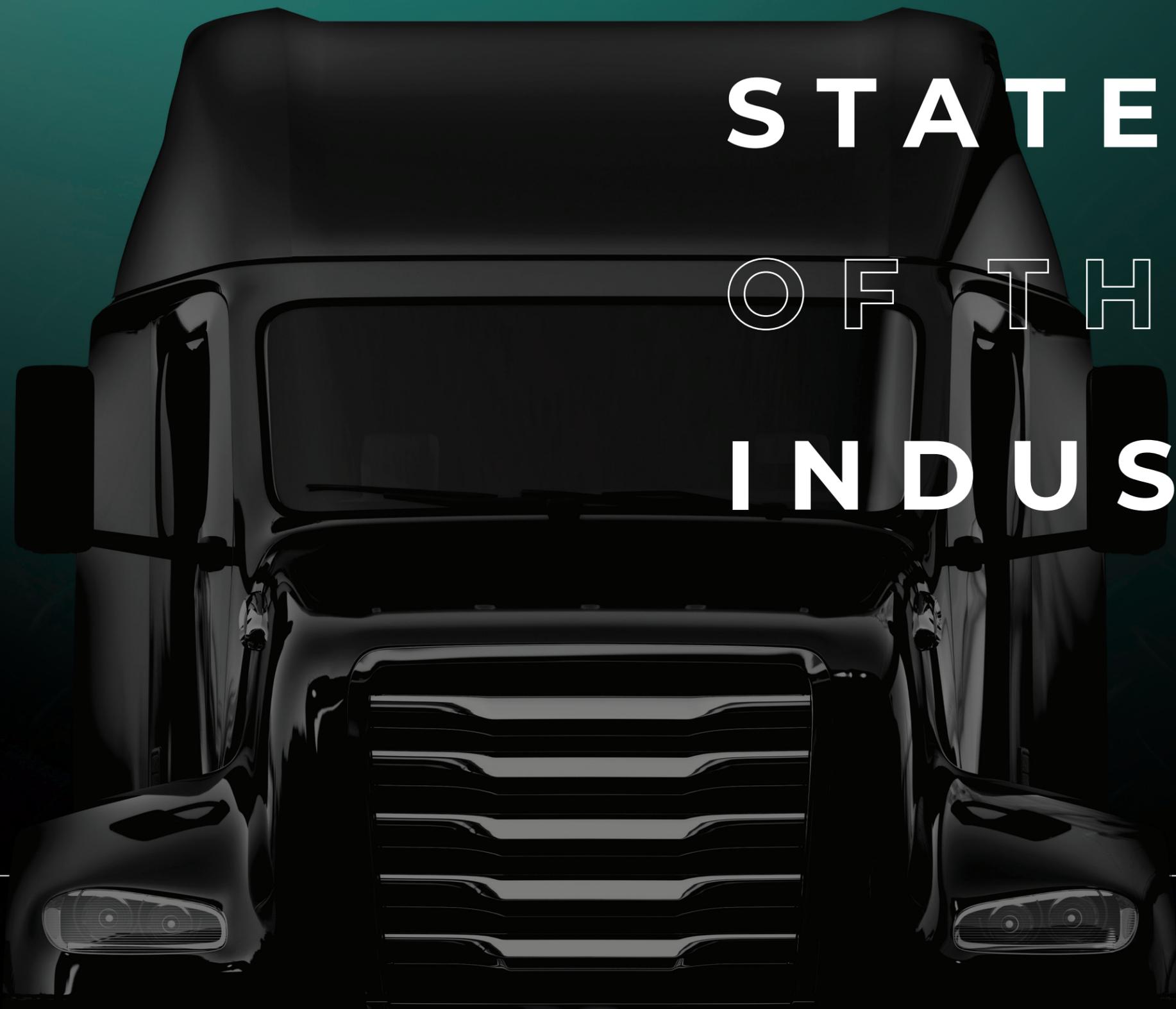


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STATE

OF THE

INDUSTRY



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HEAVY TRUCK



HEAVY TRUCK



HEAVY TRUCK

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Overview

The only constant is change. As economic factors continue to shift, the heavy truck industry responds and adapts.

Dealers are focused on improving various aspects of the business — be it training their people, upping efficiency and profitability along with striving to better meet customer needs.

To keep a finger on the pulse of the industry, CDK Heavy Truck surveyed dealership employees, asking managers and staffers about current and past problems. We also communicated directly with many survey participants to better understand how they're approaching challenges and what they see on the road ahead. The quotes presented throughout this report come from various respondents who are on the front line of this vital industry.

Our results show that, despite ongoing economic uncertainty, heavy truck dealers are working on what they can control while adopting new strategies to deal with what they can't influence.



