



AUTOBAHN

OVER FIVE YEARS IN STEALTH MODE

ON A DARK OCTOBER EVENING,
I SIT DOWN WITH MARTIN
PIIRMAA AND IVO MALM AT THE
SMOKING ROOM OF RAINMAKING
LOFT'S BAR IN BERLIN

Words by **TARMO VIRKI**

This is the first interview for the co-founders of Autobahn, an Estonian startup which has worked in stealth mode for around five years.

To reach global clients with its car sales software, going to Germany was the obvious option for the Tallinn-based team. So was the Berlin-based accelerator who run a transport track, which opened doors for them to groups like Volkswagen and Daimler.

The story of Autobahn started in May 2011 when Microsoft bought Skype, where Autobahn co-founders Ivo and Mihkel Karu worked at the time.

"After Microsoft bought Skype the work culture changed. People started to look for something interesting to do and started to look for new challenges", Malm explains.

Malm, Karu and a few friends began working on a collaboration tool for small teams, aiming to make communication

within those groups as convenient as possible. Globally, there are a vast number of companies in this market, and ex-Skypers have built several of them – collaboration tools were deep in the corporate mindset before the takeover.

The team built the proof of concept and started to show it to potential users.

24 AUGUST 2011, RIGA

IT DID NOT TAKE THE TEAM LONG TO PULL TOGETHER the proof of concept.

To get feedback from potential users the team organised meetings in and near Estonia – one of them was in Riga where they gathered several car sales companies from the Baltics: importers, dealers, resellers.

The hopes were high – people attending expected to see a local software from the web age to improve a long and complicated sales process. A typical dealer



← LEFT AND OPPOSITE
MARTIN PIIRMAA AND IVO
MALM OF AUTOBAHN VMS

sells different brands, whose importers use their dedicated software. So a lot of communication involves calling up people, sending emails and forwarding them for every single car sold. Then sales reports are delivered weekly or monthly to the importer who consolidates the excel spreadsheets and sends them to the factory.

The car sales companies, even the most successful ones, are often still using software solutions built in the 1990s. You still have to download large software packages; it often works with specific configurations available only from a desktop in the office. Upgrading and developing these solutions is complicated – taking money and time.

There was hope in the air when the industry met in Riga.

“We showed them our software and the reaction was: ‘we cannot do anything with it. You can sell flower-pots with that, not cars,’” remembers Piirmaa, who organised the meeting back in 2011.

Something good happened, though. In the audience, there was a Peugeot importer who saw the potential in the team and showed them how car sales worked. He became the first client for Autobahn and gave the team an opportunity to study what tools and processes an importer uses for its work – what systems, how they communicate with the factory, how importers deal with dealers, how dealers communicate with clients. In short, they got a deep-dive on how to sell cars.

“Quickly it became clear that the au-

tomotive businesses were still working like they did last century. At first, they did laugh at us – a solution for flower pots – but when we saw what they used in the kitchen we understood how we should do the whole thing,” Malm says.

So the co-founders of Autobahn dropped their earlier plans and development work and started to study and re-search the car sales processes.

“We still had our day jobs at Skype and for the first 12 months we did not write a single line of code – we studied how car sales work, analysed how people wanted to use the software,” says Malm. They drew the first plan to tackle the car sales market at the end of October 2011.

When the team refocused on car sales, it also chose the name: Autobahn. Even though it is a German word and the name sounds a bit strange for a non-German team, they see it as the most obvious choice. “It’s the most known word across the world in the car business. We deliver the information from point A to point B as fast as possible – so it is kind of like an Autobahn. Car sales is all about speed. The speed of making the offer is decisive. Sales guys should be able to focus on bringing in the sales, not on making the offer”, says Piirmaa.

Autobahn launched at the end of 2012 with Peugeot Baltic – offering at the start a real-time management of the product catalogue and available stock, including the ability to share it with dealers and both booking and ordering cars through

it. “That was the first bottleneck to solve”. Piirmaa notes.

