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From Rags to Ritchie

From selling £2,000 of used furniture at its first auction back in 1958 to selling more than \$5 billion of used equipment last year, Ritchie Bros has grown into the world's largest auctioneer of used heavy equipment. With increasingly large volumes of cranes, aerial lifts and telehandlers going under the hammer, C&A spoke with the company to find out more about how it sees the used equipment market developing, the impact of Covid-19 and how the pandemic has inadvertently coincided with the company's drive to provide a complete online offering - with it breaking a number of company records along the way. We also take a look at the various data and analytics tools the company has generated over the past 18 months to discover how they are able to help both buyers and sellers better understand market and pricing trends as well as when and where to sell equipment.

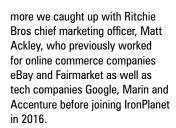


In 1955 the three Ritchie brothers - Ken, Dave and John - took over their father's business, the OK Used Furniture Store in Kelowna, Canada. Barely three years had passed before they were faced with an unexpected debt repayment demand from their bank for \$2,000. Unable to pay it, a close friend advised them to organise an unreserved auction to sell off their large inventory. The auction not only raised sufficient funds to repay the loan in full, but also presented a new way of doing business.

A short while later Ritchie Bros was incorporated in order to host auctions of used furniture. Then, in 1963, they

decided to put everything they had into a single contract and hold their first heavy equipment auction. The auction proved a huge success, generating close to \$600,000 in revenues, with the brothers deciding to sell the furniture shop to focus on used equipment auctions. And the rest, as they say, is history...

Last year the company sold \$5.14 billion worth of used equipment at its 40 auction sites throughout the world as well as on its various online platforms - IronPlanet, Mascus and Marketplace-E. With more than 60 years' experience in dealing with used equipment the company also offers inspection, appraisal, refurbishment, shipping and financing services. To find out



Positive signs?

You might well be surprised to learn that historical data shows a correlation between the end of a financial downturn and an upturn in used equipment prices - this was certainly the case in the years that followed the recession of 2008 as well as when oil prices crashed in 2014/5. With Covid-19 still in full swing and the extent of the financial fallout still an unknown entity, it is too soon to see if this latest

downturn will follow suit, but the latest sale prices at Ritchie Bros auctions indicate that prices are beginning to pick up.

used equipment

Commenting on the market as a whole, Ackley, says: "Coming into 2020 we were seeing mild year on year declines in prices with construction equipment down approximately three percent due, in part, to supply outstripping demand in 2019. Since Covid-19 hit in mid-March however we have been encouraged by the level of volume in the marketplace and also that the year on year price declines have started to moderate and improve through this period."

Certainly the volume of cranes, aerial work platforms and telehandlers - which have always









The Price Indexes of the construction equipment prices in the US since 2007

INTHE NEXT ISSUE OF C&a



Get your products in front of 17,000 crane, telehandler and access buyers & users who will be reading the August/September issue of C&a...

Telehandlers

In the last six months there has been a number of new product launches ranging from a record-breaking 51 metre 360 degree telehandler, to the first all electric models, and a number of ultra compact machines with a few in between. If you have any telehandler news, or some good photographs please send them over.



Spider/Mini crawler cranes

We review the latest market developments including new battery powered spider cranes. And the latest attachments. Have you got news to tell?

Electric & Hybrid platforms

With the move towards greater use of electric powered equipment across all sectors, we take a look at how companies are incorporating hybrid and electric platforms into their product ranges.



Top 30 Rental Companies Report

See how the leading UK/Irish crane, powered access and telehandler rental companies have fared in this year's survey in light of the Covid-19 pandemic. As well as listing companies by overall fleet size, the report looks at who runs the largest cranes, platforms or telehandlers plus the amount invested over past 12 months.



Training

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done well at auction - has increased at the company's auctions over the past 12 months. A quick look at the data from sales in Europe and North America reveal that the volume of aerial work platforms and telehandlers sold increased 20 and 25 percent respectively from 2018 to 2019. At the same time, All Terrain and crawler crane sales were 12 percent higher, while Rough Terrain sales dropped 15 percent following a particularly impressive year in 2018 when 650 units were sold.