DEMOGRAPHICS

To get a better understanding of a dealer group's appetite for implementing cutting-edge ideas, we asked respondents to classify their dealership as either a Trendsetter (i.e., an early adopter willing to try something new) or a follower of the Status Quo (i.e., prefers to wait for strategies and technologies to be proven before putting them into practice). In this year's survey, we had an even split of respondents who categorized their group as Trendsetters versus Status Quo.



26%
Executive Leadership



76%
Department Heads



LOCATION

United States	75%
Canada	25%



YEARS OF EXPERIENCE

2 to 5 years	14%
6 to 10 years	18%
11 to 15 years	16%
16 to 20 years	12%
21 years+	38%



DEALERSHIP SIZE

1 to 2 rooftops	31%
3 to 5 rooftops	24%
6 to 10 rooftops	18%
11 to 15 rooftops	23%
16 rooftops+	1%
Not sure	3%



DEPARTMENT

Parts	25%
Service	23%
Sales	21%
Administration	13%
Accounting	8%
Marketing	2%
Other	8%



MONTHLY NEW AND USED UNITS SOLD

Less than 10 units	13%
10-49 units	37%
50-99 units	20%
100+ units	18%
Not sure	12%



Challenges Shift

Compared to our 2023 survey results, far fewer respondents said that parts supply is a concern, as supply-chain issues have eased.

Staffing continues to be a major pain point for heavy truck dealers, with 55% of respondents acknowledging this as a top challenge. While this represents a decrease from last year, dealers still report difficulty both in hiring new associates and retaining those who've served through some of the industry's most tumultuous years. Not surprisingly, lower-than-desired staffing levels have led to burnout among current employees.

Questions around the economy remain with continued inflation, high interest rates, and the threat of a recession still on dealers' minds. Interest-rate volatility is of concern to a larger portion of respondents compared to last year, likely due to the Federal Reserve's resistance to lowering its rate. Beyond that, new truck technologies are a challenge, both for dealers and prospective buyers.



TOP CHALLENGES

● 2024 ○ 2023





“We’ve had a truck on order for about a year and a half that is finally coming in now. So, the backlog is starting to change, but we’re seeing some customers now that have either decided to stay with their old vehicle or don’t want the new vehicle they ordered.”

There are also new challenges related to previous supply-chain issues and ongoing economic uncertainty. While dealerships are now seeing sufficient inventory, many have found that their customers' buying attitudes have changed due to outside factors. Market uncertainty and inflation have caused many would-be buyers to sit on their hands,

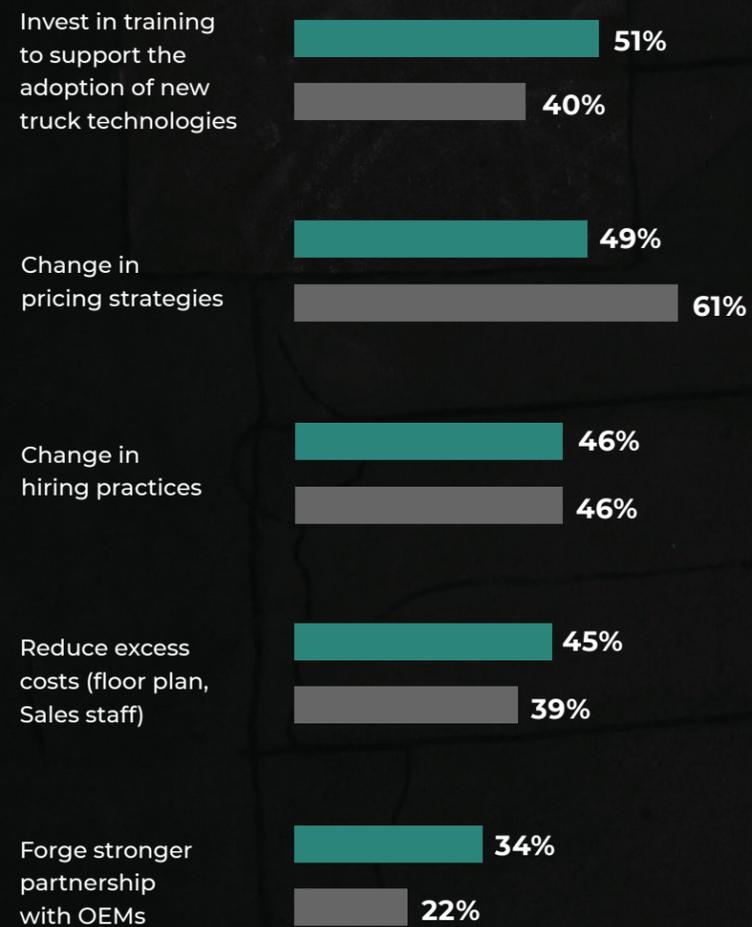
which means dealers have had to pivot to make up the shortfall in profit. Some have done this by adjusting their floor plans to meet expected demand (i.e., reducing their inventory) while also focusing on improving processes in fixed operations (e.g., Parts and Service).



