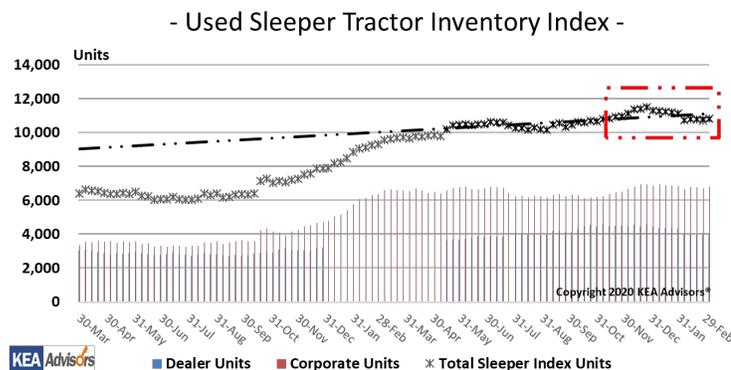




Last month we were focused on parts, with a heavy focus on inventory and the different inventory metrics that we use to understand how your inventory is meeting the needs of the market. This month we're going to be focusing on inventory metrics for the used truck department. Understanding demand is crucial for parts, but we're long on the record that the more impactful measure in the used truck world is from the supply side. Why? Two reasons. First, our data supports the idea that supply is the MOST impactful measure on the price of used truck inventory. Even in units that had known quality issues (sometimes borderline catastrophic quality issues) pricing held relatively steady until a wave of supply cascaded through the system. Second, the world feels like it's starting to wobble in a few different directions these last few weeks. Lots of things are happening that are well beyond your control and that makes everybody nervous. In our experience, when things are happening that are outside of your control it's best to focus on things that are within your control. What trucks you keep in inventory and how much you decide to invest in them are both well within your control.

So how do you understand supply? What do you need to know about everybody else's inventory before you make decisions about your own? Here is a big concept for you to keep in mind:

Market Days of Supply: Just like you need to understand how many days it'll take to sell through the parts inventory on your shelf, it's a good idea to understand how long the used truck market will take to chew through the used truck inventory "on the shelf." We recommend you think about market days of supply in two different ways. First, think about the macro market for the truck you're looking at. How many sleepers are there for sale in general regardless of specs? Trucks are often "imperfect" substitutes for each other, but in most cases drivers and fleets will substitute the make/ model/ spec they want for the price tag they can't refuse. So is the population of all sleepers for sale up, down or about the same?



Rising, falling or standing still? Understanding the macro supply factors will help you determine the direction your inventory's price is most likely to move.

After you've determined the macro, it's best to gather some detail on the "micro" market for your specific inventory. It's not just a question of how many sleepers are out there, you need to have at least a rough guess on how many VNL Sleepers with a D13 engine and I-shift transmission are in your marketplace (if that's what you're planning to buy). How long it will take for the market to sell through them if no more show up? A rough calculation for this "micro" market days supply is $(\text{Like Units Available} / (\text{dealership sold units} / \text{market share})) * 365$. This calculation will tell you the magnitude of the price change you can expect to see. If you've got a relatively rare unit in an oversupplied macro market your price will fall slower. If you've got a popular unit in a saturated market your price will fall faster.

We're going to be talking used trucks all month, and we know it's not an area that every Dealer Principal or GM has an excess of experience. We encourage you to follow along with these blog posts to learn how we think about this part of the business (and we think about this part of the business A LOT!), and join us for a webinar at the end of the month!