

INSIGHTS

Cox
AUTOMOTIVE™

Harnessing the Power of Insights

For anyone in the automotive industry, it's no secret that it's rapidly changing. At Cox Automotive, we are focused on helping the industry make sense of an ever-expanding volume of data and unlocking the strategic business insights that drive opportunities. We consolidate and analyze data from our research and interactions with our brands to provide our clients and partners with the leading repository of the industry's most valuable business information.

This report is a preview of just a portion of the insights we will be introducing in the near future. It explores key areas where consumer demand is influencing rapid change in automotive retail and specific opportunities for improvements in the car-buying process.

Much of the data you need to really understand your market and consumer opportunities resides in many places outside your organization. As a result, it can be challenging to be confident that you have the right data to inform your decision-making and guide your strategic plans. These insights are to help guide dealers, OEMs and marketers to take action to improve the buying and ownership process, and to identify potential disrupters and opportunities along the way.

About Cox Automotive

Cox Automotive is a leading provider of products and services that span the automotive ecosystem worldwide. Our goal is to simplify the trusted exchange of vehicles and maximize value for dealers, manufacturers and car shoppers. We've built the industry's strongest family of more than 25 brands to provide industry-leading digital marketing, software, financial, wholesale and e-commerce solutions to help our clients thrive in a rapidly changing automotive marketplace.

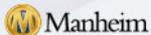
Cox Automotive brands operate in five groups with a domestic and global presence. Our complete and connected view of the automotive ecosystem allows us to identify new solutions and opportunities that will redefine the industry. By working across our range of solutions, we can help each client run a smarter, more streamlined and profitable business.

Our client-obsessed culture breeds passionate, proactive people who ensure each client gets the right solution. As a subsidiary of 116-year-old Cox Enterprises Inc., one of the world's largest privately owned communications, media and automotive services companies, innovation and leadership is in our DNA. Our focus on building a better future for our clients, consumers and the industry is ingrained in everything we do, from responsible services and solutions development, to team member care and giving back to the communities where we live, work and play.

Our Vision

Transform the way the world buys,
sells and owns cars.

Our Brands

 INVENTORY SOLUTIONS	 RETAIL SOLUTIONS	 MEDIA SOLUTIONS	 FINANCIAL SOLUTIONS	 INTERNATIONAL
       	    	  		              

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New Car Forecast

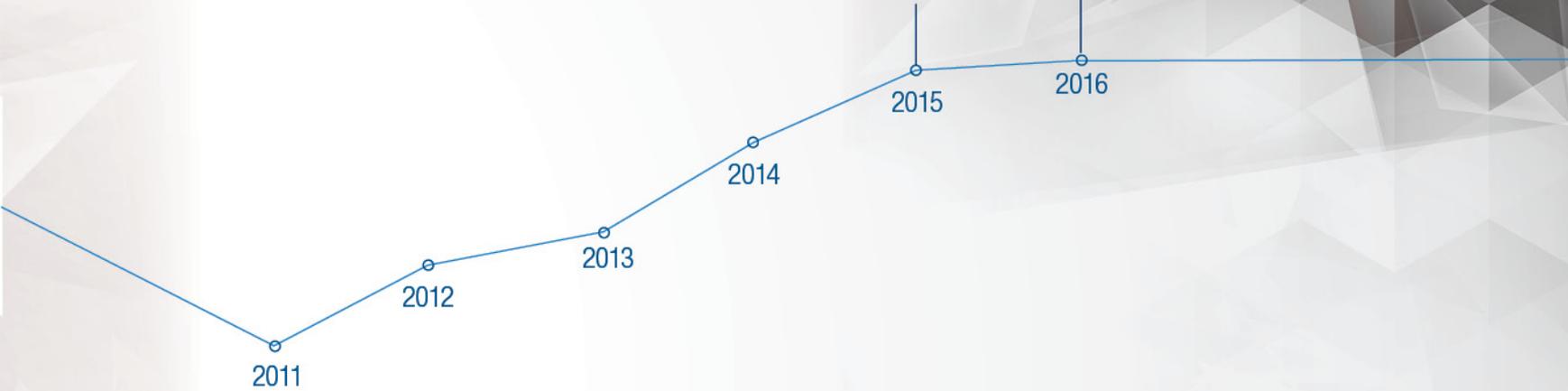
Near-record New car sales levels continue but growth will stall

2016 is projected to remain near or above record U.S. auto sales levels. This is a culmination of a growth trend since 2011. However, this phenomenal growth story is not equal throughout the U.S. Growth in the West and in the South far outpaces that of the East Coast. This trend is expected to continue in 2016.

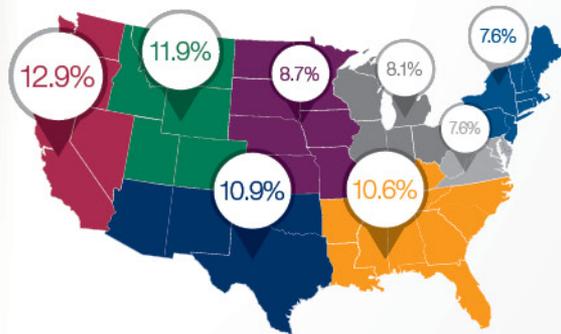
U.S. NEW CAR SALES BY VOLUME

17.5M
 New cars sold

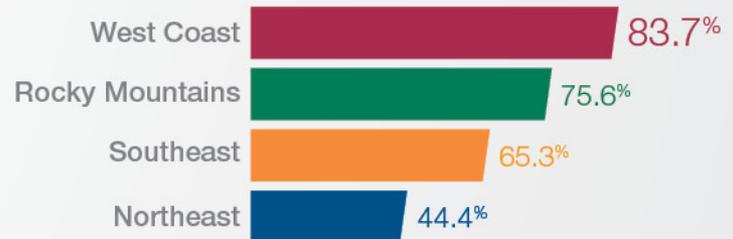
Forecast
 17.5M-18M



COMPOUND ANNUAL GROWTH RATE (CAGR) FOR NEW VEHICLE REGISTRATIONS BY REGION – 2009 TO 2014



NEW CAR SALES VOLUME INCREASE BETWEEN 2009 AND 2014



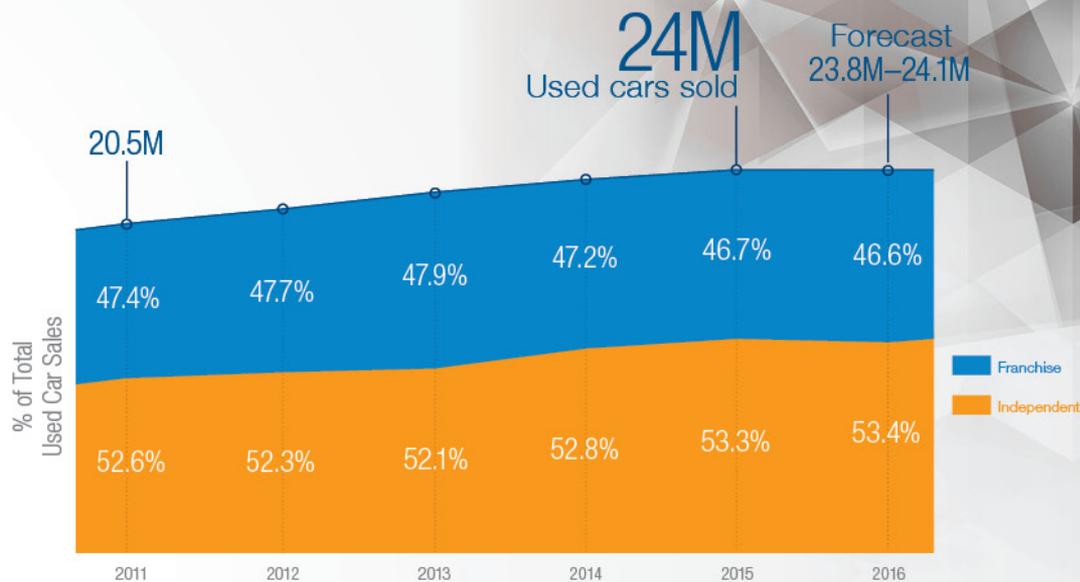
Sources: Cox Automotive data from R&M; KBB Market Update; KBB New Car Forecast

Used Car Forecast

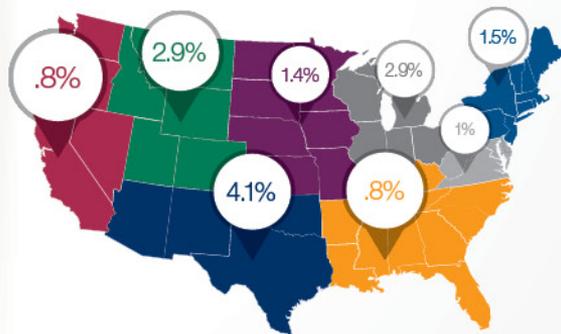
Strong Used car growth rates dissipate but sales volume remains strong

While the industry has been celebrating record New car sales and significant increases in Used car sales, the growth rate for Used cars will slow significantly in 2016. The forecasted 2016 growth rate could be considered essentially flat year-over-year. Independent dealers are expected to grow market share in 2016, accounting for most of the year's modest growth. Franchise dealers, especially those in the Midwest and Northeast, will remain the same as in 2015.

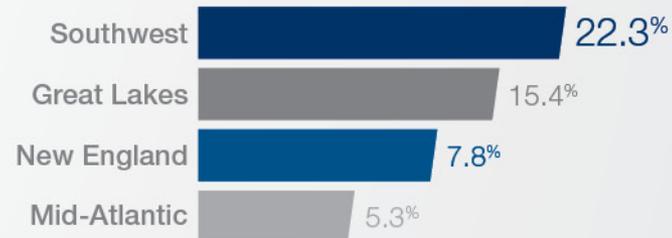
U.S. USED CAR SALES BY VOLUME



COMPOUND ANNUAL GROWTH RATE (CAGR) FOR USED VEHICLE REGISTRATIONS BY REGION – 2009 TO 2014



USED CAR SALES VOLUME INCREASE BETWEEN 2009 AND 2014



Sources: DealerTrack 2016 Used Car Forecast; Cox Automotive analysis based on Polk data; NADA

CPO Forecast

CPO will continue to set new volume records through 2017

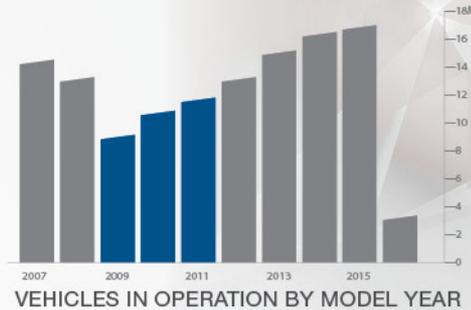
In 2008 and 2009, there were significant shortages of vehicles in operation, creating strain on the Used car market. As the market improved, leasing climbed to record levels in part because Americans required the lower monthly payments afforded by leasing. Unlike New car purchases, these leases come into the Used car market much more quickly (2 to 3 years), providing the Used car market with like-new, low mileage cars. Over the next two years off-lease volumes will continue to increase, enabling manufacturers to put more weight behind CPO programs, which will protect the residual values of these cars.