A good time to sell?

Generally, higher volumes of equipment tends to result in lower prices. It is probably too early to

determine whether volume levels will continue to grow but with the impact of Covid-19 this might not be the case. The sale of new equipment - and subsequently the part exchange of older machines will have been dealt a blow as many companies put capital expenditure on hold, or at the very least greatly reducing it. This, plus potentially longer lead times resulting from facilities being forced to close for the early part of 2020, will likely mean companies holding on to their aging fleets for longer. All of which will drive up demand - and in theory prices - for used equipment.

In terms of buying, the general conception - or perhaps

used equipment

misconception - is that used equipment is sold off to developing markets, and while this does happen the numbers purchased at Ritchie Bros auctions for developing markets are a lot less than you might think.

One such example of this is with telehandlers, as Ackley explains: "Telehandlers that are sold in the US primarily stay in North America. For us the demand for telehandlers in this market is very high, both on the new and used side. It is a similar story in Europe, where we are seeing the number of units leaving Europe in low single digits. The popularity of this type of product

has seen constant growth which is reflected in the market."

In terms of determining favourable market conditions there are a number of factors to consider. In good times, companies are willing to spend to win the work available, finance is readily available and lead times for new equipment longer, so buyers can justify bidding up prices. Oddly in bad times the same can also be the case with companies looking to reduce spending, making used equipment a more viable solution.

If you are looking to sell equipment you need to be careful in selecting the right auction. The



US Market

All Terrain crane sales in the US remain relatively low, as you might expect, and although volumes have fluctuated over the past few years prices have remained fairly consistent, if not a bit on the low side.

The sale of tower cranes has been almost non-existent, for obvious reasons, however the sale of a Favelle Favco M1280E tower crane into Australia for \$2.2 million in 2019 was particularly of note. Crawler cranes on the other hand have maintained much higher numbers but as a result prices have declined. Although the number of Rough Terrain cranes sold was down last year, the company still moved around 550 units, although sale prices were less consistent.

On the access side of things, boom lift numbers have been gradually improving since 2014, while scissor lift numbers have picked up after a lull in 2017 with prices levelling off as a result. Telehandlers have been doing consistently well at auction with a noticeable upturn in numbers last year. Average telehandler prices have fluctuated between five and 10 percent since 2017 with units currently averaging \$28,000, possibly driven by the steady long term growth in demand in North America, while others might

be looking to avoid the more complex engines on new machines?



European Market

Ritchie's sold 34 All Terrain cranes last year, up 36 percent on 2018, but a far cry from 2010-2012 when 489 cranes went under the hammer. It is probably worth noting that this followed on from the 2008 financial downturn, and a closer look at the numbers reveal that Spain, which was hit particularly hard, accounted for approximately 70 percent of those sales.

The number of crawler cranes sold was up on last year, however the majority of the 28 sales were made up of mini and spider cranes netting a total of €1.2 million. This compared with €4.1 million in 2018 from just seven sales – including a 650 tonne Terex Superlift 3800-1, which went for €2.7 million, as well as a 400 tonne Terex CC 2400-1 that fetched €1.3 million. Tower cranes were minimal with just seven cranes sold last year (mostly small Potain self-erectors) compared with say 65 in 2010. Rough Terrain cranes are surprisingly a different story though, with consistent sales of approximately 50 units a year.

Sales of boom and scissor lifts has been improving gradually since 2011 with prices also holding steady at respectable levels. Telehandler sales

have been similarly consistent over the past 10 years and, like with the US, has seen a slight improvement in prices over the last couple of years.



key is to avoid auctions that are predominantly geared towards general or earthmoving equipment as you risk a lack of buyers for specialist equipment, leaving less interested generalists to drive prices down to a level where they are a 'steal'. Although with modern communications, and the ability for anyone, anywhere in the world to view and bid at a live auction online, this ought to be a thing of the past. At the same time the various online marketplaces are offering more

control over sales.

Covid-19

For a company that held close to 200 live public auctions last year across its 40 sites across North America, Europe, the Middle East, Asia and Australia, you would think the outbreak of Covid-19 would cause major problems.

