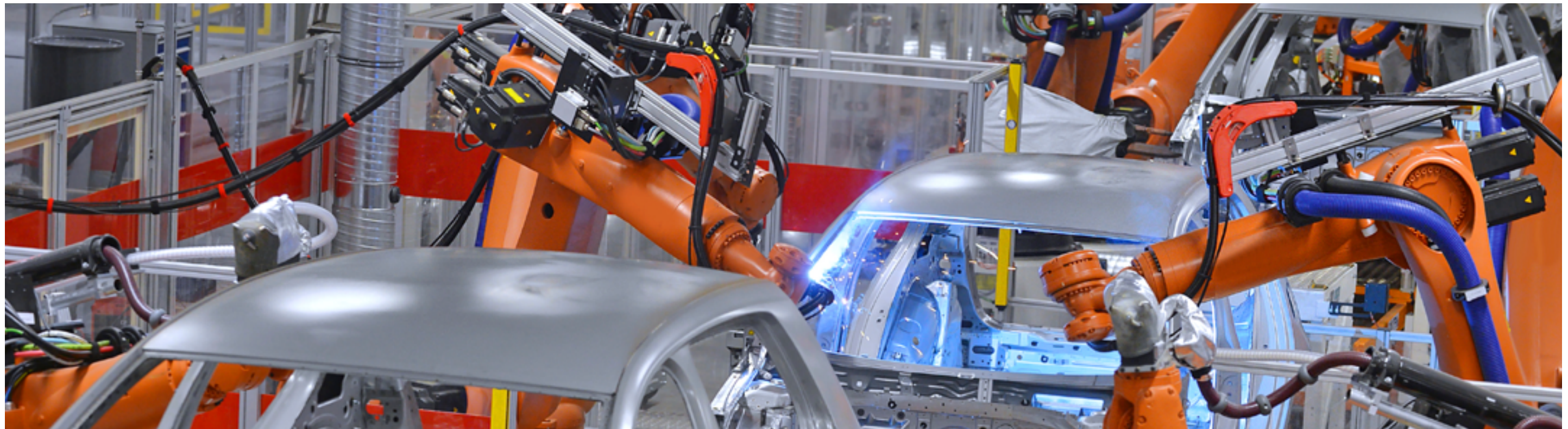
TradeRev, a business unit of global remarketing and technology solutions provider KAR Auction Services, Inc., recently [unveiled H](#), the company's newest suite of artificial intelligence capabilities. H leverages data and technology from across the KAR platform and uses TradeRev's machine learning and proprietary algorithms to deliver clear, easy and actionable intelligence to dealers. The name H was inspired by Grace Hopper, a computer programming pioneer and rear admiral in the U.S. Navy. H's machine learning instantaneously analyzes real-time mobile device camera video frames and

systematically classifies them into standard condition report image categories. Dealers can now get a complete set of images in just seconds with increased accuracy, clarity and reliability of the resulting vehicle condition report.

## What's Next

As software continues to be developed, we will no doubt begin to see more AI in our everyday lives. At IAA and KAR Auction Services, there is an increased focus on data analytics and technology as we begin to transition to our next era of connectability.

IAA is using AI to tailor a recommendations list for buyers based on past purchases. On the seller side, we're developing sophisticated data analysis tools targeted at insurance carriers – another industry seeing paradigm shifts thanks to big data and AI. With a robust business technology team in place, IAA is at the very forefront of this revolution.





# Electric Cars in the Auction Lanes

Sales of electric vehicles have grown in the last few years, but ultimately still make up a miniscule portion of the total market. With recent low gas prices and lack of charging networks, consumers are balking at electric vehicles' lack of convenience.

Despite being only about 0.2% of consumer new-vehicle purchases, electric cars are still trickling through the auction lanes. As the market for this fuel-efficient option grows, we need to consider whether we should reserve more space in our inventory mix for these vehicles.

The answer isn't an easy one. While popular with municipal agencies as employee fleets, the fact is that sales of electric cars are still dwarfed by those of gasoline vehicles, even with significant price cuts and buyer incentives.

So what does that mean for used-car buyers?

## The Buyer Perspective

Buyers of new electric vehicles often receive steep federal tax rebates for their purchase, artificially inflating market prices. Considering this, buyers of used electric vehicles – who aren't eligible for this credit – are only going to buy these cars for much less than their worth.

