

# Dealer Sentiment Index

THIRD QUARTER 2018



COX AUTOMOTIVE™



# Background

Data for the Cox Automotive Dealer Sentiment Index (CADSI) is gathered via a quarterly online survey of franchise and independent auto dealers.

Dealer responses are weighted by dealership type and volume of sales to closely reflect the national dealer population. Data is used to calculate an index wherein a number over 50 indicates more dealers view conditions as strong or positive rather than weak or negative.

The Q3 CADSI is based on 1,276 dealer respondents. The survey was conducted from July 31 to August 13, 2018.

The CADSI was first published in Q3 2017 by Cox Automotive. The next quarterly report will be released in December 2018.





# Key Takeaways

U.S. automobile dealers were more positive than negative in describing the current market in the third quarter according to the Q3 2018 Cox Automotive Dealer Sentiment Index (CADSI). With an index score of 51, the improvement relative to last year's Q3 score of 45 was statistically significant.

The index for the next three months is 57, indicating dealers expecting conditions to be strong in the future outnumber those who think conditions will be weak. The difference from last year's score of 52 shows that dealers believe the market is strong and optimism is not fading.

As seen consistently in the CADSI data, sentiment skews more positive for franchised dealers compared to independents. While the aggregate view of the current market was a strong 51, franchised dealers were positive at 59 and independents were weak at 48.

However, the gap in optimism about the next 90 days closed this quarter as franchises saw a decline from 69 to a not-quite-as-positive 61. Independents, on the other hand, saw a gain in optimism, rising to 55 in Q3 from 52 in Q2.

In the Q3 2018 CADSI, we also explored dealers expectations on the impact of proposed auto tariffs on business profitability in the future.

More than a third of dealers in total and over half of franchised dealers expect tariffs on imported vehicles and parts to have a negative impact on their business' profitability.

While only 11 percent of dealers indicated there would be a positive impact if import tariffs are imposed, the silver lining seems to be what consumers will purchase more of instead of imports, namely used vehicles and domestic vehicles.