The truth is, Ritchie Bros. has been 'online' since 2002 when it introduced an online bidding function for its live auctions. Its online presence has increased substantially since then boosted by a number of acquisitions, while new online features have also helped.

Ackley explains: "Historically Ritchie Bros. has always been known as a 'live' auction brand, but even before the outbreak of Covid-19 more than 65 percent of winning bids at our public auctions were made online. So when Covid-19 hit it was just a case of getting that number to 100 percent and with the processes and infrastructures already in place, we just needed to turn up the volume on the digital side of things. The fruits of our efforts to acquire IronPlanet have been extremely apparent in the last few months as we see everything coming together in a perfect storm."

Its acquisition of online market IronPlanet in 2016 was a changing point for the business, in terms of selling its equipment online. Within a year of incorporating the business, IronPlanet and the company's other online channels achieved sales of \$520 million, followed by \$829 million in 2018.

Last year it accounted for \$965 million - almost 20 percent of the total value of equipment sold - as it achieved the highest annual growth rate for its online channel since the acquisition. With a database of millions of registered users worldwide, IronPlanet hosts weekly online unreserved auctions with a key difference being that the equipment being sold remains with the customer.

Marketplace-E

Selling equipment in unreserved auctions is not for everyone though, so building on the success of IronPlanet, Ritchie Bros. introduced its new online platform Marketplace-E in 2018. The platform makes use of reserves and timed lots, with sellers able to receive offers and negotiate, set a 'buy now' price, as well as set minimum and reserve prices. To date, more than 3,200 companies from 45 countries have sold equipment on Marketplace-E, with sales exceeding \$500 million towards the end of 2019.

"When we talk to sellers about



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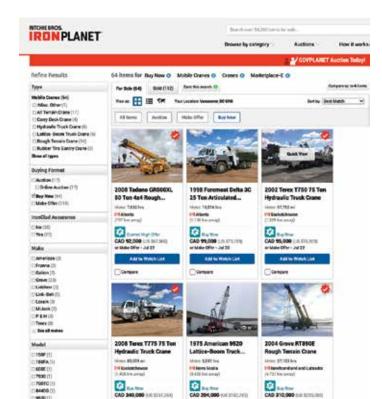
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Marketplace-E equipment being advertised with the ability to 'buy now' and 'make offer'.



their options, there are a number of factors that are going through their mind. One of the best ways to explain it is to consider money vs price realisation. If the need for money is imminent, the unreserved format is going to be better for you because of the certainty of a sale. However, the inverse of this is that there is less control on price compared with a reserved format where customers have a little bit more time and can state a price for a certain time period," says Ackley.

Breaking records

With so many options available for buying and selling used equipment online it is perhaps unsurprising

that the company achieved record year on year growth last year. This included more than 580 million page views, over five million monthly website users and 153,000 mobile app users spending \$148 million through the app. One can imagine that these numbers will be eclipsed this year with Covid-19 currently forcing all sales online.

Ackley points out: "We have seen record website traffic, as folks have shifted their buying behaviour online, as well as record attendance at our online auctions and record account registrations on the site. And it is not just substitution - i.e. people who would have gone to



A host of online records have been achieved since Covid-19.

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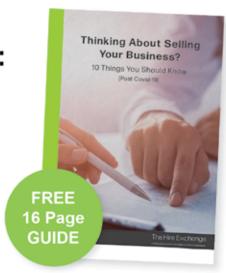
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the live sale but have now shifted their activities online. What we are seeing is new people raising their hands and participating in the auctions. We have also seen a very different mix of buyers come to our online only sales."

In May, Covid-19 resulted in the company holding its first ever online-only live auction from one of its sites - Edmonton, Alberta - which has hosted live public auctions for more than 60 years. A record 23,500 bidders from 58 countries registered for the auction with 10,700 items selling for a combined \$131 million, of which 20 percent was purchased through the company's mobile app. (Incidentally, the most expensive crane purchased through the app was in 2018 when a 2003 Demag AC700 AT crane was sold for a little more than \$1 million!)