However, some states are beginning to phase out this tax credit, leaving it open-ended as to whether demand for used electric cars will rise as profit margins increase.

Gone are the days of teeny tiny electric cars. Automakers are rolling out luxury electric cars, the most notable of which is the Tesla Model S. Instead of marketing solely toward environmentalists, the Model S is attracting consumers with its flashy looks and efficiency. It also just happens to be electric! It's a car generating a lot of buzz, but there are others in the game: BMW and Cadillac both have luxury electric cars on the market, and others are coming, often as hybrids or electric versions of gasoline models.

We can't predict whether electric vehicles' market share will grow enough to be significant for the automotive auction industry, but new electric models may influence new-vehicle buyers and thus, buyers at auctions.

## The IAA Perspective

Much like with new-electric car sales, used electric cars make up a very small part of the inventory mix we see. When we receive a volume of electric vehicles, we've had success establishing special auctions, like IAA Online Exclusive™ or customized promotions, that only sell a specific type of inventory. With this auction model, we can strategically target buyers interested in electric cars through marketing blasts and cultivate a global buyer network that looks to IAA for used electric cars.

Between autonomous cars, the rise of ride-sharing apps, increasingly sophisticated infotainment and the growth of electric vehicles, there's a lot to keep an eye on. With the data IAA gathers from each of the vehicles traveling through our auction lanes, we're working quickly to analyze these new trends to bring you the best insight for your business decisions.

" As the market for this fuel-efficient option grows, we need to consider whether we should reserve more space in our inventory mix for these vehicles. "



# What's New at IAA

IAA strives to continuously provide opportunities for growth and leadership at all levels in the organization, and we're so proud when our employees are recognized for their dedication. Here's what we've been celebrating lately:

UPDATES

Send comments about  
ONTRACK to: [OnTrack@iaai.com](mailto:OnTrack@iaai.com)

**Insurance Auto Auctions, Inc.**  
Two Westbrook Corporate Center, 10th Floor  
Westchester, IL 60154



### Congratulations Sidney Kerley

Congratulations to Senior Vice President and General Counsel, Sidney Kerley (Prayer) on being recognized in Profile Magazine for his successful career. Sixteen years after Kerley's arrival, IAA's entire business has evolved. "The business itself is interesting and continues to keep me curious about what's next," he explains. "The industry has transformed with technology at the heart of compressing and accelerating change. Through those transformations, the legal department has had an array of particular challenges and opportunities to guide the business toward new vistas."



### Women in Remarketing

Auto Remarketing's annual Women in Remarketing program, sponsored by Ally, honors leaders who are passionate about creating the future of the automotive industry and empowering its people. This recognition of excellence also remarks on the progress women have made in influencing a more diverse cohort of leaders and decision makers across all sectors of the business. Congratulations to the professionals honored as this year's class of Women in Remarketing. We are proud to have one of our very own – Tina Viens, Director of Provider Products – honored this year.



### More Accolades for IAA

Congrats to our own Chief Technology Officer, John Krupnik, who was named a finalist for the Chicago CIO of the Year Awards.

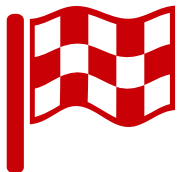


### We're Growing!

We are thrilled to announce the opening of our new branch in Casper, Wyoming. With this facility, IAA becomes the only salvage auto auction with locations in all 50 states. IAA Casper will hold auctions on Wednesdays with previews on Tuesdays. Be sure to register at [IAAI.com](http://IAAI.com).

### Texas, Too

May 22<sup>nd</sup> marked the opening of our Fort Worth North branch! Located just north of the Dallas-Fort Worth area, the 200+ acre facility complements branches in Grand Prairie and Wilmer. Over 18,000 square feet of office, run & drive and warehouse space highlight this environmentally friendly new location.



### From Flood to Finish Line

IAA teamed up with AutoSource and race car driver Robb Holland to rebuild a Toyota 86. The vehicle, previously damaged by flooding from Hurricane Harvey, debuted on the race track on Saturday, April 22<sup>nd</sup> at the Motor Sports Ranch Houston in Angleton, Texas. The car raced for more than 540 miles and over 8 hours, finishing 5th in its class. Go team!