THE GAP BETWEEN HOUSEHOLD INCOME AND NEW CAR CPI IS GROWING



U.S. REAL MEDIAN HOUSEHOLD INCOME VS. NEW CAR CPI

USED VEHICLES ARE IN SHORT SUPPLY



28%
high lease penetration

67 months
average loan term
(longest on record)

SHORTAGE SET TO EASE AS OFF-LEASE VOLUMES SURGE



NEW LEASE ORIGINATIONS VS. OFF-LEASE VOLUMES

CPO VEHICLES ARE MORE POPULAR THAN EVER



Sources: Cox Automotive CPO Forecast; IHS registration data (for VIO); IHS lease penetration; Off lease volumes (Manheim Consulting); Cox Auto CPO Forecast

“Due to the continued strong off-lease volumes and the OEMs’ ongoing remarketing programs, CPO volumes are expected to continue seeing record sales.”

Tom Webb

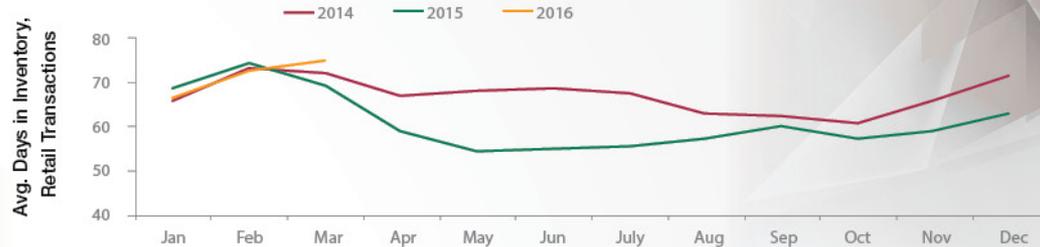
Chief Economist
Manheim Consulting

Days in Inventory

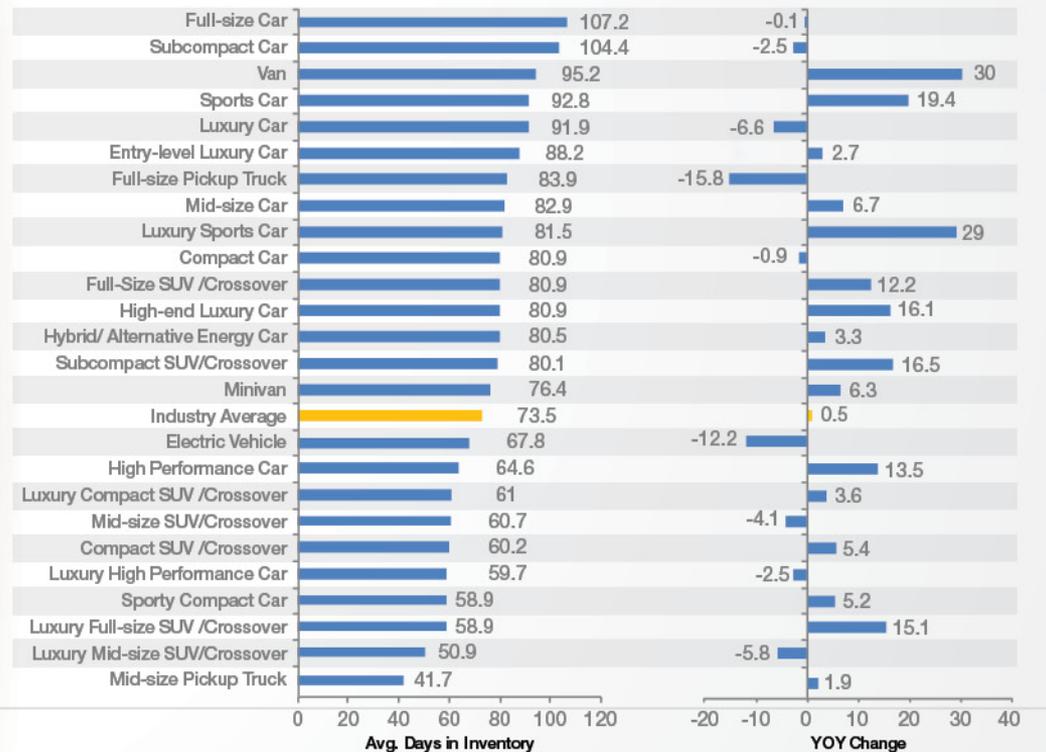
Rapidly changing consumer demands stress manufacturing agility

Days in inventory has climbed to 74.9 days after closing 2015 at 69.2. A slower than anticipated start to 2016 is partly to blame. One segment to watch closely is the full-size SUV, as its days in inventory has climbed by more than 12 days over the past few months.

DAYS IN INVENTORY BY MONTH/YEAR



DAYS IN INVENTORY BY SEGMENT



Source: Kelley Blue Book

“While the overall days-on-hand remains at healthy levels, OEMs will be challenged to maintain the right inventory for cars as SUVs continue to take significant market share.”

Tom Webb

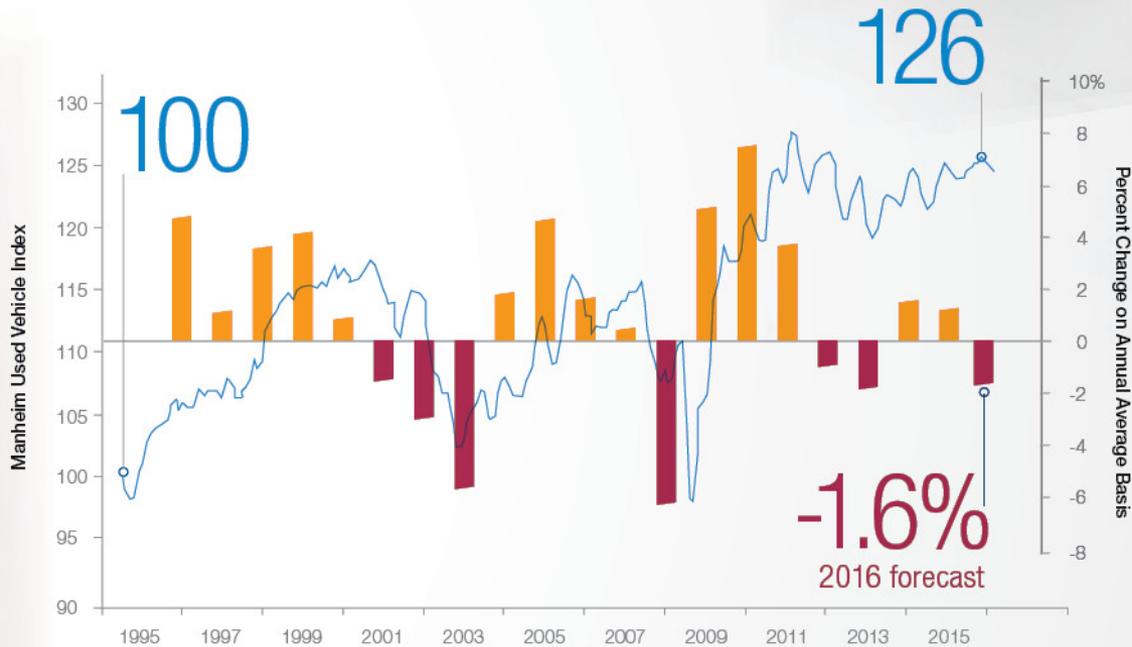
Chief Economist
Manheim Consulting

Used Vehicle Valuation Forecast

Used car values may decline for the first time in several years

Used car values are at near-record highs. Values have been steadily climbing for the last two years. Due to significant off-lease and rental car return volumes, valuations are expected to decrease by 1.6%.

USED CAR VALUES 1995–2015



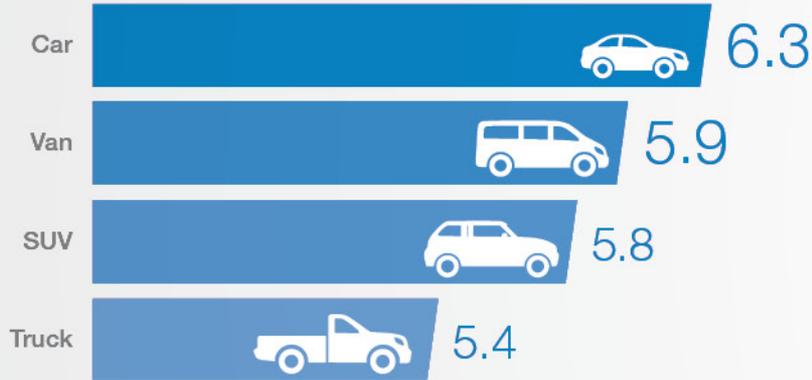
“We expect that growing wholesale supplies will prevent Used vehicle valuations from maintaining their current high levels. However, as long as retail demand remains favorable, the easing in residuals should be manageable.”

