Welcome to the Lend Academy podcast, Episode No. 119. This is your host, Peter Renton, Co-Founder of LendIt and Founder of Lend Academy.

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Today on the show, I am delighted to welcome Andy Hinrichs, he is the CEO and Co-Founder of AutoGravity. Now AutoGravity is relatively new on the scene, but they have achieved a lot in a short amount of time. They have an app that takes the entire car buying experience and puts it in your mobile phone and makes it simple and quick and painless. As we all know, the car buying experience can be quite onerous and time consuming. They’ve put it all in the app so we go into some detail about how this works, how they work with dealers, how they work with lenders, the kinds of consumers that are downloading the app and where they operate and the scale they’re at today. It was a fascinating interview and I hope you enjoy the show.

Welcome to the podcast, Andy.

Andy Hinrichs: Thank you for having me, Peter.

Peter: Okay, so let's get started. I'd like to hear a little bit of background about yourself. You don't have an American accent, just like me, so give us a little bit of your background, where you’re from and what you've done in your career.

Andy: Yeah, you will probably pick up on it, I have a German accent. I came to the US as a student and that was about 20 years ago and I never left. I've been in the financial services industry for the past 20 years and I've had the good fortune of being able to work in the startup world and the corporate world. In the late 90's, in the advent of the internet, so to speak, I was part of the founding team of giggo.com which was one of the first companies to offer online auto loans.

Ultimately, it was acquired and became part of a big finance company. I moved to Mercedes Benz Financial Services where I worked in the US, in Europe and in Asia and then at the end of 2015, I decided to leave Mercedes Benz and we started AutoGravity and AutoGravity is now in the next wave I would say of the internet evolution or revolution which is powered by the smartphone. So we are now making the auto loan, auto buying and financing experience compatible with the smartphone.

Peter: Okay, well we're going to dig into that in some depth, but before we do that, I want to get your thoughts on...I mean, most of us here have bought a car or bought multiple cars in our lives and I can speak from my own personal experience it's quite painful in many ways. From your
perspective, being in the auto industry for a long time, what do see as the biggest pain points today when purchasing a car?

**Andy:** If you want to identify the pain points, you first have to look at the lifestyle of the consumer and that has drastically changed over the past ten years. You know, there are two driving forces. One is the advent of the smartphone, the smartphone is increasingly the tool of choice to manage all aspects of someone's life and now if you couple that with the second observation which is the fact that millennials, those consumers between 18 and 35 years of age, are now the most dominant consumer group in the US and these people have not known life or lifestyle without the smartphone.

If you combine these two things, you will find that the auto buying and financing experience is largely incompatible with that lifestyle. So what AutoGravity's key innovation is we're bringing auto buying and car finance to the smartphone with a simple to use app that facilitates the process on your terms. So we're essentially taking a process that on average can take three hours in the finance office at a car dealership, we're taking it down to about seven or eight minutes.

**Peter:** Okay, so let's just dig into that. Just describe what the app does exactly and how it works.

**Andy:** Yeah, so first of all, the app is a consumer facing experience and by being consumer facing we're being completely brand agnostic and lender agnostic. So we made the decision, we're going to feature all makes, all models, any car that's for sale in the US, you will find on the AutoGravity app. And there are four simple steps to go through our process.

First, you look at the car catalogue, you pick the car that you like, we give you all kinds of details about the car. Once you decide which car you want to go for, we help you find a dealer using the geolocation off of your phone so within your vicinity we're able to show you the dealer and we have a proprietary database that we built that has all franchise dealers throughout the US in it so this works across the entire US for all makes and models. Once you've selected your dealer, we allow you to use our interactive credit app to complete a full credit application right on your phone.

For instance, rather than typing in name, address and all kinds of personal details, we allow you to scan the back of your driver's license and pre-populate all the fields that are contained on your driver's license and within just a few fingertips, you've completed our interactive credit app. Once you've submitted the credit application, the fourth step is you will see almost instantaneously up to four binding finance commitments from the best lenders in the industry so essentially, you have your choice of what finance offer, lease or loan offer suits your needs the best.