# Q1: How would you describe the current market for vehicles in the areas where you operate?

## Dealer Sentiment Index

THIRD QUARTER 2018

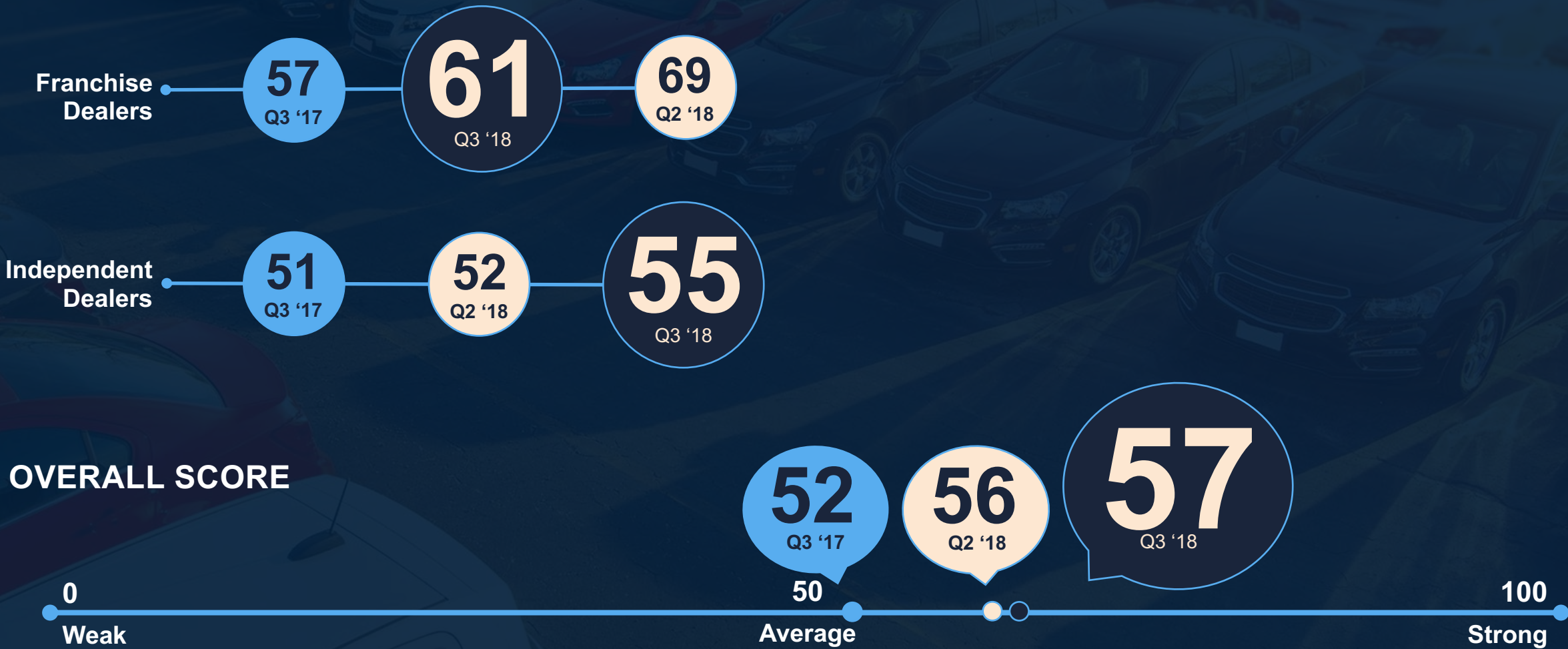




# Q2: What do you expect the market for vehicles in your