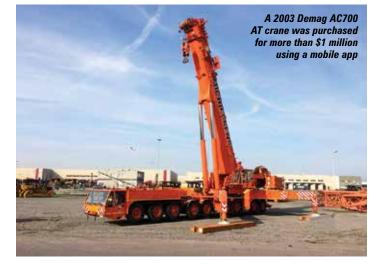
The following month, Ritchie Bros achieved the busiest auction week in its history with a staggering 80,000 bidders from 60 countries registered for 29 auctions throughout North America. Held

over five days and with 35,000 items up for sale (including a 2015 75 tonne Tadano GR-750XL Rough Terrain crane that sold for \$350,000) the auctions made \$295 million.

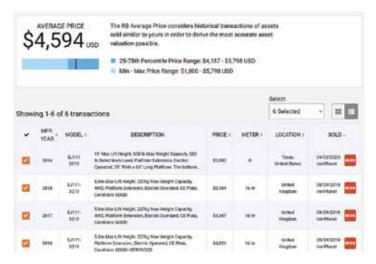
Part of the success of the online auctions has been the company's PriorityBid function which allows buyers to make proxy bids online for equipment up to a week before the sale. This was particularly the case in an auction in Nashville earlier this year. "PriorityBid allows users to bid at live auctions anytime, anywhere and any place," says Ackley. "Even before the live auctioneer comes to the microphone 80 percent of items had bids on them - one in particular had more than 300 bids and this is before the auction had even started."

The right tools for the job

As well as developing a wide variety of platforms and functions that enable customers to sell and purchase used equipment online Ritchie Bros has also introduced a subscription-based asset management and disposition system - Asset Solutions. Originally







RB Price Estimate is just one of the many tools available with Asset Solutions.

launched at Bauma for high level customers, its range of tools and services - RB Asset Valuator, RB Price Estimate, RB Inventory Management System and RB Inspection Services - have now been made available for companies of all sizes to analyse, manage, and sell equipment.

"Not only have we focused on improving our online offering, but we have also invested a lot in building out our technology. I think the best example of that is around what we have done for Asset Solutions and the data tools we have started to produce. These were originally developed for internal use, however on seeing the obvious benefits they could offer our customers we have redesigned them for external use."

One of the more recent additions to the Asset Solutions package is a new pricing tool, RB Asset Valuator. Launched in May and still in its beta stages, the tool makes it easier for customers to compare the sale prices of specific makes and models of equipment over the past two years based on the age and clocked hours.

"The number one question we are being asked is 'what is my machine worth?' with customers often spending a lot of time working out the pricing of equipment. With all the data available we recognised that this problem was tailor-made for machine learning, specifically when you look at our data base and the number of transactions we make across all our platforms. Users will likely want to manually check prices still, but we are looking to remove a number of these friction points in the marketplace for them."

While this tool is ideal for a quick spot check of individual machine prices, the time and effort it takes searching for specific details makes it impractical if you had a large fleet that you wanted to sell. The company has therefore developed its RB Price Estimate, which uses a computer algorithm to determine the real time trends and prices as well as eliminate the problem of manually sifting through data. When combined with the company's Inventory Management System, which was recently updated in March, users can load their entire inventory into the system in order to automatically determine the total value of their fleet in real time. Another function is the ability to evaluate trends and





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prices for multiple product brands at once and see how they compare as they age or gain more hours.

"Customers were also asking us: 'should I buy brand X or brand Y?'," says Ackley. "With machines often costing different amounts on the front end it's not always an apples for apples comparison but Asset Solutions is able to show prices from actual transactions that have taken place around the world and show what happens when like for like machines get hours on them or are in a worse condition, in order to help users make data driven buying and selling decisions in an easily and digestible manner."

A new way of doing business?

As well as utilising the data and analytics tools, RB Asset Solutions subscribers can make use of a range of benefits including storing equipment at Ritchie locations and using its Inspection Services. It is even happy for users to sell the equipment privately from its sites.