**Peter:** Okay, so then, basically, what you're saying is you're just doing all this from home. You're sitting at home...most people are...they might narrow it down to a couple of different makes or they've got something in mind. You know, I've been on your app and it's very impressive. You have even these tiny little dealers in Denver that have a very small inventory and they are there on your app. So what you're doing is you're selecting the car, you're selecting the dealership, you're not going to the dealership, you're not doing anything there, you're getting...
the financing. So, basically, you walk in to the dealer, you know the car you want, you know that you've got financing, you just basically...you're going in like a cash buyer, is that what you're saying?

Andy: Yeah, pretty much. Essentially, what we're doing is from the convenience of your home, office, kitchen table or your local coffee shop, we allow you to just take a few minutes, and this is again catering to the instant gratification need that consumers have nowadays using smartphones at their whim, and we're turning the smartphone into car buying money essentially. So by the time you contact the dealer, you know what you want, you know what you can afford and you know on what terms you will buy and finance this car.

Now for the dealer, this process is also very efficient and very favorable because by the time the consumer enters the dealership, the dealer knows that the consumer is qualified for this transaction so it creates a very efficient process for the dealer and the benefit is also AutoGravity is working with the same lenders that the dealers are already working with.

So we have in our database those lenders for a particular dealer that the dealer is working with and we're able to allow the dealer to pick up the fulfillment process where the consumer left it off. So very seamless process, no duplicate data entry or anything of that sort and the consumer has a very seamless efficient process and so does the dealer.

Peter: Okay, so what are you sharing with the dealer? This person has gone through the...they've selected their dealer, they've selected their...they've applied for financing, they've got four offers and they've selected one, what do you share with the dealer?

Andy: The way the process works is first, the lender processes the credit application and qualifies you for financing and we show you a application reference number right on the app. If you take that to the dealership, the dealership can use their systems that they use to work with a particular lender, enter the application ID and pull up the file just as if the transaction had started at the dealership. So from the dealer's perspective, there's no difference in the actual steps to make the car roll off the lot, if you will.

Peter: Right, because for them I can imagine this is not just a warm lead, this is an extremely hot lead because they've indicated that one, they can afford the car, they want the car and so all the dealer has to do is basically give them the keys and obviously whatever paperwork they have for that so I can see how...let me just back up a second, do the dealers view this as really a positive thing because some of these dealers make their money from the financing side of the business. What has been the dealer response?

Andy: Well the dealers are actually embracing AutoGravity and the technology because the dealers see consumers looking at their smartphones every day and what the dealers have recognized is there is a strong demand from the consumer side, in particular with the younger generations, those people want to inform themselves on their smartphones first or else they may never end up going to the dealership.

So the dealers have been very embracing of our technology and our business model and we're being fair to the dealers because at the end of the day, we're not staging a race to the bottom by trying to create bare bone rates and drive the cheapest deal. What we want to achieve is the consumer to have a transparent experience and to get a fair deal and a fair deal also means a
fair deal for the dealer. So our rates do include a small margin for the dealer so the dealer still has economics in the deal and at the same time, the consumer knows exactly what they're getting themselves into.

**Peter:** Okay, so I'm curious about the loan application itself because you said you can just scan the driver's license which is obviously very handy from having a data entry on a...you don't want to do a lot of data entry on a phone, but are you sending this off through an API to these lenders or do you have their credit model inside your database? I mean, how are you able to get a lending decision, what's the mechanics of that?

**Andy:** Well, we are using the underwriting models and processes of the lender so when the consumer enters a credit application. First of all, our technology enables that to be very seamless, as I mentioned before, we allow them to scan the back of the driver's license so that contains a barcode and we read out the variables that are important to a credit application. What we do not do is store any imagery of the driver's license, that is something that's for compliance reasons we just don't want to do. Once the credit application is complete, we perform a so called soft pull and we determine, based on the credit score and some other information, which are the four lenders that are most suitable to finance this particular customer and then we submit the credit app through an encrypted highly secure API to those lenders.