area to look like 3 months from now?

## Dealer Sentiment Index

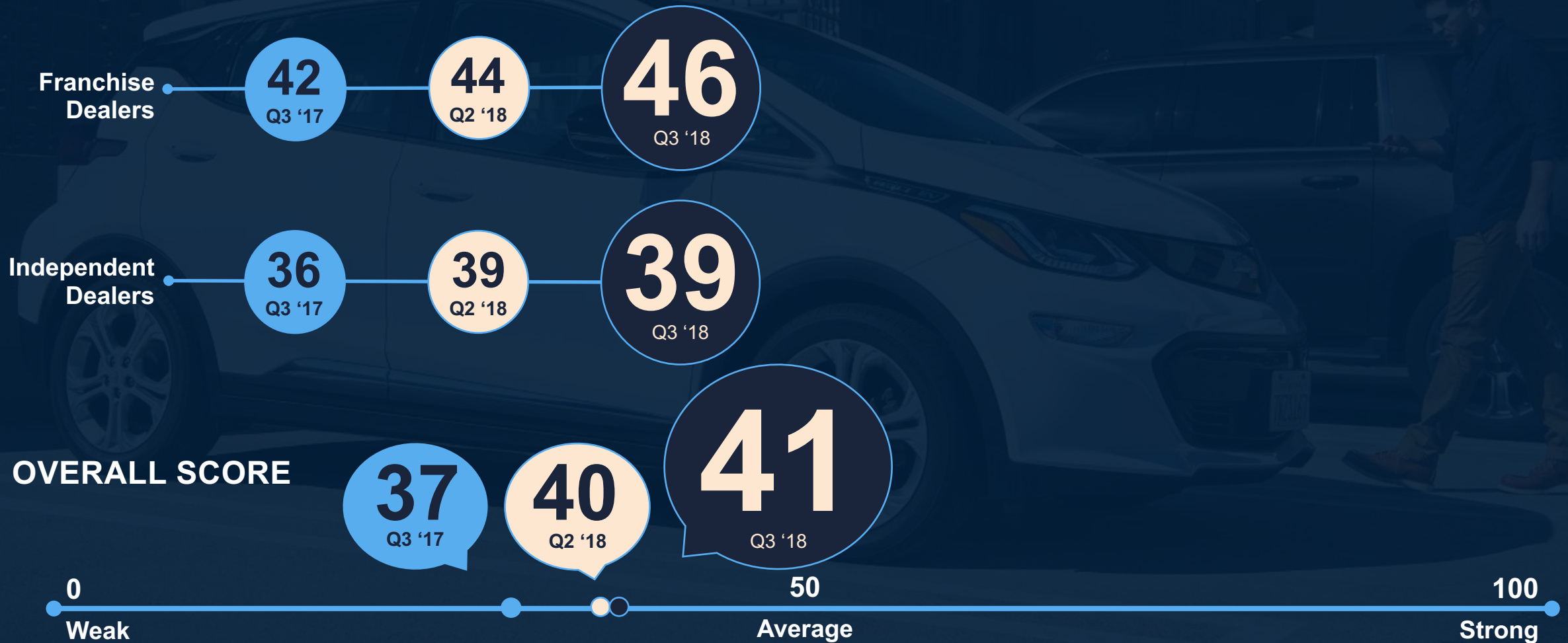
THIRD QUARTER 2018



# Q3: How do you rate the customer traffic to your dealership over the past 3 months?

## Dealer Sentiment Index

THIRD QUARTER 2018