Tom Webb

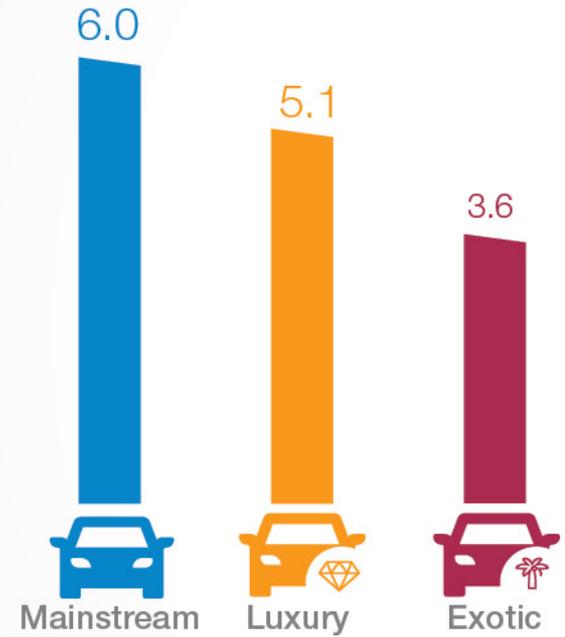
Chief Economist
Manheim Consulting

Source: Manheim Used Vehicle Value Index

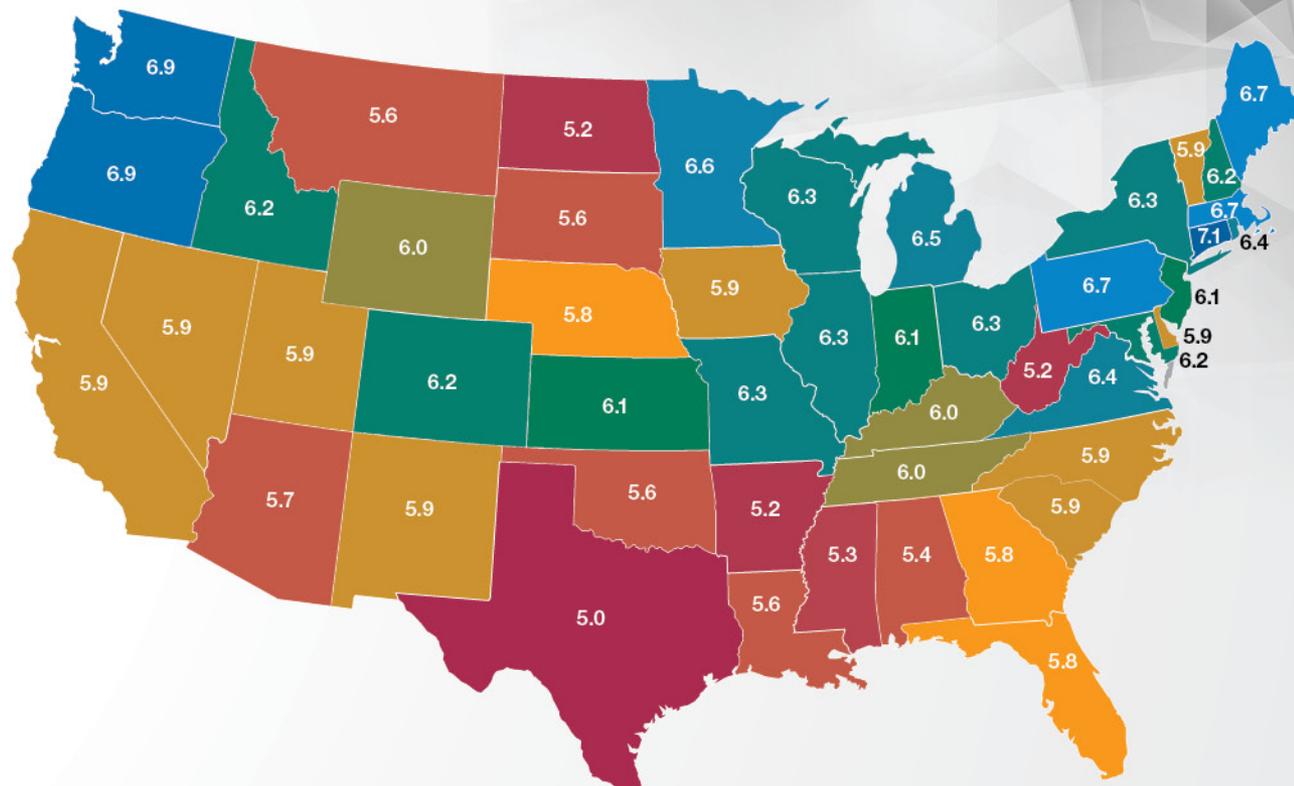
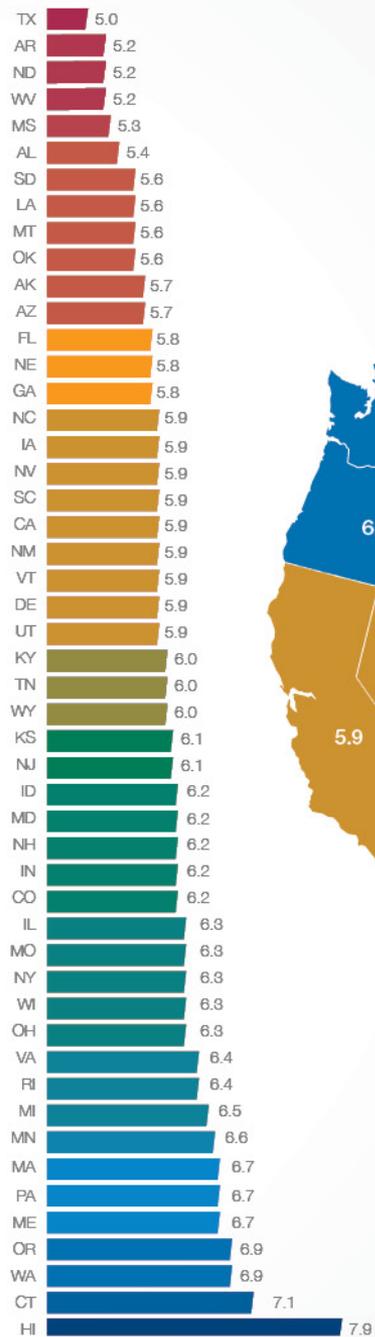
NEW CAR AVERAGE TRADE AGE (BY CHASSIS)



NEW CAR AVERAGE TRADE AGE (BY SEGMENT)



NEW CAR AVERAGE TRADE AGE (BY STATE)

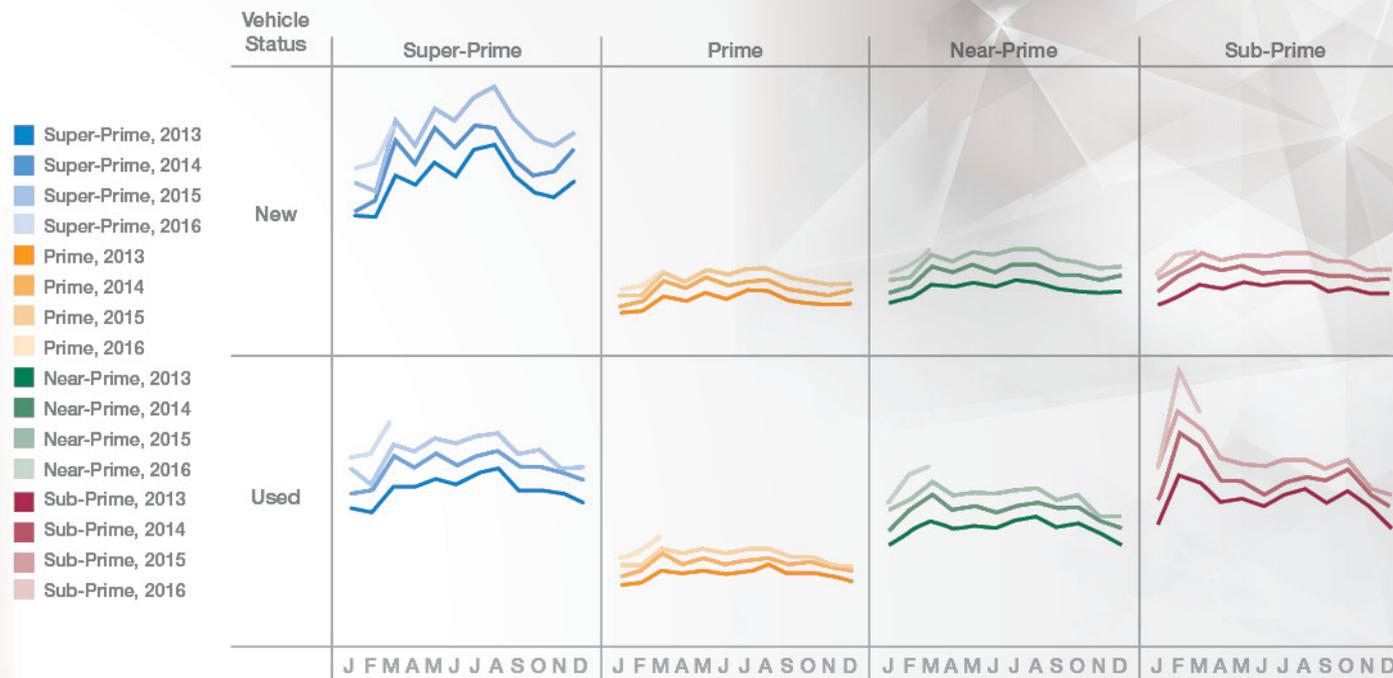


Credit Tiers

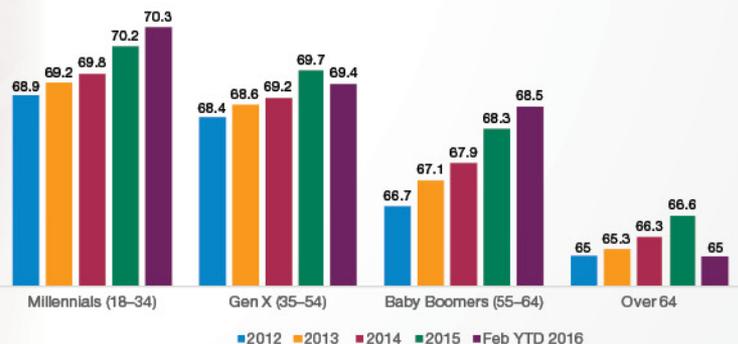
Credit tiers highlight consistent market performance

All average loan terms have increased over the past several years, with Used car length of term increasing significantly faster than New car loans. Buying patterns throughout the year by credit tier are not at all similar. For example, February showed a large jump in sub-prime purchases due to income tax refunds. Sub-prime loan acceptance increased significantly in the last quarter of 2015. Sub-prime buyers typically buy Used cars, while super-prime buyers mostly purchase New cars.