The lenders run it through their scoring system and their underwriting process and most of them, within seconds, deliver us a decision that we will then serve up to the customer in the form of a finance offer. So what we're leveraging really is the core competencies of the lenders which have strong balance sheets, very favorable cost of funds, high efficiency and a lot of process know how and we're coupling that with the core competency of AutoGravity which is a seamless digital user experience. So what we're doing is highly secure, it's meeting and actually increasingly exceeding the security and compliance standards of the industry so what it results in is a reliable firm offer to the consumer.

**Peter:** Okay, you've got to have a lender who has the technological know how and capability to connect with your API because otherwise, you know, as you said, the millennial, if they get a message saying, yeah, we'll let you know in a week whether you've qualified. That's obviously a very bad user experience so I imagine that...are you only working with lenders who have this sort of tech capability?

**Andy:** Actually, on the part of the lender it does not require a lot of technology sophistication. What we do at AutoGravity, and that's also part of the innovation that we provide to the lenders, the lenders tell us what the plug looks like, if you will, that we need to plug our data pipe into and all the heavy lifting is done on AutoGravity's side so we produce a data integration that is compatible with what the lender needs and the lenders already are quite familiar with certain API integrations so we either build a direct pipe to a lender, which we have done several times, or we can use existing players such as RouteOne and Dealertrack that the dealers use to submit credit applications to the lender and we are using those platforms as an alternative for the lender to just be very flexible and cater to the needs of the lender rather than demanding a lot of IT requirements and work by the lender.

**Peter:** Right, and so I just want to clarify something. This is all new cars, you're not going after the used market, is that correct?
Andy: Actually, we started with new cars and we quickly found out that the users demanded used cars as well so we reprioritized and we quickly added used cars already within the first six months of our operation. So today AutoGravity is catering new car services and used car services as well.

Peter: So when you select a car, you can actually go and....can you search for inventory at dealers' lots for a used car?

Andy: Yes, so AutoGravity has just rolled out an inventory feature for Android and we will in short order do the same for our IOS app so you have the ability to look at a catalogue of cars which are, it's the theoretical car that you're looking at, those are the cars that are advertised by car makers and we then give you the ability to also look within your geolocation whether any surrounding dealers have matching inventory. So we're essentially doing both, we're giving you a catalogue of cars and we will increasingly import dealer inventory to give the ability to look at real cars with real specifications and the actual pricing.

So this speaks to our agile product development methodology, we’re a highly agile shop at AutoGravity so we’re introducing our features in a rapid sequence and we’re not trying to solve all the pain points at once by introducing...I always call it the big enchilada that solves all the problems in one giant leap. We’re taking a sequence of small baby steps, but in very rapid succession and the advantage is we know from the data on our platform which features work and which don't work so it's very easy to correct when you're in an agile environment.

Peter: Right.

Andy: And so far this has proven great for us because we're on a fantastic trajectory.

Peter: Just give us a sense of that. So when did you actually start and when did you launch the app?

Andy: We started AutoGravity in January 2016 and there were three of us. About a year and a half later, we have over 80 employees and it took us, in 2016, less than six months to introduce the first public beta version of our app so in June of 2016, we first launched the AutoGravity app and from there we quickly ramped up the feature set, the lender network and the geographic coverage.

Today, AutoGravity is available in 49 of the 50 US states and we're ramping up download volumes quickly. We saw an instant adoption once we first released the app, we had about a thousand downloads in its first month and this month we will have over 100,000 downloads just for the month of August of 2017.

Peter: Wow, so what's the total then, it must be over half a million by now, is it?

Andy: Yeah, we've exceeded 600,000 downloads, you know, and this is a little more than a year now in market and the volumes are growing rapidly and these numbers are materializing without any substantial marketing on our part.

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Peter: So it's word of mouth. Someone buys a car and they're having a conversation with their friends and they say oh, you've got to get this app, this app is awesome…is that how it's spreading?