Adapt To Meet Change

TOP STRATEGIES TO ADDRESS CHALLENGES

■ 2023 ■ 2022



In response to staffing challenges, dealers are investing in two areas: training the employees they have and improving recruitment of associates.

Training is constantly top of mind, both to make existing employees more efficient and to keep everyone apprised of evolving technologies.

Recruiting strategies include adjusting compensation and benefits, seeking candidates through local schools, and shifting some hiring activities to specialist outside firms. In the Spotlight on Staffing section, we share more details on how dealers have dealt with these challenges and where they've had success.



“We need our office personnel to understand how these trucks and new technologies work so they can speak fluently about them. We need our Parts personnel to be able to identify these parts and suppliers correctly, so it’s from top to bottom. It starts with the Salesperson to the parts guide, Service Advisor and Service Manager, all the way to the Technician and the warranty admin.”

Trendsetters vs. Status Quo

Our survey also showed some differences in how the Trendsetter and Status Quo respondents have dealt with challenges. CDK considers those respondents who self-identify as Innovators or Early Adopters as Trendsetters. Those who fall into the Early or Late Majority or Laggard camps are considered the Status Quo.

While both groups reported changing pricing strategies to better deal with economic headwinds, the trendsetters were more likely to prioritize investment in training around new technology (56%) and changing hiring practices (51%). Status Quo dealers, on the other hand, focused more on reducing costs (48%) than Trendsetters did.

TOP STRATEGIES

TRENDSETTER (50%)

Invest in training for new truck technologies **56%**

Change in hiring practices **51%**

Change in pricing strategies **49%**

Forge stronger partnerships with OEMs **49%**

STATUS QUO (50%)

Change in pricing strategies **49%**

Reduce excess costs (floor plan, Sales staff) **48%**

Invest in training for new truck technologies **46%**

Change in hiring practices **41%**



INNOVATORS

EARLY ADOPTERS

EARLY MAJORITY

LATE MAJORITY

LAGGARDS

Return on Strategic Investment



Of the strategies dealers employed over the past year, those with the most operational impact were forging stronger relationships with OEMs, improving training on new tech, and investing in a smartphone-based Service communication platform. For some dealers, working directly with OEMs whose trucks they don't sell but that they service has allowed them to better support more

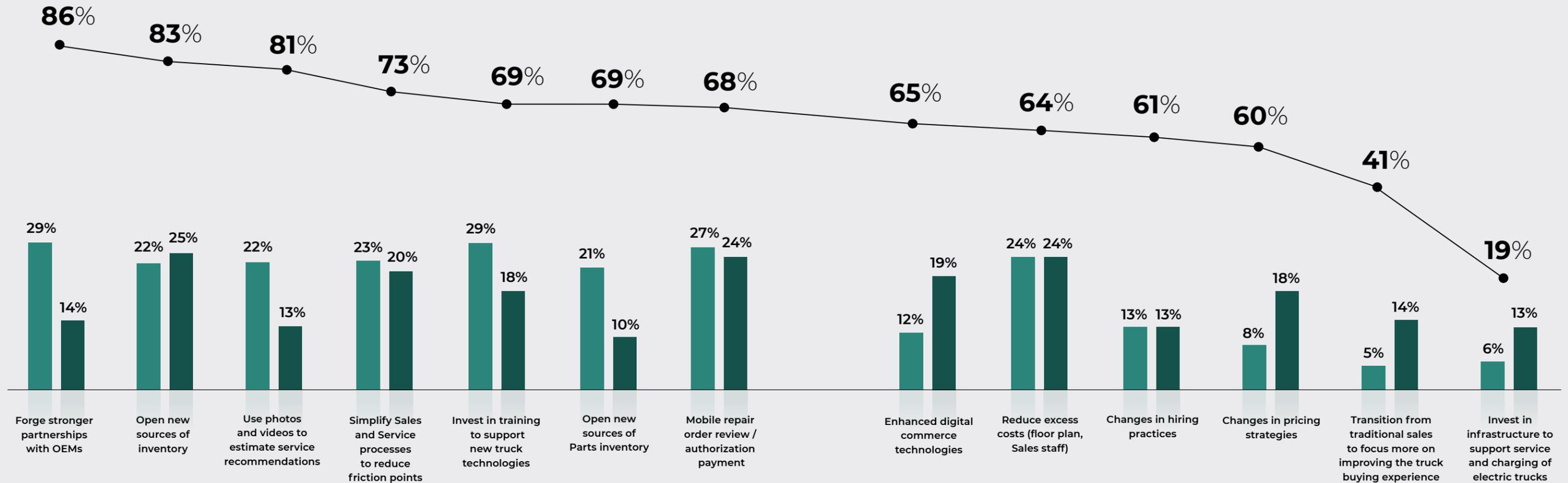
brands, with the specific aim of improving parts availability for multiple nonstore marquees.