CREDIT SCORE DESCRIPTION / MONTH



AVERAGE NEW VEHICLE TERM

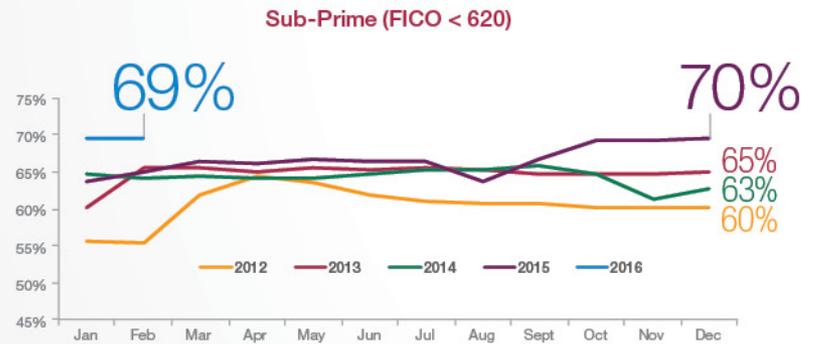
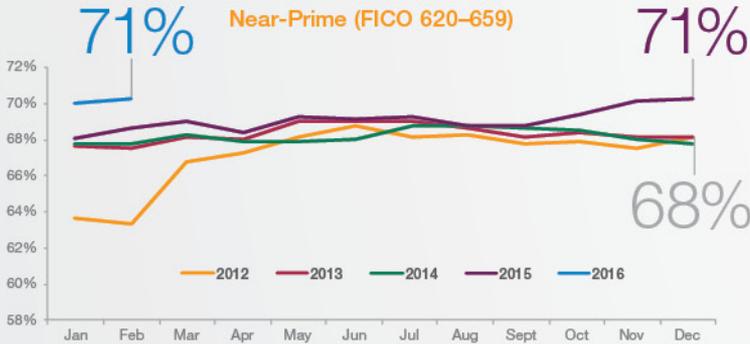
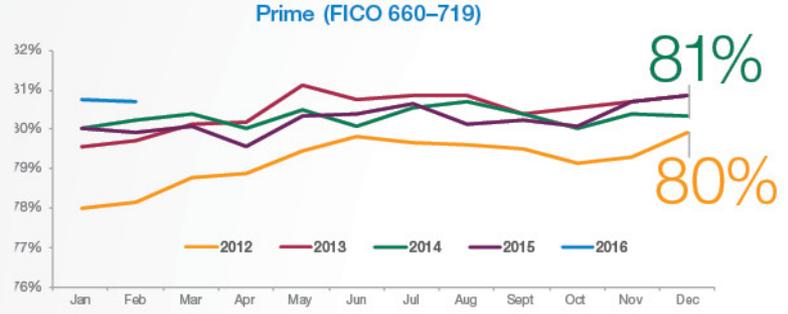
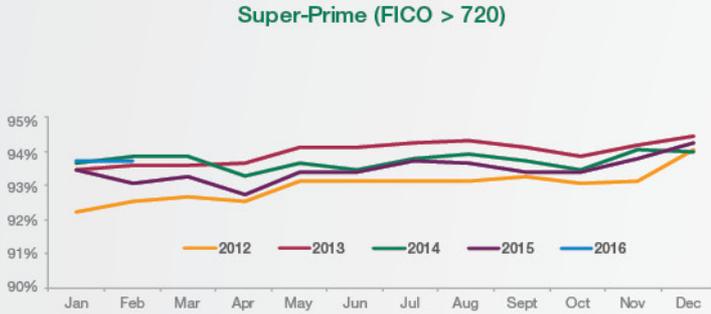


AVERAGE USED VEHICLE TERM



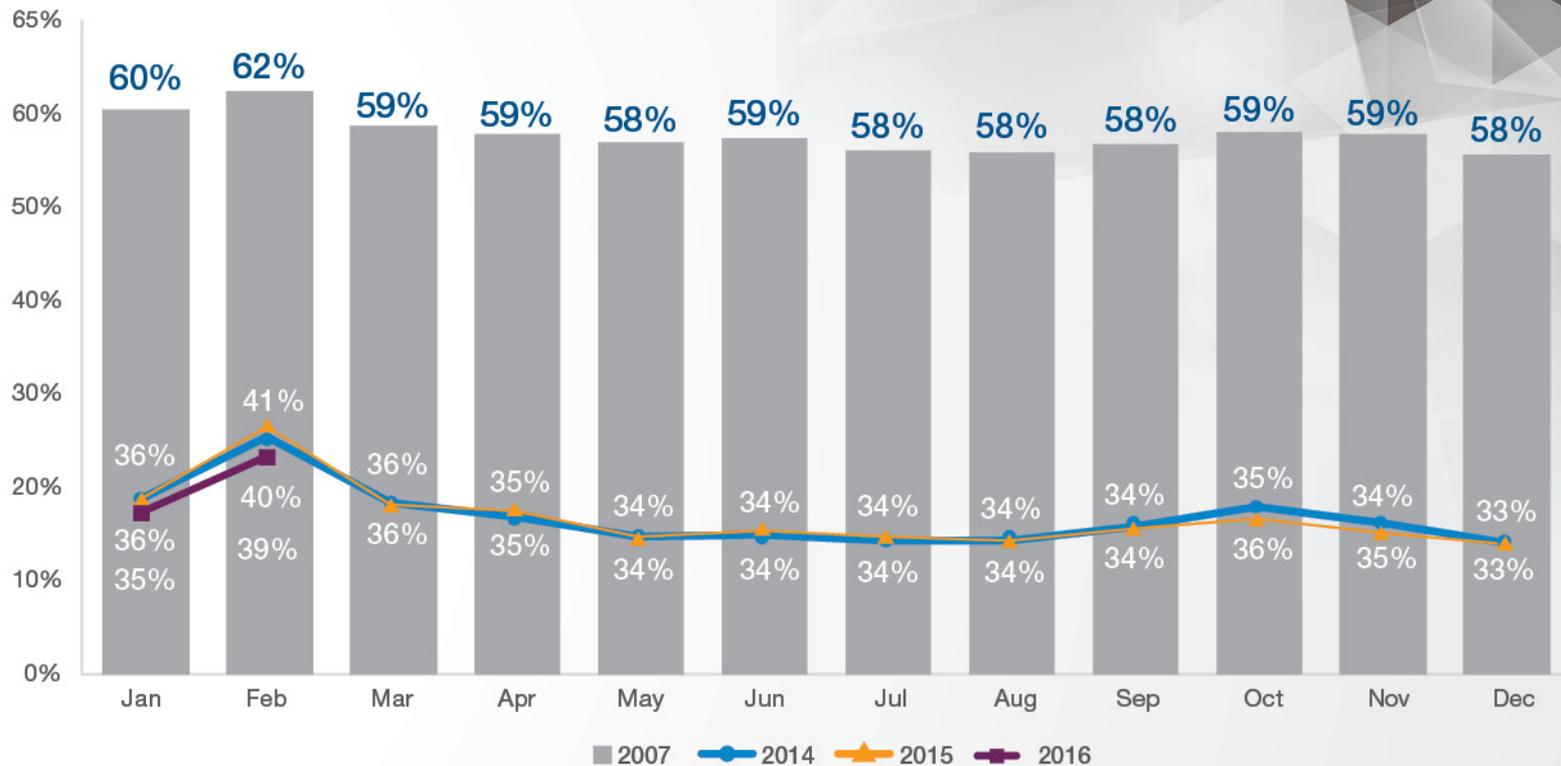
Source: Dealertrack Credit Application Network, Nov. 2015

AUTO ORIENTATION RISK/UNIQUE APPLICANT APPROVAL RATES 2012–2015



Source: Dealertrack Credit Application Network, Nov. 2015

SUB-PRIME APPLICATION SHARE: AS A % OF
 TOTAL UNIQUE CREDIT APPLICATIONS



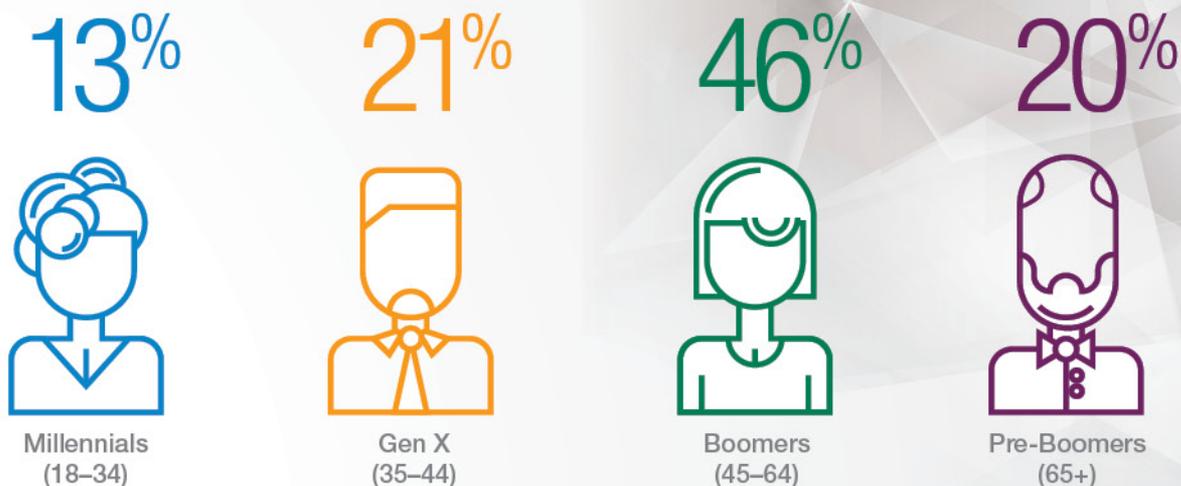
Source: Dealertrack Credit Application Network, Nov. 2015

Overview

Gradual changes over time have resulted in major shifts in the makeup of today's automotive consumers

Millennials are poised to supplant Boomers as the driving force in the market, and bring a different mindset and set of challenges to confront. Women account for almost half of all vehicle sales, yet are forced to work within a process that doesn't truly address their needs. Luxury car sales have steadily grown over time and reflect an important piece of the market. And just as we get a handle on today's market, Gen Z — the next generation — begins to dip their toe in the market.

TODAY'S BUYER SEGMENTS



GENDER



INCOME



WHAT THEY BUY



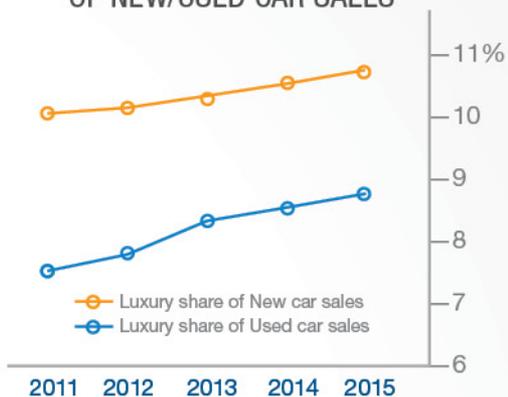
Sources: IHS Polk; NADA, LMC Automotive 2014; Edmunds Used Vehicle Market Report for 2014 and Q3 2015

Luxury Buyers

The growing luxury segment presents new opportunities for the market

Although a relatively small segment, luxury buyers are a lucrative target and important to understand. They rely heavily on technology during the buying process, and are early adopters in moving portions of the sales process online.

LUXURY AS A PERCENTAGE OF NEW/USED CAR SALES



The luxury market has grown steadily over the past few years, particularly among USED car buyers

DEMOGRAPHICS



Luxury buyers are more often older males with higher incomes

BUYING HABITS



Leasing is more common for luxury consumers. They also tend to favor imports over domestic vehicles

ONLINE SHOPPING HABITS



It comes as no surprise that luxury shoppers are tech-savvy and have migrated more of the shopping process online

Millennials

Millennials need more handholding and personal assistance when vehicle-shopping

For 50 years now, the Boomer generation has driven the evolution and meaning of cars as we know them today. Now, their Millennial children are coming of age and they will have the same kind of impact on the car industry as their parents. However, as shopping for a vehicle is still a relatively new experience for Millennials, they require more assistance than older generations to get them through the process.