Ackley explains: "If a bank were to take possession of equipment, for example, it's possible they will not have a place to store it, or a way to inspect it, value it or the network to sell it. Using RB Asset Solutions allows them to store the equipment on our sites, manage it, carry out inspections and sell it either privately or through us. The majority of people subscribed to RB Asset Solutions tend to sell the equipment on their own. We

are more than happy to provide our expertise to assist them with this however if they decide they want to utilise one of our sales platforms they can do with a click of a button."

"The distinction we are moving towards - and something that has been exasperated as result of Covid-19 - is treating our platforms less like separate platforms and channels and instead focus on what the sellers and buyers want to do. Do sellers want to move the equipment or not? Are buyers happy to go to site, kick the tyres and make a bid or are they happy to buy it online? We want a commonality with our platforms so you will still get the same information about an asset regardless of whether you are buying onsite or online. It's going to be less and less about online vs onsite and more and more about where the equipment sits and how it is inspected."

Looking at the current landscape Ackley concludes: "We are in a once in a generation situation right now. None of us has seen a business situation quite like this, and so are not sure what is going to happen in the future, but so far the signs are positive. We have seen record sales, record traffic and record registrations, and we see this continuing through the rest of the year. Whether our auction sites open up or remain closed, we feel extremely confident."



Products and prices

The table below highlights the most auctioned brands and models by unit volume at Ritchie Bros auctions in Europe since 2018, as well as the average prices they fetched. The data has been sourced using Ritchie Bros latest Market Trends data and analytics tool and is just the tip of the iceberg in terms of the level of detail the system is able to provide.

Offering a fully customisable search function, it uses transaction history dating back to 2010 to provide trend data on markets, equipment type and countries as well as pricing and depreciation data on brands and models which ultimately help users understand when and where to sell their equipment.



Market Trends provides trend data on markets, equipment type, prices and more

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Manufacturer	% of total units sold	Most sold model	Average price
All Terrains*			
Terex/ Demag/ PPM	32%	PPM ATT400	€34,000
Liebherr	19%	LTM 1055-1	€185,000
Grove	19%	GMK3055	€170,000
Rough Terrains*			
Terex/ PPM	27%	A300	€32,250
Grove	20%	RT540E	€129,960
Tadano	11%	TR250M5	€26,500
Boom Lifts			
Genie	22%	Z-45/25	€10,903
JLG	20%	450AJ	€10,972
Haulotte	20%	HA15IP	€10,500
Scissor Lifts			
Genie	29%	GS-3245	€4,500
Haulotte	26%	Compact 12	€3,750
JLG	15%	3246ES	€4,42
Telehandlers			
JCB	38%	540-170	€36,750
Manitou	30%	MRT 1840	€38,205
Merlo	11%	Roto 3816	€33,500

Given the relatively low number of cranes sold since 2018, the time range has been extended to 2015 to provide more comparative data

WORKING TOGETHER TO KEEP **BUSINESSES STRONG**

In these difficult times it is more important than ever to communicate with your customers, suppliers, remote workers and others and maintain confidence in your company and brand as well as highlighting plans and strategies.

This may appear challenging when the natural instinct is to 'hunker down' cut everything back and just get through the crisis, often sacrificing long built up reputations. But there are alternatives.

By working together in a constructive manner and understanding each other's concerns and challenges, companies and the industry as a whole can stay strong and in a far better position to bounce back when all this has passed, as it most certainly will.

The Vertikal Press will be here all through the crisis, continually reporting on the industry we love and breathe, continuing to publish the magazines and providing a daily news service via the Vertikal.net web portal. We are also open to all manner of ideas and ways in which we can help support you - our readers and customers.

In times of crisis, creativity, openness and maintaining your presence in the market wins the day. This is when a company's true colours, depth and quality shine through - and the weak are exposed. So, keep in touch. Keep sending your news and continue to work closely with suppliers and partners as well as your customers - they are all important.

We will work with you to make sure you can maintain your profile. If you need help in any area - from finding ways to continue your advertising programmes, to assistance with editorial/news items - we are here to help.

The Vertikal Team, Leigh, Nicole, Keng, Pam, Clare, Mark, Rüdiger, Lee, Alex, Ed, Poppy and our fantastic contractors - Brett, Roland, Anja, Rob and Saul.