In terms of financial impact, opening new sources of inventory (25%), implementing a smartphone-based Service communication platform (24%), and reducing operating costs (24%) were the top needle-movers.

“Increased training for Techs shows we are changing with the new wave of trucks. It makes them more qualified for future opportunities and has increased employee satisfaction while reducing turnover.”

STRATEGIES WITH HIGH IMPACT IN 2023

High Operational Impact High Financial Impact Positive Impact



STRATEGIES WITH HIGH IMPACT IN 2023

■ Trendsetters ■ Status Quo

Forge stronger partnerships with OEMs	90%	>	75%
Open new source of inventory	80%	<	88%
Use photos and videos to estimate service recommendations	78%	<	86%
Simplify Sales and Service processes to reduce friction points	80%	>	65%
Invest in training to support new truck technologies	74%	>	64%
Open new sources of Parts inventory	70%	>	68%
Mobile repair order review / authorization payment	74%	>	57%
Enhance digital commerce technologies	63%	<	70%
Reduce excess costs (floor plan, Sales staff)	73%	>	55%
Changes in hiring practices	58%	<	64%

Making Strategic Impact

The overwhelming majority of Trendsetters (90%) reported that working closely with OEMs netted a highly positive result. A larger portion of Status Quo dealers relative to Trendsetters saw a return on establishing new sources of inventory (88% versus 80%) as well as using photos and videos as part of service (86% versus 78%). The latter more effectively communicates issues and maintenance items to customers, resulting in better conversion on repair orders.

When a Technician shares videos or photos of what they found during the service visit, it allows the customer to see exactly what the issues are without visiting the dealer and makes them more comfortable with the service cost. This direct line of communication between the technology and customer also makes the Service Advisor's job easier, as they no longer have to be an intermediary translating between the two parties and slowing down the transaction.



“Providing a customer with a video of their vehicle and the issues found is the best way to earn trust and gain approval of the estimate for repairs. The average dollars sold per RO with video dwarfs the average sold without video. It makes it incredibly easy for the Advisor to explain the estimate and close the sale.”