CUTTING THEIR TEETH IN THE CAR-BUYING EXPERIENCE

FIRST-TIME BUYERS

22% vs 6% Gen X
3% Boomers

OVERALL TIME SPENT (HOURS:MINUTES)

16:38 vs 14:08

Millennials Boomers

DID ONLINE REVIEWS
IMPACT DEALERSHIP SELECTION

78% vs 46% Gen X
54% Boomers

AMONG THE TOP PAIN POINTS FOR MILLENNIALS

FILLING OUT PAPERWORK

33% vs 37% Gen X
29% Boomers

NEGOTIATING A PURCHASE/LEASE PRICE

29% vs 22% Gen X
25% Boomers

FINDING THE BEST DEAL/PRICE

26% vs 21% Gen X
17% Boomers

APPLYING FOR FINANCING

15% vs 11% Gen X
10% Boomers

SOCIAL MEDIA ALSO PLAYS A BIGGER ROLE IN MILLENNIALS' CAR-BUYING PROCESS

USED SOCIAL MEDIA

46% vs 37% Gen X
29% Boomers

POSTED A PHOTO OF VEHICLE

23% vs 15% Gen X
11% Boomers

WATCHED A VIDEO ON YOUTUBE

14% vs 8% Gen X
7% Boomers

A MOBILE PRESENCE IS VITALLY IMPORTANT FOR OEMs AND DEALERS IF THEY WANT MILLENNIALS TO CONSIDER THEM

RESEARCH AND SHOP FOR
VEHICLE ON A SMARTPHONE

63%

RESEARCHING AND SHOPPING TIME
ALLOCATED TO A MOBILE DEVICE

46%

ONLY USED A MOBILE DEVICE FOR
RESEARCHING AND SHOPPING

1 out of 5

USED THEIR SMARTPHONE
AT THE DEALERSHIP

66%

Women

The car-buying process has yet to put women in the driver's seat

Women feel less knowledgeable and confident when it comes to buying cars. Consequently, they spend more time in the shopping process, most of which is on research. And despite being responsible for almost half of all vehicle sales, the process still doesn't fully meet their needs.

LESS KNOWLEDGEABLE AND CONFIDENT ABOUT CAR-BUYING

KNOWLEDGEABLE

41% VS 64% men

CONFIDENT

38% VS 59% men

KNEW THE EXACT VEHICLE THEY WANTED

26% VS 34% men

... WHICH DELAYS THEIR ENTRY INTO THE MARKET UNTIL THEY NEED A VEHICLE

NEED A VEHICLE

63% VS 51% men

MORE LIKELY TO SEEK INPUT FROM OTHERS

SHARED DECISION MAKER

49% VS 37% men

RELY ON REFERRALS FOR VEHICLE SELECTION

33% VS 22% men

RELY ON REFERRALS FOR DEALERSHIP SELECTION

21% VS 8% men

WANT TO KNOW THEY ARE PROTECTED IN THEIR VEHICLE PURCHASE

PURCHASED GAP INSURANCE

24% VS 15% men

PURCHASED EXTENDED WARRANTY

39% VS 27% men

Gen Z

Gen Z is diverse, cautious with money, has huge spending power and is just around the corner

At 80 million strong, Gen Zs aren't anything to be trifled with. They may be young, but the economic conditions of their time have deeply affected their spending habits. They're less likely to be influenced by prestige and more likely to be influenced by practicality peppered with technology. They'll never be, go or do without technology. It's in their DNA.

GEN Z TEENS ARE LESS LIKELY TO FIND CAR OWNERSHIP NECESSARY

% AGREE THAT "TRANSPORTATION IS NECESSARY - OWNING A VEHICLE IS NOT"

41%

MEANING OF A CAR

29%

Sense of freedom

21%

Something that makes life easier

WOULD RATHER HAVE A CAR FOR A YEAR THAN ...

33%

a cell phone

72%

use social media

GEN Z IS LESS FOCUSED ON STYLE & BRAND THAN MILLENNIALS

STYLE

49% VS 57% Millennials

BRAND

23% VS 34% Millennials

SAFETY CONCERNS ARE DRIVING GEN Z INTEREST IN AUTONOMOUS VEHICLES

WHAT GEN Z WANTS TO HAPPEN BY 2025: TOP MENTION

47%

"Most cars to drive themselves"

TOP BENEFITS OF AUTONOMOUS VEHICLES

45%

Less concern over distracted drivers

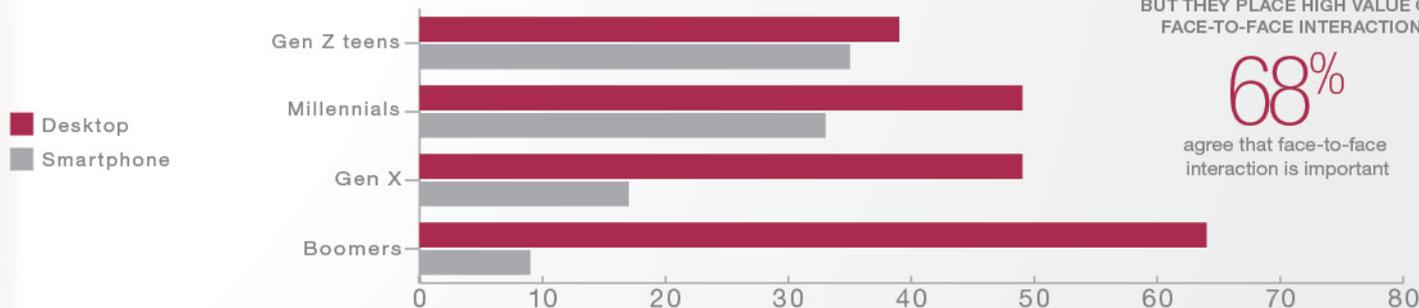
41%

Fewer accidents on the road

THINK ROADS WOULD BE SAFER IF MOST CARS WERE FULLY AUTONOMOUS BY 2025

61%

FIRST GENERATION TO FEEL SMARTPHONES ARE EQUALLY AS IMPORTANT AS DESKTOP IN CAR SHOPPING



GEN Z TEENS ARE DIGITAL NATIVES, BUT THEY PLACE HIGH VALUE ON FACE-TO-FACE INTERACTION

68%

agree that face-to-face interaction is important

Source: 2016 Gen Z Automotive Study; 2016 Kelley Blue Book Ride Sharing/Car Sharing Study

Distracted Driving

Consumers are aware of distracted driving, but many don't actively practice safe procedures

Distracted driving has become more prevalent over the years, partially driven by a surge in content, applications and features available within a user's mobile experience. Vehicle technology continues to improve and automakers have taken measures to assist in the battle against distracted driving, yet adoption is slow. It's likely that the elimination of distracted driving will be highly correlated with the industry's push toward autonomous driving.

61% MULTITASK ON A PHONE BEHIND THE WHEEL

Of these multi-taskers:



78%
are talking on the phone



71%
are using navigation system



67%
are texting



47%
are using music apps



31%
are using social media

DRIVERS SELDOM USE THE SAFEST OPTION

Among those who multi-task
behind the wheel:

90%
have speakerphone

only 46%
use speakerphone



90%
have Bluetooth
built into vehicle

only 37%
use it

Source: Kelley Blue Book Distracted Driving Study, Q2 2016

“Consumers think an app might be the most effective way to curb distracted driving, but this may be easier said than done.”

Mark Williams

Manager of Automotive Industry Insights
Kelley Blue Book

Mindset & Consideration

The opportunity to influence occurs well before the consumer reaches the dealership

Even though consumers look at a number of options early in the shopping process, buyers are often decided on the car they will purchase before arriving at the dealership.

MINDSET & CONSIDERATION

6 out of 10
are open to vehicles
across makes

35%
of New car buyers
also considered Used



50%
of lessees
considered purchasing

54%
of Used car buyers
also considered New

“With the majority of New car buyers entering the market because they want a New car, and the majority of those buyers being highly influenceable at the beginning of the car shopping process, dealers and automakers have many reasons to be excited.”

JARED ROWE

President
Cox Automotive Media Group

ON AVERAGE, BUYERS MAKE THE DECISION TO PURCHASE **3.7**  months PRIOR TO ARRIVING AT THE DEALERSHIP

Source: 2016 Car Buyer Journey Study, IHS Automotive

How They Shop

Online shopping is growing increasingly mobile

Car buyers spend the majority of their time in the car shopping process online, even more so than time spent at the dealership. While desktop is still dominant, usage of mobile continues to climb. Consumers demonstrate mobile usage up to the moment of purchase.

ONLINE CAR SHOPPING

9 out of 10
use the Internet

Average # of Sites Visited

2.9

3rd-party sites
(Among 3rd-party site users)

4.0

Dealer sites
(Among dealership site users)

2.6

OEM sites
(Among OEM site users)



MOBILE CAR SHOPPING



46%
use
smartphones

40% of top online activities

- › Researching car pricing
- › Finding vehicles for sale
- › Comparing different models



14%
use
only a mobile device
to research & shop

23%
use
smartphones at the dealership,
mostly to compare prices

Source: 2016 Car Buyer Journey Study, IHS Automotive

“The power and proliferation of mobile devices in the U.S. is undeniable, and consumers are rapidly turning to these devices as they shop for cars.”

JARED ROWE

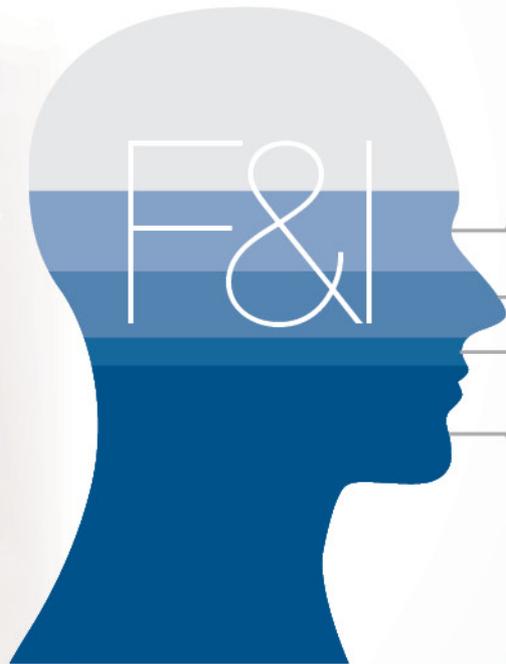
President
Cox Automotive Media Group

F&I

Consumers are more likely to buy F&I if they can research it online

Results from F&I research suggest that consumers desire increased transparency related to F&I products. While transparency in pricing resulted in decreased margins, transparency in F&I could lead to increased profits because customers are open to learning about the products prior to arriving at the dealership.