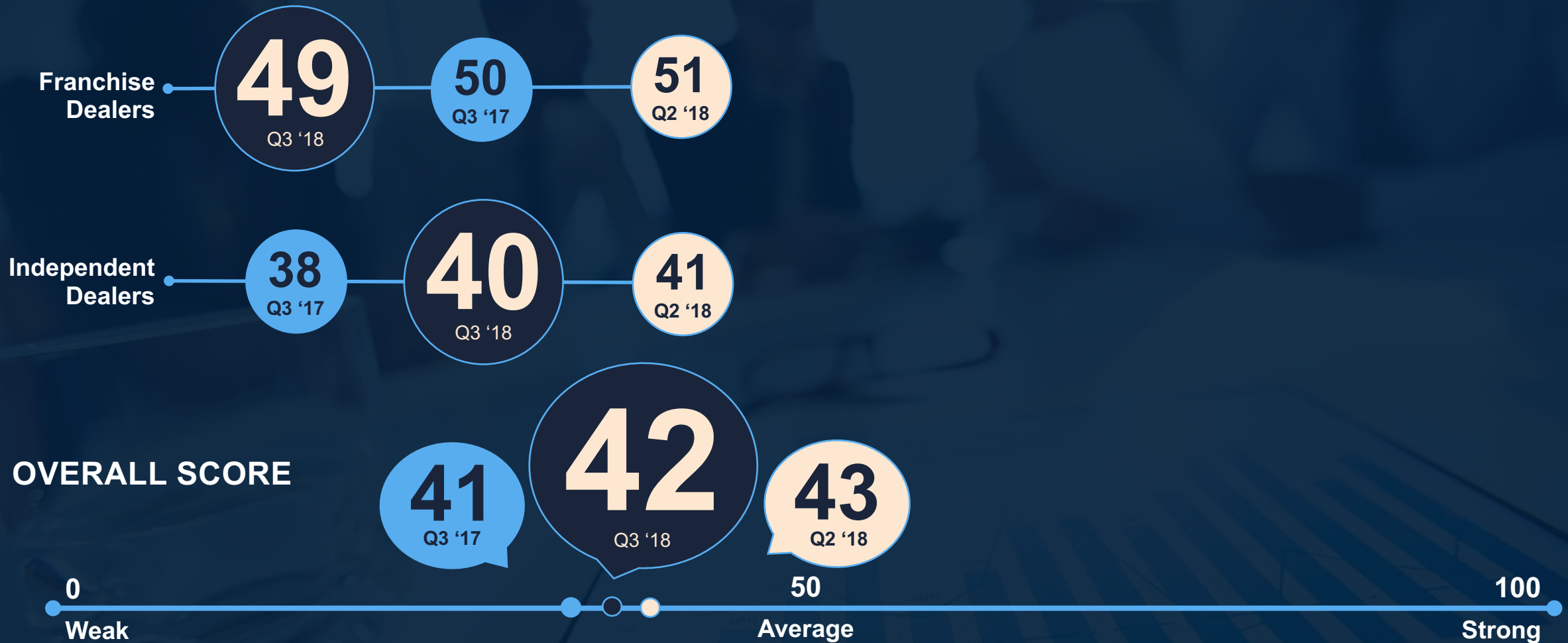




# Q4: How would you describe your profits over the past 3 months?

## Dealer Sentiment Index

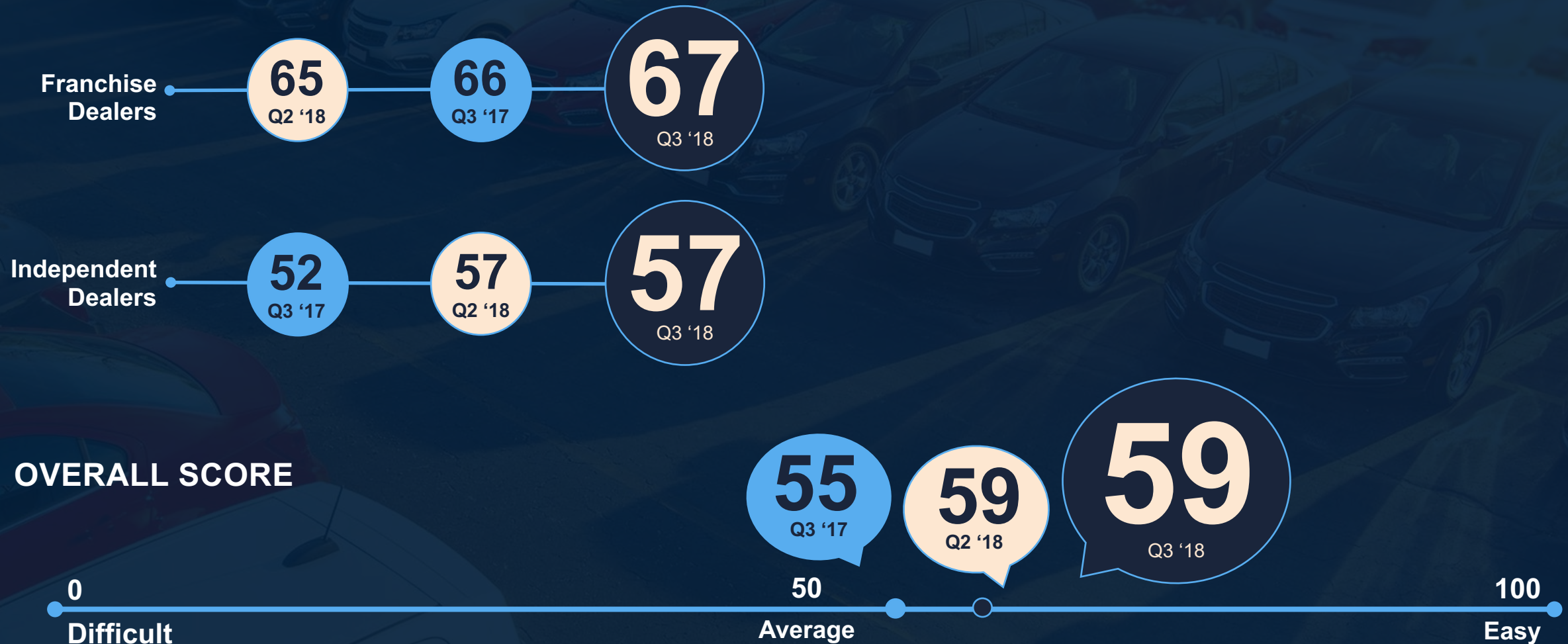
THIRD QUARTER 2018



