July 2021

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A Season of Blown Trends

In the current environment, there is no longer such thing as 'seasonal trends.' As a result, planning is much more difficult, but opportunities also exist for savvy dealers.

By Chuck Marzahn

Chuck Marzahn moderates virtual 20 Groups for RV dealers in the U.S. and Canada. He can be reached for comment and questions at Chuck@RV-VDG.com.

Some will think it odd to consider sales trends in a time outside the usual season when dealers are focused on budgeting and forecasting.

Some refer to these as "seasonal trends." In 20 Groups, we look for trends by continuously comparing same-time prior year or the same-month prior year.

However, we are experiencing a shakeup from the ground up in the underlying assumptions and conventions. In today's business environment, how can you use data in planning?

There simply is no so-called "normal" 12-month strategic window. It has gotten a lot tighter. Personally, I know of no dealer who can plan much beyond 90 days. Inventory challenges are too daunting to consider anything further out.

Gone are the times when dealers could plan a year ahead and stack inventory on the sales lot in the off season to prepare for the hectic pace of the selling season.

And speaking of the "normal" selling season, I don't see a dealer out there who isn't far and above in the count of total sold units compared to prior periods. It is as if, from a planning perspective, we all should take what golfers call a "mulligan" in 2020-2021. And it is likely to continue for the net 12 to 18 months. Traditional inventory and sales forecasting has gone out the window.

It's a great question to ponder: How long will it continue?

I hear anything from nine to 24 months. If you throw out the high number and the low number, you arrive at a 12- to 18-month window as a reasonable or conservative estimate. Two concerns leap to mind having reached that opinion.

An Extraordinary Market

The first concern is immediate. What are the best ways to manage through the dwindling inventory? And what are the best ways to make up for revenue losses if we run out of inventory?

How do dealers keep a full staff if manufacturers can't meet the market demands? (Is that even possible?)

Let's consider the issue of dwindling inventory. In keeping with the law of supply and demand, if your inventory has become more precious to you, do not forget that it is also more precious to the buyer. The grosses should be rising.

I see margin rising at every dealership I measure. And that's even on distressed units that have been sitting on the dealer's lot for over a year. Such is the current demand for RVs.

If you have a unit your sales folks have been walking past for way too long, now is your opportunity to move it. And you may not have to take much of a loss to do so.

Used product is also scarce. One dealer recently told me that his rate of taking trades had dropped from 75 percent to 15 percent.

Some consumers have learned the market is so hot that they can sell a unit they might have traded during other times – and they probably can get retail value for it. That cuts into the available used units for sale.

You may find the need to step up more on the trade to get that unit to sell. Remember that the "book" is only a guide. In a market this hot, you can likely spend more and make more on the sale. Common sense and knowing the market are the keys.

Some dealers are moving deeper into consignments. That's a way to get more product on the sales lot. And given that the financial exposure is limited – meaning you don't have the expense of inventory – this becomes an attractive option. The trick is finding those available units. I suggest reviewing and updating all your word tracks that appeal to a customer who is considering consigning a unit with you.

One dealer recently mentioned, a bit tongue in cheek, that he was thinking about taking on more storage units so it would look more like he has some units on the lot. Taking on more service units would have the same effect. The irony hits me … fewer units to prep and deliver may mean more capacity to get more current on backlogged service work.

> *"Gone are the times when dealers could plan a year ahead and stack inventory on the sales lot in the off season to prepare for the hectic pace of the selling season."*

Other dealers are finding success by adding second- or third-tier products. There's a risk to that. You may alienate that manufacturer if you later drop them. That might not matter to you … but it sure will to them. You may need to beef up service to handle complaints. There's a reason for that product's position as a third tier.

What is there to do if inventory dries up? I don't really think we will reach a full-blown inventory crisis. It's not likely to become as cataclysmic as some like to think. I see it as being more about distribution. We'll also talk more about that in a bit.

There's another dealer who voiced concerns about lowering staffing levels to meet the market. What he was saying was that if inventory didn't loosen up soon, he might have to lay some folks off, but I just don't see that happening. I want to say that any dealer who lays of techs due to lagging unit sales should have their head examined.

What About When Things Return to Normal?

The second concern is strategic. Anyone having spent more than a couple years in our industry knows its cyclical nature can be brutal. The stronger strategist and better critical thinkers are already thinking about what sorts of opportunities are going to be present when the cycle swings back around.

Will there be a huge number of used inventory as first-timers drop out of the lifestyle? Will there be a glut of new inventory? Will the bigger national and regional players absorb all the excess? What if they can't or don't?

Each of those could be seen as a crisis or, at least, a challenge. Yet with each of them is also an opportunity.

It would be imprudent to ignore the understanding that much of the current market growth stems from first-timers. We all hope this is an emerging and continuing trend. But what if it isn't?

Suppose that at the return to normalcy in school and work attendance, the rigs they have bought sit idle. And further that many of them become less enamored with having an asset literally parked.

Could it be that many of those RVs no longer desired by first-timers might flood the used market? Could those excess units turn into peer-to-peer rentals? Maybe the first timers – anxious to be out of the RV lifestyle – may want to trade only to find themselves upside down.

Parenthetically, that thought triggers another. In this market, with the higher gross margins, one of the best things you can do is to ask for a much larger down payment. Doing so will help on a future trade. It will help in getting the best rates on financing. It also will serve to cut out some of the cash deals that aren't so profitable for the dealer.

Alternatively, what could happen if the OEMs flood the market? If they finally get ramped up and materials become more available, might there not be an overabundance of new product? Who, then, would absorb that production? What if the bigger players in the industry can't or won't absorb the excess.

Let's presume there is – at least during the leveling out period – a higher level of available inventory. One might assume there are deals to make with OEM reps. One might further assume there will be changes in which dealers are favored to carry the better brands.

These are just a smattering of the strategic concerns following the end of the current market.

Inventory & Sales Concerns

Up to this point, we've talked largely about the situation from the dealer's point of view. I'm hopeful this time will shake up the prevailing understanding of inventory at the OEM level. We find ourselves, as an industry, at a place where dealers can take all the inventory OEMs can produce. I'm sure that's due to the constraints in raw materials and labor.

However, might this not also be a good jumping off point to consider changing the ways OEMs build to meet the demands of the market – rather than just pushing product out the back door as rapidly as possible. That is, moving to a *pull system* versus a *push system*.

And are we, as an industry, headed to an allocation system? Tiffin already has something along those lines. It's where the dealer is awarded product based on their demonstrated rate of retail sales. In the car business, they call that "turn to earn."

Relationships Are Make or Break

The current challenges are very much about managing relationships. The relationship between the rep and the dealer will clearly impact decisions on who gets an extra unit, or not.

Some are relying on the adage about "Squeaky Wheels." At the same time, you can surely cross a line in being *too squeaky*. We may see some of the more "cantankerous" dealers fall away. We may also see some burned bridges as dealers drop manufacturers that were picked up only to augment sparse inventory.

There's a real question: "What is the 'real' demand?" Manufacturers and dealers are both working to sort through what this looks like during and after the current hot market.

Some games are being played on both sides – dealer and OEM – regarding which units are retail sold status. Other games are being played where the volume of dealer orders is artificially inflated with the hope of getting more units. What happens when those units are cancelled? What if it's one of the larger nation-wide dealer groups that cancels a bunch at a time? Could it be both a crisis and an opportunity for the dealer who is prepared?

If you are in control of your inventory and you have built a stockpile of cash, you will always be in the best possible position to take advantages of the opportunities that are presented no matter what the current challenges are. RVP