F&I PRODUCT INTEREST



72%
of shoppers are
interested in learning about F&I products

83%
of those interested are
interested in learning about F&I products
BEFORE entering the dealership

69%
of those interested and most skeptical
become more interested in F&I products
AFTER they understand what they are*

63%
of those interested are
more likely to purchase F&I products
if they can research them **BEFOREHAND**

“As an industry, we know the F&I experience is more difficult than it should be, but what we haven’t had until now are the numbers to show how that experience could be affecting the long-term profit potential for the dealership. By digitizing the experience, dealers will not only have happier customers, they’ll also reap the benefits of more word-of-mouth recommendations and repeat business.”

MIKE BURGESS

Founder, General Manager
MakeMyDeal

Dealership Experience

Consumers are ready
to buy when they arrive
at the dealership

Often arriving unannounced, they are nevertheless well-researched and ready to purchase.

CONSUMERS' DEALERSHIP EXPERIENCE

On average, buyers visit 2.7 dealerships before they find "the one," but

38% visit only 1 dealership



52% repeat loyalty
For repeat buyers, over half ONLY visited that dealership

This suggests a good past experience results in less shopping around for the next vehicle.

56% walk in without prior contact



55% cite inventory as the primary INFLUENCER of dealer decision



71% decide and buy

The majority of buyers report buying the vehicle they initially had in mind upon arriving at the dealership



43% cite education
Nearly half of buyers go to the dealership to LEARN about vehicles



88% must test-drive

Most consumers would not purchase a car without test-driving it first



“While there is good work going on right now to adapt decades-old sales processes, consumers are telling us that we as an industry are not moving fast enough. By recognizing—and embracing—the need for change, we have a tremendous opportunity to surprise and delight our consumers.”

JARED ROWE

President
Cox Automotive Media Group

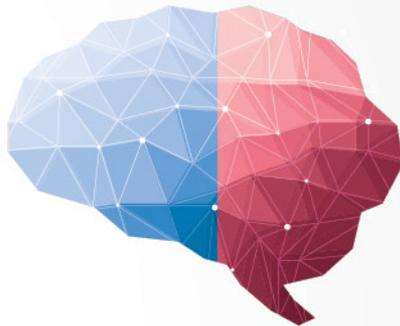
Pain Points

Consumers want a shorter, more efficient purchase experience

The dealership experience continues to fall short of consumers' expectations. There is an opportunity to address these frustrations — particularly paperwork, negotiating and overall time spent.

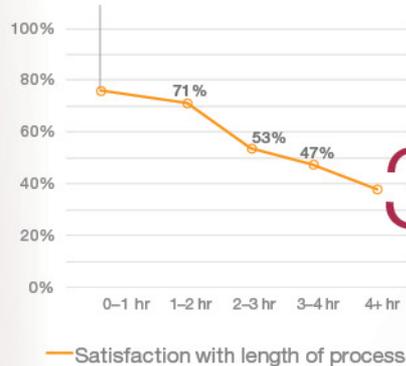
1/2
of all buyers
note frustration with the buying process

81% satisfied
TEST-DRIVE PROCESS



56% dissatisfied
LENGTH OF PROCESS

74%



3 hours

Average time spent
at dealership

36%



33% Discussing and signing paperwork

29% Looking at vehicles and talking with salespeople

22% Negotiating a price and trade-in offer

16% Test-driving vehicles

“Today’s buyers prefer to work out deals from their home or office, just as they do with other retailers.”

MIKE BURGISS

Founder, General Manager
MakeMyDeal

Certified Pre-Owned

Growing CPO can increase loyalty to your brand

CPO and consideration of it is on the rise; however, additional work is needed to educate consumers on its benefits. A successful CPO program could reap benefits to your brand unlike any other.

2.55M

CPO Sales (2015)
CPO sales continue to climb

69%

Consideration

Consideration for CPO is growing: 69% would be likely to consider a CPO vehicle in 2015 (vs. 54% in 2014)

85%

Consideration after definition

Exposing shoppers to the definition SIGNIFICANTLY increases their likelihood to consider CPO

Millennials are a key target audience

77%

Consideration

Millennial CPO consideration is higher than non-Millennials

90%

Consideration after definition

Among Millennials, CPO consideration grows to 90% with exposure to the definition of CPO

CPO is the gateway to a brand



Likely to return to same **Brand** to purchase another vehicle



Likely to return to same **Dealer** to purchase another vehicle

Multi-Tier Advertising

Consumers can be influenced by cohesive messaging and incentives

Consumers respond more positively to cohesive messaging across all tiers, increasing the likelihood they'll take action. Promotions, incentives, rebates and special offers have been shown to provide a lift over regular messaging.

MULTI-TIER ADVERTISING (T1+T2+T3) IS MORE MOTIVATING AND HAS THE MOST INFLUENCE ON VEHICLE PURCHASE CONSIDERATION

51%

More appealing

51% of consumers found ads more appealing together

42%

More attention

42% of consumers believed the ads stand out more

63%

More likely to purchase

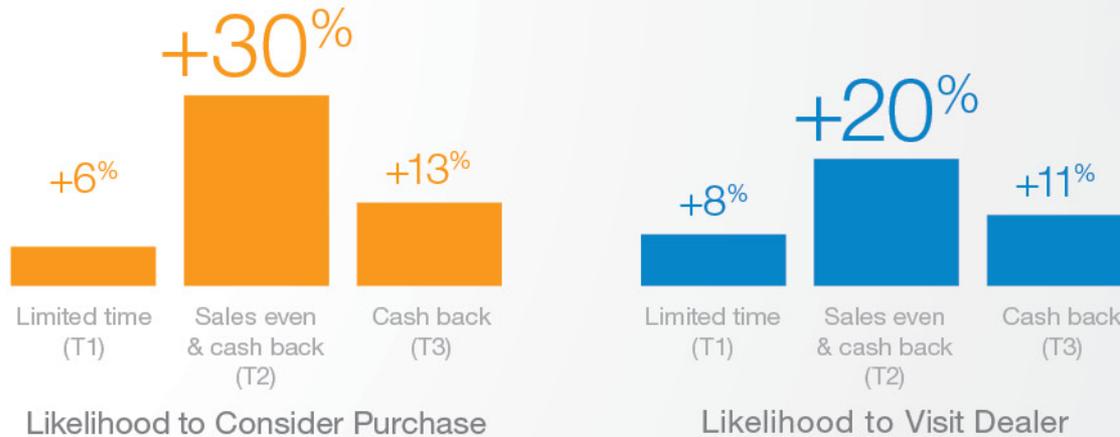
63% of consumers stated multi-tier advertising makes them most likely to consider purchasing a vehicle vs. 21% with an endemic ad

61%

More likely to visit

61% of consumers stated they are likely to visit a local dealer with multi-tier advertising vs. 21% with an endemic ad

INCENTIVE MESSAGING LIFT OVER REGULAR MESSAGING



Source: 2015 Autotrader T1-T3 Study

Car Shopping Myths

Changes are coming, but they're not the ones you think

While consumers want changes to the car shopping process, there are some things that surprisingly will not change.

CAR SHOPPING MYTHS

Sales people will be less important in the future

MYTH
#1

84%

of consumers want to buy a car in person

43%

of consumers see the dealership as a place to learn

Consumers don't want to negotiate

MYTH
#2

56%

of consumers prefer to negotiate



Consumers don't trust that one-price is the fair price

Lowest price will always win

MYTH
#3

73%

are willing to drive farther for a great salesperson vs. 65% who are willing to drive for the lowest price

54%

of consumers would buy from a dealership with their preferred experience over lowest price

“Consumers are expecting more control and convenience in the car shopping, buying and ownership experience. While there have been significant improvements in the way consumers can research and shop for vehicles, large portions of the buying and ownership processes have not really changed over decades. Now is the time for the automotive industry to address rapidly changing consumer preferences, and invest while times are good.”

SANDY SCHWARTZ

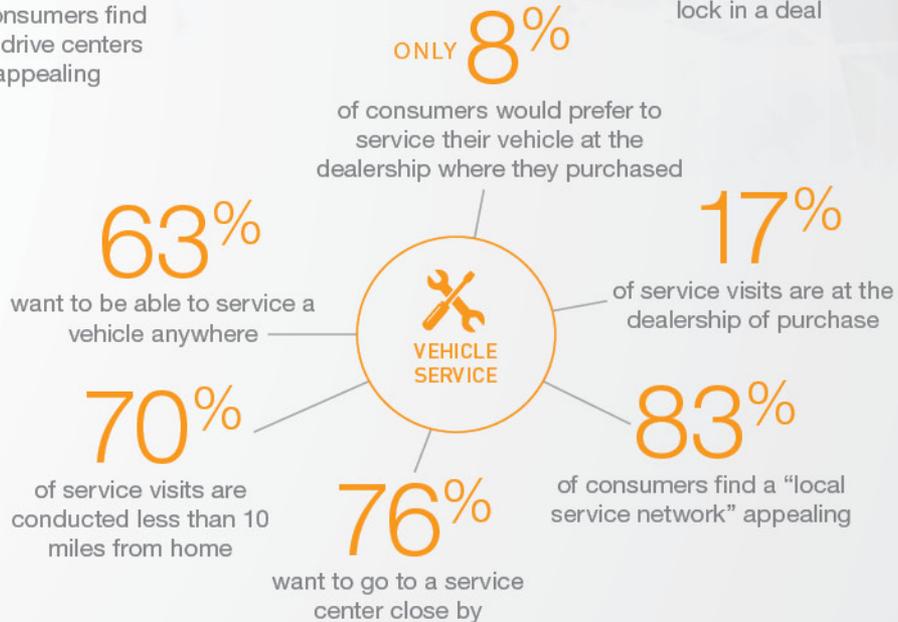
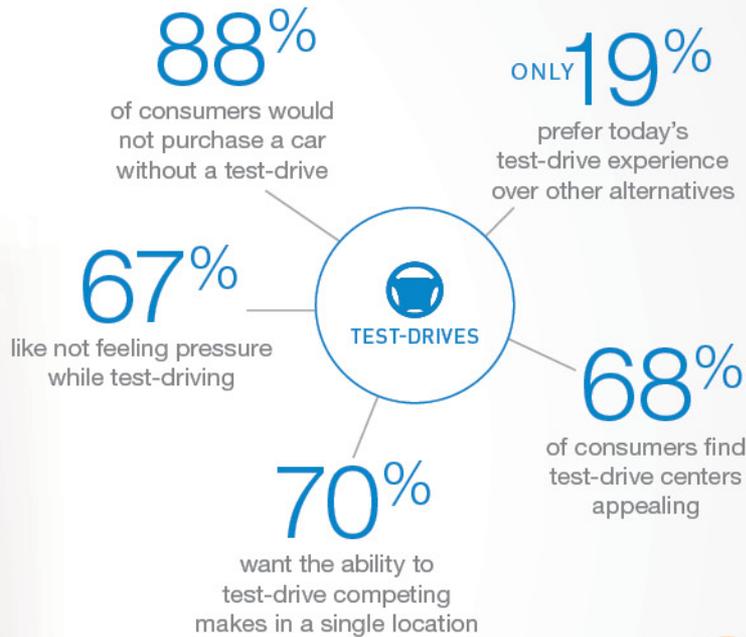
President
Cox Automotive

Enhancing the Dealership Experience

Consumers want significant changes in three key areas

Consumers are coming to the car-buying process with expectations shaped by their increasingly digital experiences with other products.