# Q5: How would you describe your ability to get credit to operate your business over the past 3 months?

## Dealer Sentiment Index

THIRD QUARTER 2018

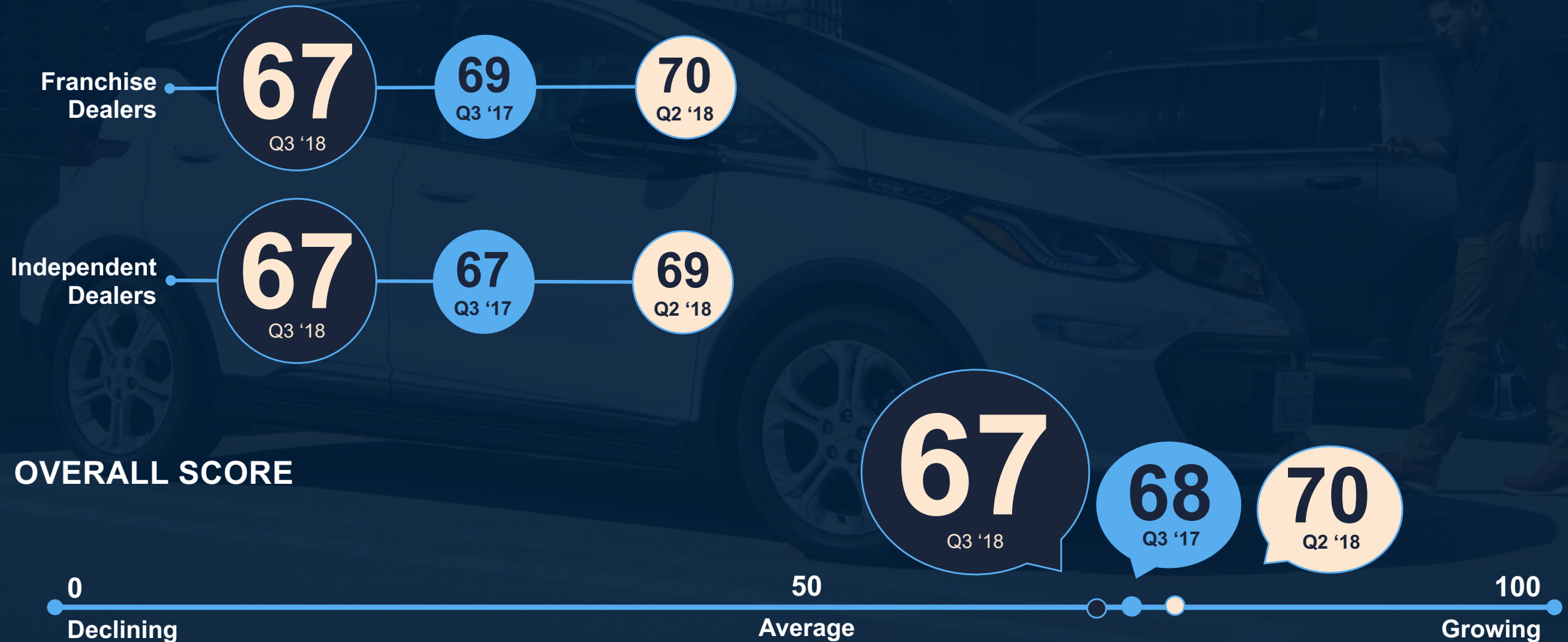




# Q6: How would you describe the cost of running your dealership over the past 3 months?