Andy: Yes and also the user community is just ready for this type of experience. You know, everybody lives on their smartphone increasingly and now AutoGravity's car buying and financing is available through that device. We are an innovation leader in this space and we are lucky to have this rapid adoption.

Peter: Yeah, that's for sure. So then who are the typical…I mean, you talked about the millennials, where on the credit spectrum do you work? Obviously, someone goes and downloads an app, anyone can download an app, my 10-year old can download an app, but where are you focusing on as far as the credit spectrum of the car buyers?

Andy: You know, AutoGravity wants to cater to all users and all consumers, regardless of where they are in the credit spectrum and this is why we have a diverse roster of lenders on the platform that are specialized in various segments. This, again, is part of the technology that we've created from scratch. We've built a so-called lender matching engine that determines which lender is right for a particular customer and then we only send the credit app to up to four lenders that meet the criteria.

So we're making this very efficient for the lender, but also creating a positive experience for the consumer because, you know, if somebody is not within a certain lender's credit box then we're not wasting their time for unnecessary declines. The ultimate goal for AutoGravity is that we can get four offers, four approvals, into the hand of virtually every consumer out there.

Peter: Is that true today or that's your trajectory?

Andy: It's partially true today and it's also our trajectory, you know, it speaks to the agile development. At this point, we are working with about a dozen lenders in the US and we have another dozen in the pipeline and we need about 25 lenders for a mature platform. So today I would say we're halfway there, but we will continue to improve the platform and the lender coverage, as we speak.

Peter: Okay, so if a lender is listening to this interview, how does the process work? How long does it take to actually integrate a new lender?

Andy: For AutoGravity, this is a very seamless, very quick process. Once the lender has identified the development resources and it takes maybe two or three IT developers for a maximum of a week to develop this, it's a very fast and seamless process. So our experience has been we've integrated a lender in as little as three weeks from the handshake to go live, that included building the integration and testing and everything, but then other lenders have more complex internal processes for approvals and project prioritization and it may take up to a year. So we've seen everything from three weeks to a year, but from AutoGravity's side is once we're engaged with the lender's developers it's a matter of a few weeks.

Peter: So then who do you view as your competition then? I must admit my wife bought a car last year and we did it all on a desktop because I didn't really see anything that was really that
good. I mean, are there people doing just what you are doing or is there anybody doing what you're doing? What's the mobile kind of environment like?

Andy: Well, in the automotive industry there's a lot of talk about the digital retail process and finance process, but what we have found is there is a lot of conversation, a lot of discussion about the topic and AutoGravity is clearly the frontrunner in implementing and executing that strategy. I may sound like a broken record, but one of the advantages we have is the agile methodology.

Rather than trying to solve for every conceivable problem in the digital car retailing experience, we pursue it step by step. We take the most painful points first, solve them and then we build based on the data that we see on the platform, so today, I would say while there are more and more entrants in this space, from startups as well as the existing car makers and their captive finance companies, AutoGravity has at least a two year head start in front of all of them.

Peter: We haven't talked about your business model yet, I'm curious to know how you make money. I presume it's through the lenders, is it also the car dealers, I mean, what are your sources of income?

Andy: From the consumer perspective, AutoGravity is a completely free tool to use and this is one of the differentiators for us that we allow the consumer to use AutoGravity without any strings attached. The interaction with AutoGravity is really on your terms and if you want to engage, you can, if you don't, you don't have to and we won't hound you and treat you like a lead. We treat you like a person and are willing to engage with you on your terms.

The business model itself is financed through small origination fees that we charge to our lenders and small fees that we charge to the car dealers, but only in the event a finance contract gets booked and a car gets sold. So the performance risk is entirely on AutoGravity and it goes back to our philosophy, we want to make sure our partners have a good experience, the consumer has a good experience and we get a small fee if a transaction successfully materializes.

Peter: I was in your office a couple of months ago now and you gave this great demonstration of your product and you also talked about a white label program. Can you give us a little bit of a flavor about that?

Andy: Yes, absolutely. Maybe before I jump into the white label, we recently moved into a new office though. You have a standing invitation to come and see us again.