ENHANCING THE DEALERSHIP EXPERIENCE



Benefits of Enhancing the Shopping Experience

Change now, while times are good

Improving the vehicle-buying process can shorten the car replacement cycle and encourage dealership visits, which could represent a significant return for dealers and manufacturers that invest in evolving their experiences.

BENEFITS OF ENHANCING THE SHOPPER EXPERIENCE

LESS THAN **1%**
of consumers are happy
with the current
car-buying process



72%
of consumers would visit
dealerships more often if the
buying process was improved

66%
of consumers would be much more
likely to buy from a dealership with
their preferred experience

53%
of consumers would buy a
vehicle more often if the buying
process was improved

Source: 2015 Car Buyer of the Future

“The industry is experiencing robust sales across New, Used and CPO vehicles, making now the ideal time to invest for the future. “There is a clear and present benefit for those who do, and we at Cox Automotive will be making our own investments in developing tools and technologies that will usher in the future of car buying.”

SANDY SCHWARTZ

President
Cox Automotive

Maintenance & Repair

Dealers need to sell service to sell more cars

When it comes to maintenance and repair services, dealerships are leaving money on the table. In fact, only 30% of total service visits occur at a dealership. Dealers must “sell” their service department. The dealership is known to have knowledgeable, skilled technicians. Consumers rely on dealers and manufacturers to notify them of recalls; building the relationship early (at time of purchase) can be a strong tool. Ultimately, a strong experience through service can lead to future sales.

AN INTRODUCTION FROM SALES TO SERVICE INFLUENCES A CONSUMER'S LIKELIHOOD OF RETURNING FOR SERVICE

2.3x MORE LIKELY

Customers more likely to go to dealer they purchased from when introduced to service department at time of purchase

85%

of customers stated

that their experience with the service department influenced their likelihood of purchasing another vehicle from that dealership



41%

were introduced to service department at the time of purchase



53%

said it came into play when deciding where to repair the vehicle

15%

No Influence

36%

Somewhat Influenced

49%

Greatly Influenced

TOP 5 REASONS WHY SERVICE CUSTOMERS GO TO THE DEALER

1. They know my vehicle
2. Certified/highly qualified technicians
3. Knowledgeable staff
4. Use genuine parts, tools and diagnostic equipment
5. Explain services rendered/ comfortable waiting room

LESS THAN 1 IN 3

service visits are conducted at a dealership

- 30%** Dealerships
 - 17% Dealership where purchased
 - 13% Other Dealership
- 25%** General Repair/Service Station
- 14%** Quick Lube
- 11%** Tire Store
- 6%** Retail
- 5%** Specialists
- 4%** Body Shop
- 5%** Other

SERVICE SCHEDULES & RECALLS

Over half of customers rely on maintenance/service/recall notifications from the dealership and/or the manufacturer

32%

Do not track

27%

Notified by manufacturer

29%

Notified by dealer

24%

Register or search online

Source: 2016 Cox Automotive Maintenance & Repair Study

“Dealers that focus on the service experience have the potential to add millions of dollars of revenue.”

SANDY SCHWARTZ

President
Cox Automotive

Autonomous Vehicles

Consumers want autonomous features, but they are wary of fully autonomous vehicles

It's clear that while autonomous cars will continue to play a bigger role in consumers' lives, safety concerns are a significant consideration. Similar to most new technologies, there will be challenges for autonomous vehicles — from the consumer mindset around technology and affordability to the regulatory and liability environment.

CONSUMERS' VIEW OF AUTONOMOUS VEHICLES

70%

of consumers are likely to consider a vehicle with autonomous features in their next car purchase



60%

of consumers think self-driving vehicles are a dangerous idea

66%

of consumers DISAGREE with the following statement: "I would trust a self-driving vehicle."

Autonomous Vehicle
Technology

"Longer term, how will autonomous vehicles impact safety? How will they impact car sales? Will cars become "devices" to people?"

Akshay Anand

Manager of Commercial Insights
Kelley Blue Book

Ride Sharing

Ride sharing is more popular in major metro areas, yet shows limited impact to car ownership or leasing in the near and medium terms

Ride sharing services like Uber and are used largely in much the same way that taxis are — for occasional use, primarily for social purposes like going to bars or clubs — and when out of town on business or vacation. No immediate impact on personal car ownership or leasing is apparent as U.S. car sales have reached record highs, even as the growing awareness of ride sharing has developed.

RIDE SHARING

A CONCEPT THAT'S CATCHING ON

73%
awareness

16%
usage

UBER



1B+
trips
as of 12/30/15

BUT

17.5M

New Car Sales 2015

2015 was the best sales year in the history of the automotive industry

AND

80%

of consumers say owning a vehicle gives you a sense of freedom and independence



ONLY **5%**

of those who state they are not likely to buy a vehicle in the future say they will replace ownership with ride sharing

“It is interesting to consider that what we call ‘ride sharing’ today used to be basically taxi cab services.”

Michelle Krebs

Senior Analyst
Cox Automotive

Car Sharing

Car sharing has future potential, but it is currently a very small part of the market

Car sharing will serve an increasing role in personal transportation, but its long-term impact on car ownership remains uncertain. Young urban dwellers might turn to car sharing in cities where ownership is inhibited by prohibitive real estate, parking costs and gridlock. Yet it's hard to imagine a suburban parent willing to constantly transfer their children's car seats, toys, play pens and other necessities between cars.

CAR SHARING



ACCORDING TO THE W.H.O.*



CURRENTLY



Source: 2016 Kelley Blue Book Ride Sharing/Car Sharing Study; *World Health Organization

“The impending arrival of autonomous vehicles adds another variable, making it difficult to predict exactly how car sharing will work over the next 10-plus years.”

Karl Brauer

Senior Director of Automotive Industry Insights
Kelley Blue Book

Connectivity in Automobiles

Demand for connectivity continues to accelerate

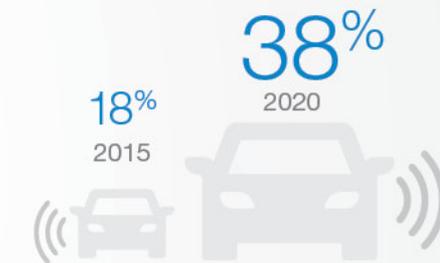
Consumers continue to place increasing importance on connectivity in their vehicles and want a seamless process in doing so. The good news is that vehicles will continue to become connected to meet consumers' desires. However, there are potential threats that come along with more technology, such as hacking. Manufacturers will need to ensure safety as well as seamlessness.

CONNECTIVITY IN AUTOMOBILES



BY 2020

85%
of new vehicles sold
will be connected



The percent of connected vehicles on the road will more than double

52%
of consumers feel it is important that their car syncs with other technologies in their lives



57%
would prefer OEMs focus on integrating smartphones with a system available in all brands

“Connected car technologies will transform our industry and become an enabler to new business models and capabilities. As more cars become connected, Cox Automotive is focused on what data and products this technology will unlock and how we can use it to better serve our clients and partners.”

David Liniado

Vice President
Adjacent Growth

Sources: Based on the Connected Car Analysis conducted by IHS Automotive commissioned by Cox/Autotrader, December 2015 (a connected vehicle is either an embedded connection capable of two way data exchange or the ability to integrate with a two way connection via an outside device such as a smartphone); 2016 Car Tech Impact Study, Autotrader

Brand Snapshots

How does your brand measure up?

A brand is defined by many things; none are as important as how your consumers perceive it. This section features brand-specific insights from Cox Automotive Media data that offer a snapshot of your brand's health within a given time frame.

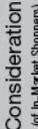
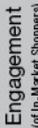
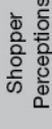
Brand health is visualized using these key performance indicators:

- » Brand Consideration (Percentage of in-market shoppers considering a brand for their next vehicle)
- » Shopper Loyalty (An owner of a brand who is shopping the same brand and may purchase again)
- » Shopper Perceptions (How a shopper views a brand in comparison with others)
- » Autotrader and Kelley Blue Book site engagement

The indicators provide a quick diagnosis if a brand is top of mind, retaining its customer base, how shoppers feel about the brand, the size of audience it attracts and the amount of competitive pressure it faces.

	 ACURA	 Alfa Romeo	 Audi	 BMW
Consideration <small>(of In-Market Shoppers)</small>	5.6%	0.2%	7.2%	10.2%
Engagement <small>(of In-Market Shoppers)</small>	Low Shopper Attraction Low Competitive Pressure	Low Shopper Attraction Low Competitive Pressure	High Shopper Attraction High Competitive Pressure	High Shopper Attraction High Competitive Pressure
Shopper Loyalty <small>(of owners shopping a New Car)</small>	41%	N/A*	47%	44%
Shopper Perceptions <small>(How shoppers view a brand)</small>	 7.1 Durability  7.2 Reputation  7.2 Safety	 6.0 Durability  5.9 Reputation  6.2 Safety	 6.6 Durability  7.1 Reputation  7.0 Safety	 6.5 Durability  6.9 Reputation  7.1 Safety
 Interactions <small>(of Site Interactions)</small>	1.4%	0.2%	3.2%	4.1%
 Traffic <small>(of New Car Retail Traffic)</small>	2.5%	0.1%	2.6%	3.0%

Sources: 1. KBB.com BrandWatch 4th quarter 2015 - A) Consideration; B) Shopper Perceptions; 2. KBB.com site traffic 4th quarter 2015 - A) Shopper Loyalty Analysis; B) Site traffic at the vehicle price detail; 3. Autotrader site traffic 4th quarter 2015 - A) Quadrant Analysis; B) Site traffic at vehicle pricing detail; *Brands less than three years old or of insufficient sample size are not shown.