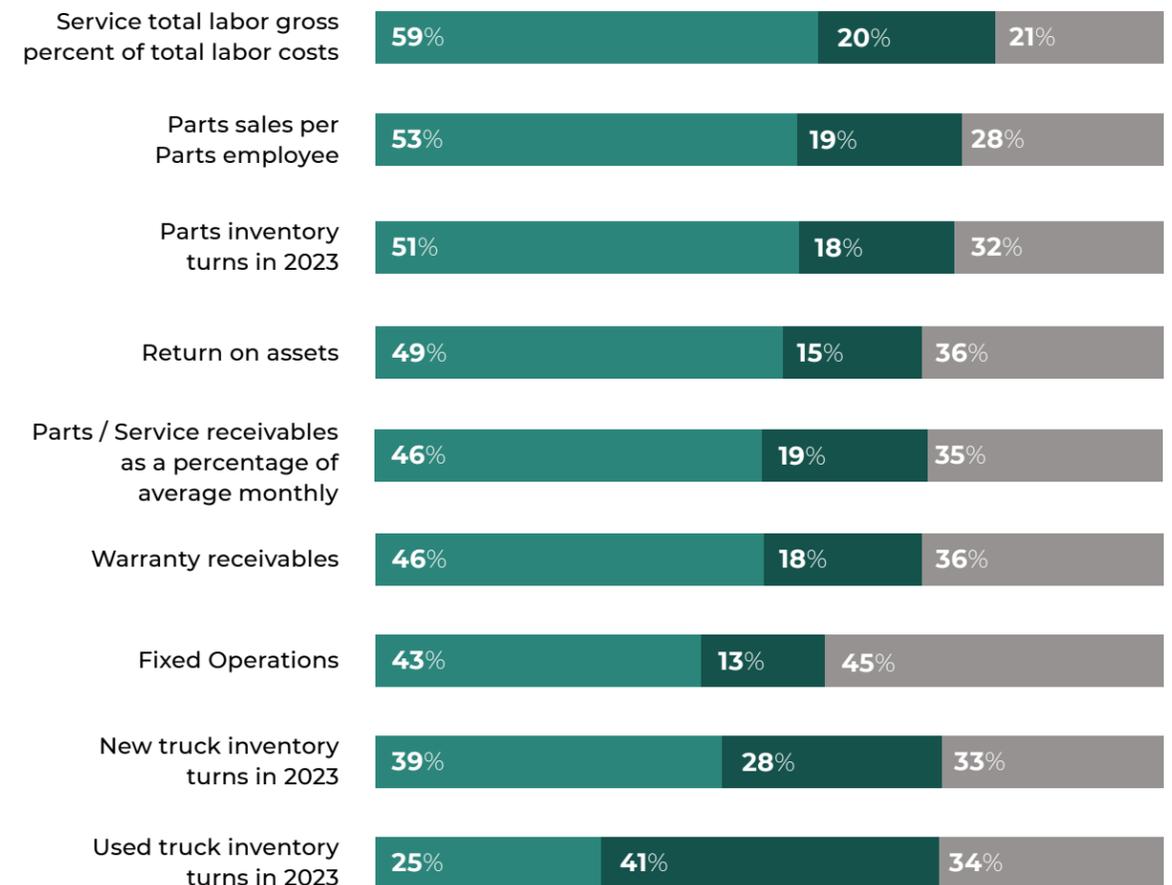
Operational Improvements

As many owners have decided to keep their trucks longer rather than buying new, there's a higher need for service. So, the focus on fixed operations has paid off. Truck dealers saw the most improvement in Service labor gross, Parts sales per employee, and Parts inventory turns.

The largest reported decline was in used truck inventory turns, with new truck inventory turns seeing the second-largest decrease, reinforcing the continued importance of efficiently managing the dealer floor plan.

CRITICAL OPERATING VARIABLES IN 2023

■ Improved in 2023 ■ Declined in 2023 ■ Didn't change in 2023



Spotlight on Staffing

It takes a team to make a sale and keep customers coming back. We asked dealers what strategies they employed to address staffing shortages and what was successful.

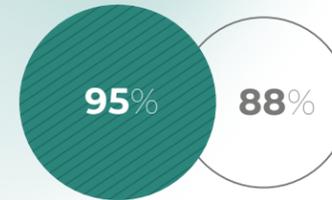
The Trendsetters were more likely to make changes, including adjusting compensation, doing more recruiting at schools, and leaning more heavily on third-party recruiters. Of those strategies, dealers

saw the most success with changes to compensation (92%) and benefits (72%), with the use of third-party hiring resources following with success for 66% of those who employed the method.

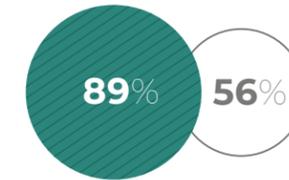
Interestingly, the biggest difference in success between Trendsetters and Status Quo was seen with changing benefits for prospective hires. It may be that the Trendsetters employed more forward-thinking benefits packages or made more drastic changes to their existing offerings.

SUCCESSFUL STRATEGIES FOR STAFFING SHORTAGES IN 2023

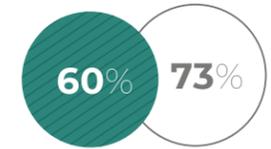
● Trendsetters ○ Status Quo



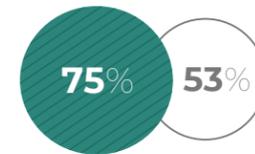
Made changes in compensation



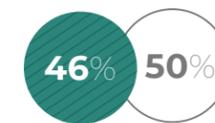
Made changes in benefits



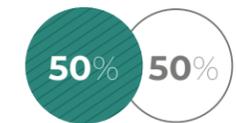
Used third-party search and recruiting firms