## Dealer Sentiment Index

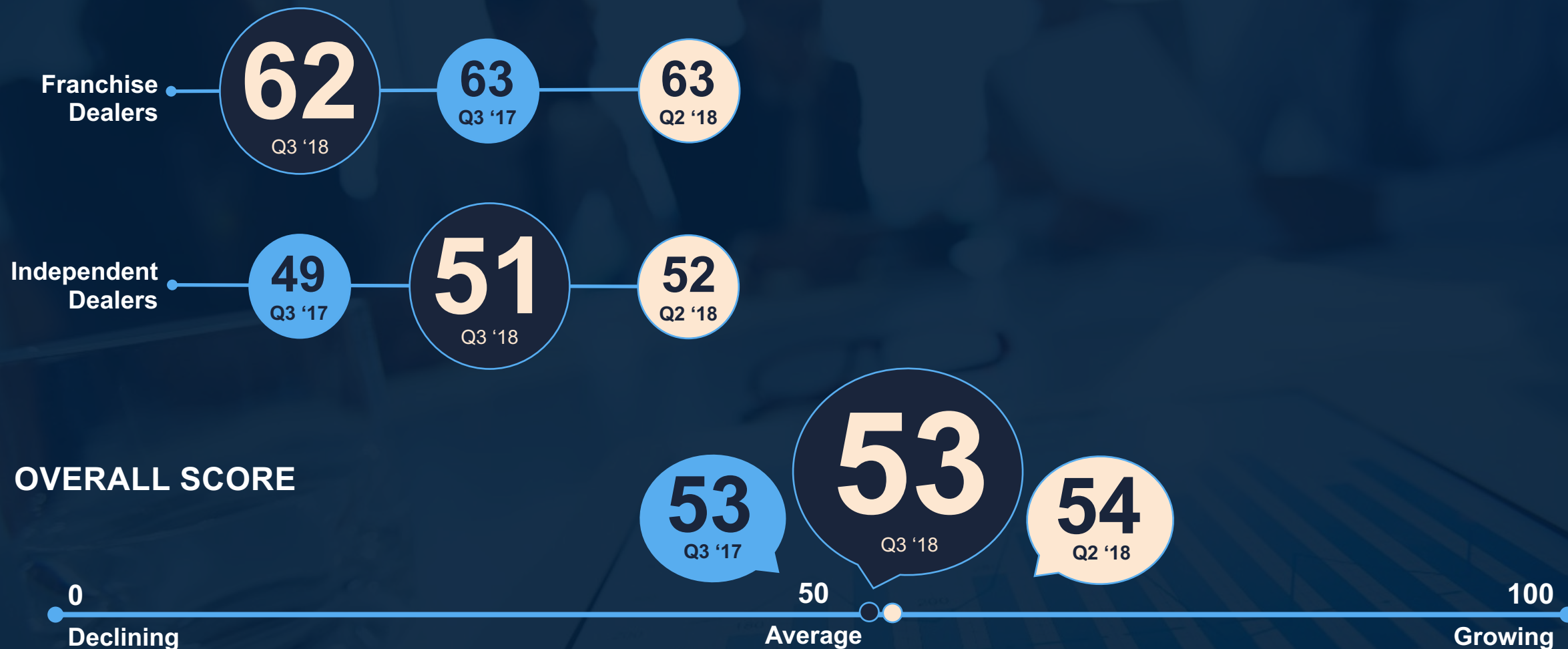
THIRD QUARTER 2018



# Q7: How would you describe your dealership's current fixed capital investment levels?

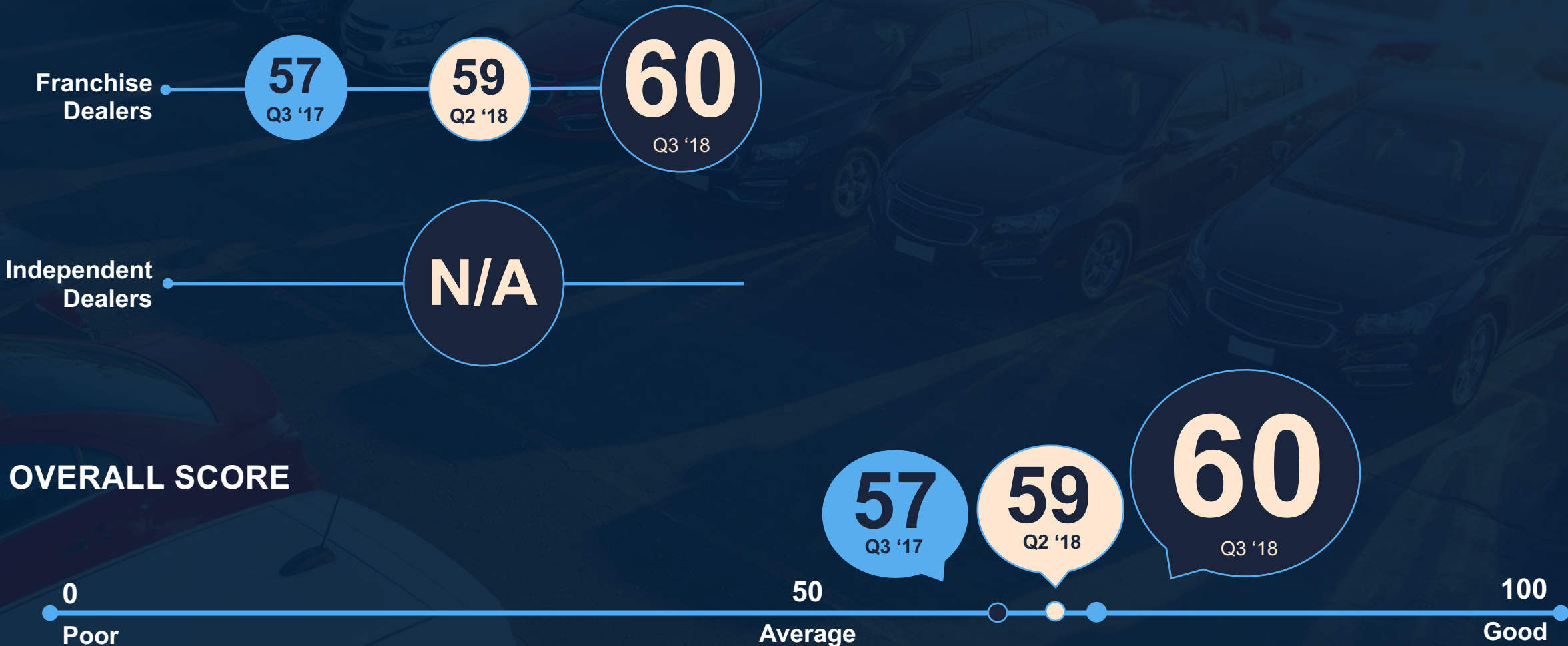