	 BUICK	 <i>Cadillac</i>	 CHEVROLET	 CHRYSLER
 Consideration <small>(of In-Market Shoppers)</small>	4.9%	5.3%	27%	3.3%
 Engagement <small>(of In-Market Shoppers)</small>	Low Shopper Attraction Low Competitive Pressure	Low Shopper Attraction Low Competitive Pressure	High Shopper Attraction High Competitive Pressure	Low Shopper Attraction Low Competitive Pressure
 Shopper Loyalty <small>(of owners shopping a New Car)</small>	36%	41%	52%	32%
 Shopper Perceptions <small>(How shoppers view a brand)</small>	 6.3 Durability  6.8 Reputation  6.2 Safety	 6.4 Durability  6.9 Reputation  6.7 Safety	 5.9 Durability  6.2 Reputation  5.9 Safety	 5.8 Durability  6.4 Reputation  5.8 Safety
 Interactions <small>(of Site Interactions)</small>	1.1%	2.0%	12%	1.4%
 Traffic <small>(of New Car Retail Traffic)</small>	1.4%	1.3%	7.2%	0.7%

Sources: 1. KBB.com BrandWatch 4th quarter 2015 - A) Consideration; B) Shopper Perceptions; 2. KBB.com site traffic 4th quarter 2015 - A) Shopper Loyalty Analysis; B) Site traffic at the vehicle price detail; 3. Autotrader site traffic 4th quarter 2015 - A) Quadrant Analysis; B) Site traffic at vehicle pricing detail; *Brands less than three years old or of insufficient sample size are not shown.

	 DODGE	 FIAT	 Ford	 GMC
Consideration (of In-Market Shoppers)	7.3%	1.2%	30.4%	10.7%
Engagement (of In-Market Shoppers)	High Shopper Attraction High Competitive Pressure	Low Shopper Attraction Low Competitive Pressure	High Shopper Attraction High Competitive Pressure	High Shopper Attraction High Competitive Pressure
Shopper Loyalty (of owners shopping a New Car)	31%	N/A*	56%	45%
Shopper Perceptions (How shoppers view a brand)	 5.5 Durability  5.8 Reputation  5.5 Safety	 4.3 Durability  4.9 Reputation  4.3 Safety	 6.0 Durability  6.4 Reputation  6.1 Safety	 6.6 Durability  7.0 Reputation  6.5 Safety
Interactions (of Site Interactions)	3.9%	0.3%	12%	4.6%
Traffic (of New Car Retail Traffic)	2.2%	0.4%	10%	2.0%

Sources: 1. KBB.com BrandWatch 4th quarter 2015 - A) Consideration; B) Shopper Perceptions; 2. KBB.com site traffic 4th quarter 2015 - A) Shopper Loyalty Analysis; B) Site traffic at the vehicle price detail; 3. Autotrader site traffic 4th quarter 2015 - A) Quadrant Analysis; B) Site traffic at vehicle pricing detail; *Brands less than three years old or of insufficient sample size are not shown.

	 HONDA	 HYUNDAI	 INFINITI.	 JAGUAR
Consideration <small>(of In-Market Shoppers)</small>	26.9%	11%	2.8%	1.1%
Engagement <small>(of In-Market Shoppers)</small>	High Shopper Attraction High Competitive Pressure	Low Shopper Attraction Low Competitive Pressure	Low Shopper Attraction Low Competitive Pressure	Low Shopper Attraction Low Competitive Pressure
Shopper Loyalty <small>(of owners shopping a New Car)</small>	54%	47%	25%	36%
Shopper Perceptions <small>(How shoppers view a brand)</small>	 7.1 Durability  6.8 Reputation  7.2 Safety	 6.0 Durability  6.2 Reputation  5.8 Safety	 6.7 Durability  7.0 Reputation  6.7 Safety	 5.6 Durability  6.4 Reputation  6.0 Safety
 Interactions <small>(of Site Interactions)</small>	4.0%	2.6%	1.4%	0.7%
 Traffic <small>(of New Car Retail Traffic)</small>	10.7%	4.3%	1.2%	0.3%

Sources: 1. KBB.com BrandWatch 4th quarter 2015 - A) Consideration; B) Shopper Perceptions; 2. KBB.com site traffic 4th quarter 2015 - A) Shopper Loyalty Analysis; B) Site traffic at the vehicle price detail; 3. Autotrader site traffic 4th quarter 2015 - A) Quadrant Analysis; B) Site traffic at vehicle pricing detail; *Brands less than three years old or of insufficient sample size are not shown.

				
Consideration (of In-Market Shoppers)	10.2%	8.3%	1.9%	7.0%
Engagement (of In-Market Shoppers)	High Shopper Attraction High Competitive Pressure	Low Shopper Attraction Low Competitive Pressure	Low Shopper Attraction Low Competitive Pressure	Low Shopper Attraction High Competitive Pressure
Shopper Loyalty (of owners shopping a New Car)	47%	48%	46%	51%
Shopper Perceptions (How shoppers view a brand)	 5.5 Durability  5.8 Reputation  5.5 Safety	 5.5 Durability  5.7 Reputation  5.3 Safety	 6.0 Durability  6.8 Reputation  6.1 Safety	 7.3 Durability  7.3 Reputation  7.5 Safety
Interactions (of Site Interactions)	5.9%	2.0%	1.4%	2.4%
Traffic (of New Car Retail Traffic)	4.4%	3.0%	1.3%	3.7%

Sources: 1. KBB.com BrandWatch 4th quarter 2015 - A) Consideration; B) Shopper Perceptions; 2. KBB.com site traffic 4th quarter 2015 - A) Shopper Loyalty Analysis; B) Site traffic at the vehicle price detail; 3. Autotrader site traffic 4th quarter 2015 - A) Quadrant Analysis; B) Site traffic at vehicle pricing detail; *Brands less than three years old or of insufficient sample size are not shown.

	 LINCOLN	 MASERATI	 mazda	 Mercedes-Benz
Consideration <small>(of In-Market Shoppers)</small>	2.9%	0.3%	8.6%	6.7%
Engagement <small>(of In-Market Shoppers)</small>	Low Shopper Attraction Low Competitive Pressure	Low Shopper Attraction Low Competitive Pressure	Low Shopper Attraction Low Competitive Pressure	High Shopper Attraction High Competitive Pressure
Shopper Loyalty <small>(of owners shopping a New Car)</small>	40%	N/A*	43%	48%
Shopper Perceptions <small>(How shoppers view a brand)</small>	 6.1 Durability  6.8 Reputation  6.2 Safety	 5.7 Durability  6.0 Reputation  6.5 Safety	 6.4 Durability  6.4 Reputation  6.4 Safety	 6.8 Durability  7.4 Reputation  7.4 Safety
 Interactions <small>(of Site Interactions)</small>	0.8%	0.5%	2.0%	4.0%
 Traffic <small>(of New Car Retail Traffic)</small>	1.0%	0.2%	4.1%	2.9%

Sources: 1. KBB.com BrandWatch 4th quarter 2015 - A) Consideration; B) Shopper Perceptions; 2. KBB.com site traffic 4th quarter 2015 - A) Shopper Loyalty Analysis; B) Site traffic at the vehicle price detail; 3. Autotrader site traffic 4th quarter 2015 - A) Quadrant Analysis; B) Site traffic at vehicle pricing detail; *Brands less than three years old or of insufficient sample size are not shown.

				
Consideration (of In-Market Shoppers)	1.4%	1.4%	14.4%	1.6%
Engagement (of In-Market Shoppers)	Low Shopper Attraction Low Competitive Pressure	Low Shopper Attraction Low Competitive Pressure	High Shopper Attraction High Competitive Pressure	Low Shopper Attraction High Competitive Pressure
Shopper Loyalty (of owners shopping a New Car)	34%	27%	45%	47%
Shopper Perceptions (How shoppers view a brand)	 5.2 Durability  5.5 Reputation  5.5 Safety	 5.2 Durability  5.3 Reputation  4.9 Safety	 6.1 Durability  6.1 Reputation  6.0 Safety	 6.4 Durability  6.4 Reputation  7.1 Safety
Interactions (of Site Interactions)	0.5%	1.0%	5.5%	1.9%
Traffic (of New Car Retail Traffic)	0.5%	0.6%	5.3%	1.0%

Sources: 1. KBB.com BrandWatch 4th quarter 2015 - A) Consideration; B) Shopper Perceptions; 2. KBB.com site traffic 4th quarter 2015 - A) Shopper Loyalty Analysis; B) Site traffic at the vehicle price detail; 3. Autotrader site traffic 4th quarter 2015 - A) Quadrant Analysis; B) Site traffic at vehicle pricing detail; *Brands less than three years old or of insufficient sample size are not shown.

				
Consideration <small>(of In-Market Shoppers)</small>	3.8%	1.0%	0.3%	12.5%
Engagement <small>(of In-Market Shoppers)</small>	Low Shopper Attraction High Competitive Pressure	Low Shopper Attraction Low Competitive Pressure	Low Shopper Attraction Low Competitive Pressure	Low Shopper Attraction High Competitive Pressure
Shopper Loyalty <small>(of owners shopping a New Car)</small>	N/A*	32%	49%	56%
Shopper Perceptions <small>(How shoppers view a brand)</small>	 6.3 Durability  6.8 Reputation  6.3 Safety	 5.6 Durability  5.5 Reputation  5.5 Safety	 4.4 Durability  4.0 Reputation  4.2 Safety	 7.0 Durability  7.2 Reputation  7.1 Safety
 Interactions <small>(of Site Interactions)</small>	2.8%	0.5%	0.1%	2.8%
 Traffic <small>(of New Car Retail Traffic)</small>	1.1%	0.5%	0.1%	5.4%

Sources: 1. KBB.com BrandWatch 4th quarter 2015 - A) Consideration; B) Shopper Perceptions; 2. KBB.com site traffic 4th quarter 2015 - A) Shopper Loyalty Analysis; B) Site traffic at the vehicle price detail; 3. Autotrader site traffic 4th quarter 2015 - A) Quadrant Analysis; B) Site traffic at vehicle pricing detail; *Brands less than three years old or of insufficient sample size are not shown.

				
Consideration (of In-Market Shoppers)	1.4%	31.7%	5.7%	3.0%
Engagement (of In-Market Shoppers)	Low Shopper Attraction Low Competitive Pressure	High Shopper Attraction Low Competitive Pressure	Low Shopper Attraction High Competitive Pressure	Low Shopper Attraction Low Competitive Pressure
Shopper Loyalty (of owners shopping a New Car)	N/A*	56%	41%	37%
Shopper Perceptions (How shoppers view a brand)	 6.3 Durability  6.9 Reputation  6.8 Safety	 7.1 Durability  6.8 Reputation  7.1 Safety	 5.7 Durability  6.1 Reputation  5.4 Safety	 6.8 Durability  7.8 Reputation  6.8 Safety
Interactions (of Site Interactions)	0.4%	7.5%	2.4%	0.8%
Traffic (of New Car Retail Traffic)	0.4%	10.4%	2.3%	1.2%

Sources: 1. KBB.com BrandWatch 4th quarter 2015 - A) Consideration; B) Shopper Perceptions; 2. KBB.com site traffic 4th quarter 2015 - A) Shopper Loyalty Analysis; B) Site traffic at the vehicle price detail; 3. Autotrader site traffic 4th quarter 2015 - A) Quadrant Analysis; B) Site traffic at vehicle pricing detail; *Brands less than three years old or of insufficient sample size are not shown.

About Cox Automotive

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