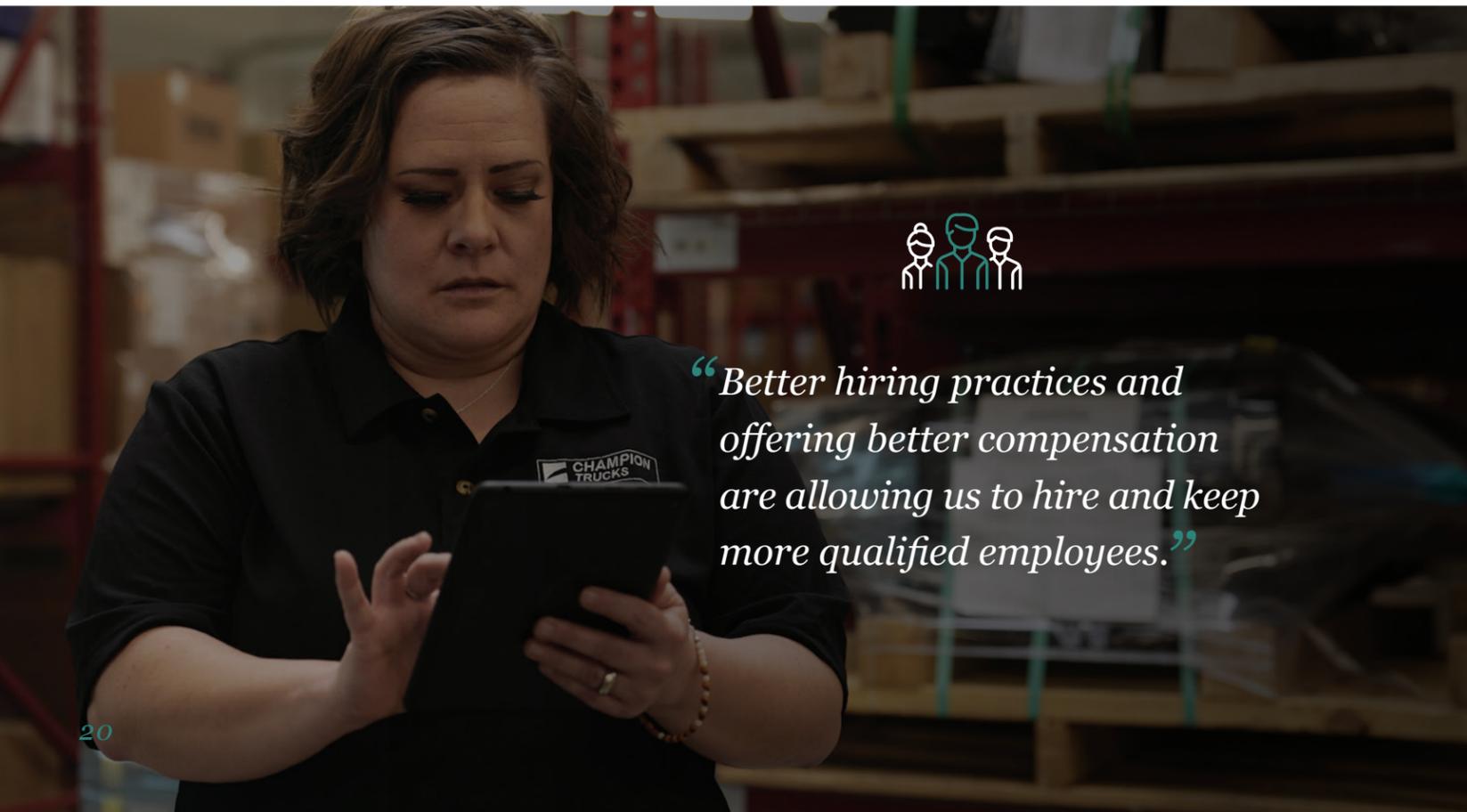
Visited high schools, vocational/tech schools or community colleges



Online ad targeting to unique audiences (ex-military, young job seekers, etc.)



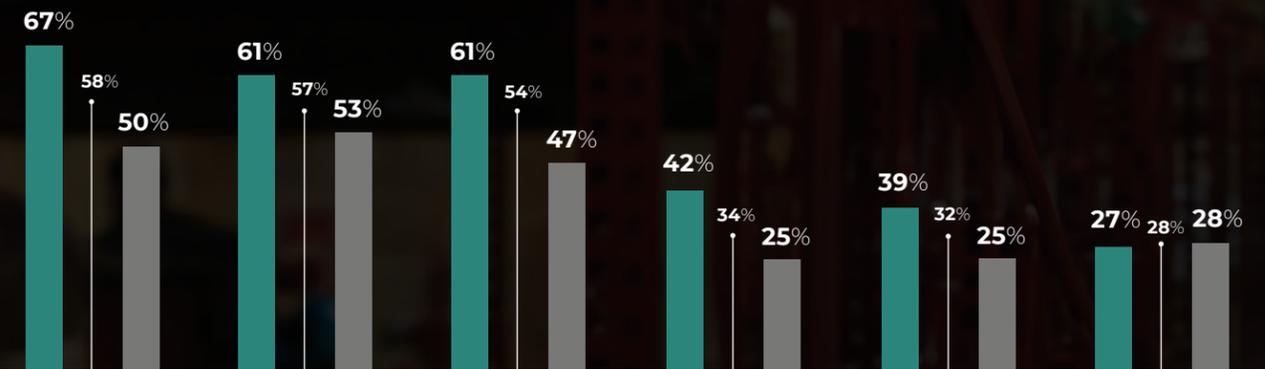
Attended job fairs



“Better hiring practices and offering better compensation are allowing us to hire and keep more qualified employees.”