However, it was not the last one. Step by step it became increasingly clear for the team that the big opportunity lay in the digitalisation of car sales – making them an early mover in the Industry 4.0 trend which has become widespread only over the last few years.

To have a full offering available the team expanded the software during 2013 and 2014 beyond just the importers’ solution and started to work with dealers, opening another world of CRMs, clients, printouts, reporting, test drive scheduling and even maintenance and rental firms.

Up to this point, the team had managed to build the business from their own savings and coupled that with some state support which brought their first funding to around 150,000 euros.

At the same time, the business was growing fast, and the startup needed more and more resources – both time and money. So in early 2014 Piirmaa and Malm left their day jobs to focus on the startup. “Skype made us a good offer, but there was so much here to do that I had to come over,” remembers Malm. “At that point the risks were large and we had only just started to think of the need to raise capital.”

During 2014 for the first time the team contacted the investor community in Estonia, lining up eight investors who wanted to invest in the company.

In September the team met with Väino Kaldoja, investor and owner of Silberauto, the largest car dealer network in the Baltic countries, which represents Mercedes-Benz, Jeep, and Mitsubishi.

“It was one of those surreal meetings when, the first time you meet, they say, ‘we are ready to invest. Forget all the others, let’s agree on the conditions.’ There was no classical due diligence; they understood what we were doing and they shared our vision”, says Malm. “Basically, they were ready to write down the 20 years of IT investments we had made to get our system into use. We saw it as a very strong validation.”



“People want to touch and configure the products before they buy – it’s not like ordering new shoes online.”

In February 2015 the sides signed a deal for 550,000 euros seed round – a massive round for a Baltic stealth mode startup.

While most of the financial investors tend to keep some distance, the internal IT team works much closer with Autobahn in the development process, giving input and helping with platform development on a daily basis, since they have extensive know-how in building automotive IT solutions. “Their IT head shares the passion and know-how of creating the next generation platform,” says Malm.

A year after signing the investment deal the team met at the Silberauto prem-

ises near the centre of Tallinn, joined by Daimler’s head of overseas operations, who is in charge of business in 112 countries. Autobahn got 15 minutes from the big executive’s schedule, whose trip resembled a state visit with meetings lined up with the Prime Minister too.

“I was presenting and kept my eye on this seasoned executive. At first, he kept on looking at his phone, but then he got deeper and deeper and forgot the phone. He asked a lot of questions and this 15 minutes became almost an hour”, remembers Malm. “Make it work here and contact me again’, was his conclusion. For us, it was recognition that the factories needed the platform.”

The platform is the key word for Autobahn, as competitive products tend to offer only partial solutions.

“Our solution works for all parties in the sales chain. We charge importers and then we give dealers access to it. They can see the available stock, create factory orders and book cars. Then we upsell to dealers: first the full sales modules and then the after sale module, to replace the current solutions they have in use”, says Piirmaa.

Autobahn’s founders are certain that Tesla’s online sales model will not change

the nature of overall car sales in the upcoming years, but the importance of online and digital sales are growing fast. The buying habits of Generation Y are changing the industry standards, virtually demanding upgrades of the core software.

“It is still a relatively complex industry, and people want to touch and configure the products before they buy – it’s not like ordering new shoes online”, says Piirmaa. “Volkswagen, BMW and Daimler have thousands of versions to compile their models. They need a strong digital solution helping them to sell and configure vehicles both online and offline. It’s much more complicated than with Tesla’s high-end version”, Piirmaa adds.

Digitalisation and online sales are not the only challenges the industry has to tackle. Car sales are also going mobile, but Autobahn already works on mobile.

To crack this opportunity, Autobahn entered Startupbootcamp’s transport accelerator – which is backed by some of the top car industry firms in the world – in Berlin in autumn 2016. “We are climbing higher in the pyramid. Our aim is to go straight to the factory”, Piirmaa adds.

So far so good. The team is launching a pilot with one of the global German car makers over the coming months. ■