Peter: Will do.

Andy: We moved into a state of the art high tech facility that really speaks to the growth of the company and allows for the future growth that we have planned so please come back.

Peter: Okay, it was a little tight when I was there, I noticed, there wasn't much spare space around.
Andy: Yes, exactly. We've outgrown the one room office that we had early on and we now operate out of 40,000 square feet in a high tech campus here in Irvine, but you asked about the private label app.

Now the way we built the technology, and this is a cloud-based back end system with flexible front ends that are hooked up to our proprietary back end. So one, we have the AutoGravity experience which is brand agnostic, multi-brand, multi-lender and shows you the whole catalogue of everything that's available. Now early on, we were approached by the largest Mercedes Benz and largest Audi dealer in the country, Fletcher Jones Motorcars, and they came to AutoGravity and said, you know what, we like what you're doing and we want to partner with you. So we've created a version of the AutoGravity technology for the Fletcher Jones group called FJ Drive and this is a private label app that is tailored to the business rules of that particular dealer group.

For instance, we're only showing the cars that they sell, we're only showing the lenders that they work with and we've tailored the look and feel of the app to their brand guidelines. Most recently, we announced a partnership with Volkswagen Credit and there we've also released an app called VW Credit which, essentially, does the same thing as the other private label app. It's completely tailored to the business rules of Volkswagen Credit, it has the brand appearance of Volkswagen Credit, but the technology is powered by AutoGravity.

Peter: Okay, so like the Fletcher Jones, FJ Drive, is that an app on the app store that someone downloads that is basically powered by you guys?

Andy: So FJ Drive powered by AutoGravity is available for download in the Apple App Store and in the Google Play Store and the same for VW Credit. That app is available for Apple and Android as well and I would encourage you and your listeners to give it a try.

Peter: Okay, and I will be putting a link in the show notes to the AutoGravity website and the apps. So we're almost out of time, but I want to ask you, you recently closed a new round of equity funding. Can you tell us a little bit about that, how was that process and the investors that are backing you.

Andy: Yes, the seed investment for AutoGravity came from Mercedes Benz and the Daimler Group and most recently, the Volkswagen Group joined the roster of investors in AutoGravity. The Volkswagen Group recognized the potential of the AutoGravity technology and our team and is very excited to work with us also as an equity partner so Volkswagen, most recently, joined with a substantial investment in AutoGravity.

Peter: Okay, that's great. Final question then, like where are you taking this? Do you want to be the only source that anyone, that the entire car buying public, everyone goes to AutoGravity, is that where you're taking it? What is your vision for AutoGravity?

Andy: Well, our vision clearly is to continue to simplify the car buying and financing experience and for us there is no doubt that car buying and financing will be digital in the future. So we will provide the cutting edge technology that makes that possible and we will continue to pursue our agile roadmap and extend and expand the feature set to make sure that you can really go through the entire car buying and financing experience and at the end of the day the only decision that you have to make is whether the dealer will come and deliver the car to you or you
will go to the dealership to take possession of the car. That is our goal and we're working tirelessly towards that.

Peter: Right, I would actually argue it's not just going…the car buying experience isn't just going digital, it's going mobile and that is exactly what you're doing. I mean, people want to do this on their phone and I think you're very well positioned. Anyway, it's been fascinating hearing about AutoGravity, Andy, I really appreciate you coming on the show today.

Andy: Thank you very much for having me, appreciate it.

Peter: Okay, see you.

Andy: Bye.

Peter: Bye.

I don't think anyone would argue that the car buying experience, in particular the car financing experience, is something that needs to be disrupted; it should have been disrupted long ago, but the reality is the typical customer today buying a car has to spend two to three hours at the dealership after they have decided on the car they want. That is ridiculous, it's crazy and companies like AutoGravity are working to change that. Clearly, they have a wide open field in front of them, some company is going to be the industry standard where everybody goes to buy their car and to get their financing and clearly, they've got a great shot at being that standard.

Anyway on that note, I will sign off. I very much appreciate your listening and I will catch you next time. Bye.

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