STRATEGIES TO ADDRESS STAFFING SHORTAGES IN 2023

■ Trendsetters ■ Status Quo → Overall



Made changes in compensation, Visited high schools, vocational/tech schools or community colleges, Used third-party search and recruiting firms, Attended job fairs, Online ad targeting to unique audiences (ex-military, young job seekers, etc.), Made changes in benefits

What's Next



Looking forward, heavy truck dealers expect to contend with many of the same business challenges over the next year. These include economic factors, staffing shortages and customer retention.

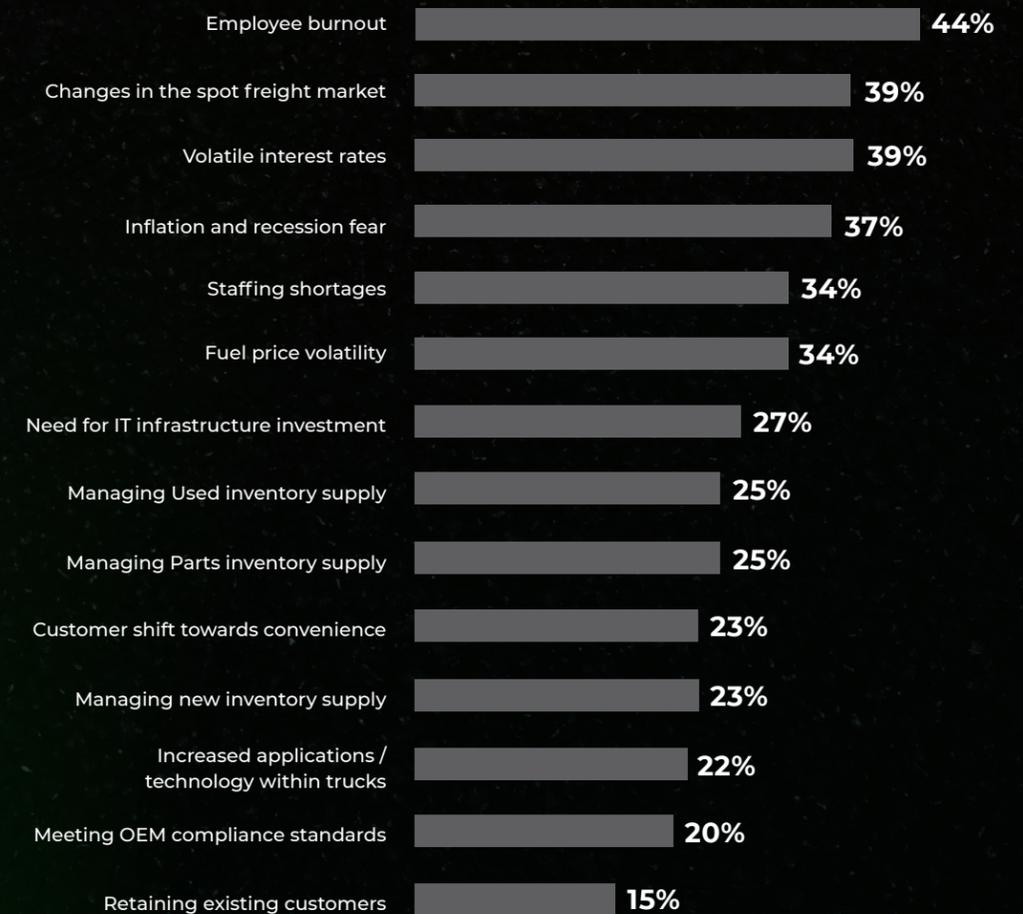


Employee burnout is relatively high among dealers' expected problems and is the top concern they feel unprepared to address. As long as staffing remains tricky, retention and balancing workloads will continue to be difficult.

