



Individualized Inventory Aging Management

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Focus on

Used Truck Inventory

Managing any business is a balancing act. Should dealership policies be set in stone? Are rules meant to be broken? Knowing when to be rigid and when to be flexible can produce better communication between departments and increase *PROFIT!*

Why is it important?

Old trucks tie up cash and eat up profitability to become losses.	Reduced turnaround time; increased profit
Used Trucks must be treated on an individual asset basis.	Improved accountability and internal cooperation.

Actual Results:

- Improvement in turnover time
- Increase in marketing activity
- Reduction in unproductive inventory

What to do now:

1. Accurate and timely appraisal. Include not just a price appraisal, but an assessment of the marketability of the unit, it's estimated conditioning time/expense, its potential customer base, and its estimate time on the lot.
2. Let each truck deal stand on its own. If the New Truck Department is putting together a deal and there is a used truck to be taken in on trade, you can't put too much money into the used truck and still make the new truck sale profitable. The dollars should stay within their department.
3. When the truck is acquired, inspect the unit on a timely basis to verify the unit meets your defined trade terms. If not, you will need to know how to handle recourse for the trade terms. Do you go back to the customer for compensation? Are you willing to deduct in value?
4. Every truck should have a Service Department estimate for repairs. The Used Truck Manager should approve the estimate. If there are additions to repairs, the Service Department should provide a written estimate of time and costs as they would for any retail customer.
5. On the flip side, the Used Truck Department should be arranged at a competitive market rate, not a discounted rate, for service and parts.
6. Once a truck has been reconditioned to trade terms and added to the lot inventory, individual rules should be set for that truck. It has an appraisal with assessment and reconditioning entries. The potential customers, anticipated profit level and turnaround are variables that may change with time.
7. As time increases the value of the asset decreases. Don't hesitate to change the rules on the fly quicker for those less desirable items.