HIGH IMPACT CHALLENGES IN 2024

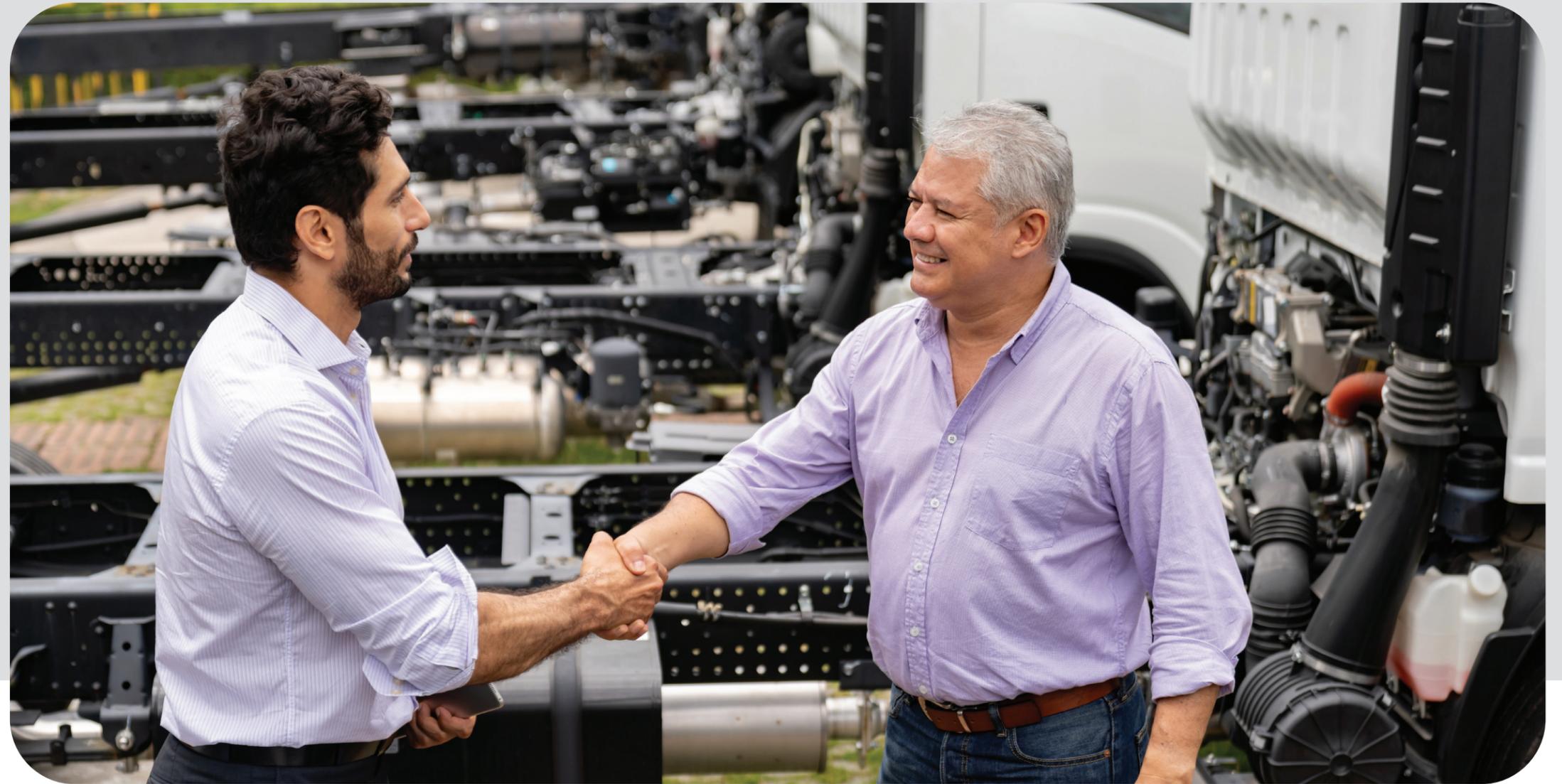


NOT PREPARED TO MEET CHALLENGES



Continuing What Works and Investing in New Strategies

Dealers don't expect much change in how they approach various issues impacting their business, although some priorities have shifted. Training to better understand new technology, modifying pricing and improving hiring practices are at the top of the list for the coming year.



2024 STATE OF THE INDUSTRY

STRATEGIES FOR 2024



Key Takeaways



1

DEALERS STAY NIMBLE

Heavy truck dealerships saw hiring difficulties and economic factors as their biggest challenges over the past year. They've responded successfully by strengthening OEM relationships, adding training for new truck technologies, seeking new sources of inventory, and employing photos and videos as part of repair orders. Maximizing repair work and focusing on efficiency outside of sales have been major wins for many dealers.

2

STAFFING REMAINS IN THE SPOTLIGHT

Dealers successfully approached staffing issues by improving compensation and benefits as well as outsourcing to third-party hiring firms. Employee burnout remains a concern, and from the current vantage point, it doesn't look like hiring issues will go away any time soon.

3

2024 WILL BE ANOTHER UNEASY YEAR

Industry leaders expect economic uncertainty and difficulties with hiring and retention to continue over the next year. This is likely to be the case until interest rates come down, making buying new trucks an attractive proposition for more customers. To stay competitive, dealers intend to focus on what they can control, including adjusting pricing and training employees in new technologies.

No matter the issue for your dealership,
CDK Heavy Truck is ready to offer the
right support at the right time.

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