## Dealer Sentiment Index

THIRD QUARTER 2018

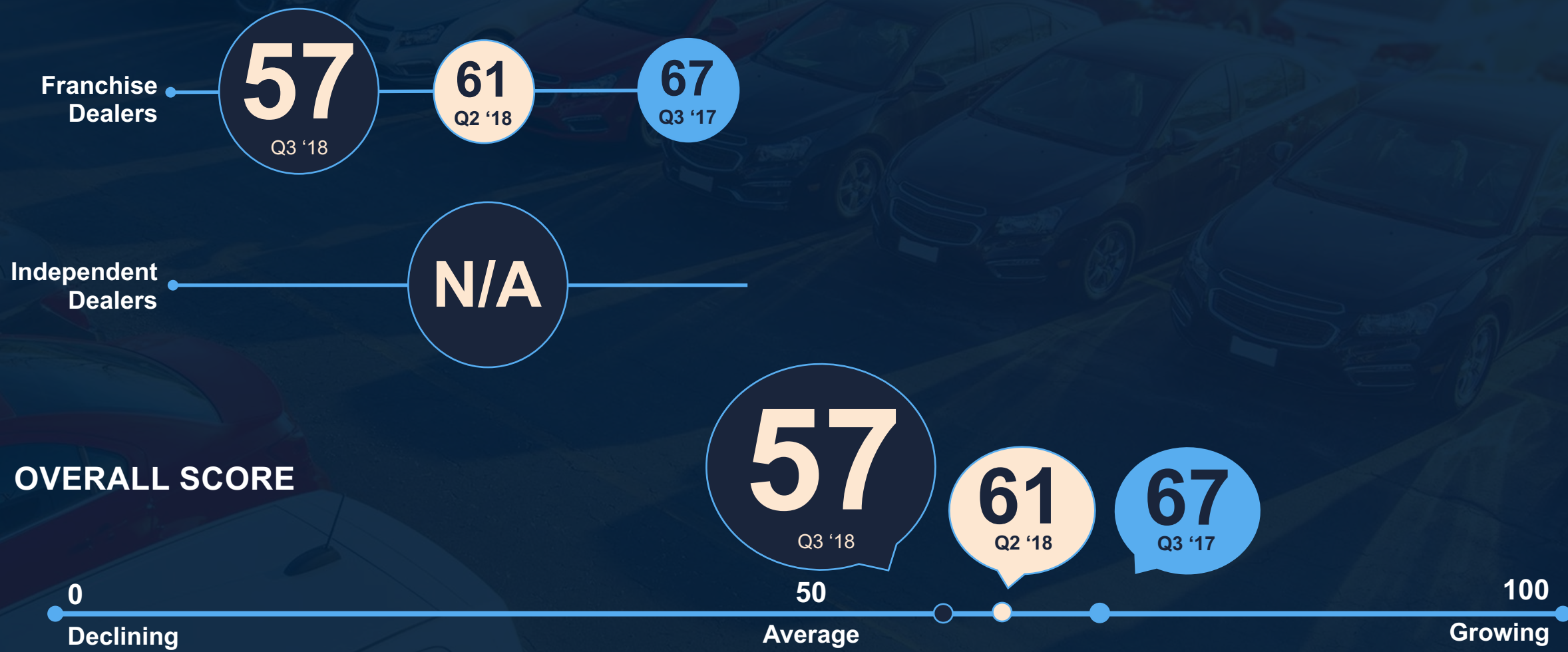




# Q8: How would you describe the current new-vehicle sales environment?



# Q9: How would you describe the current new-vehicle inventory levels?

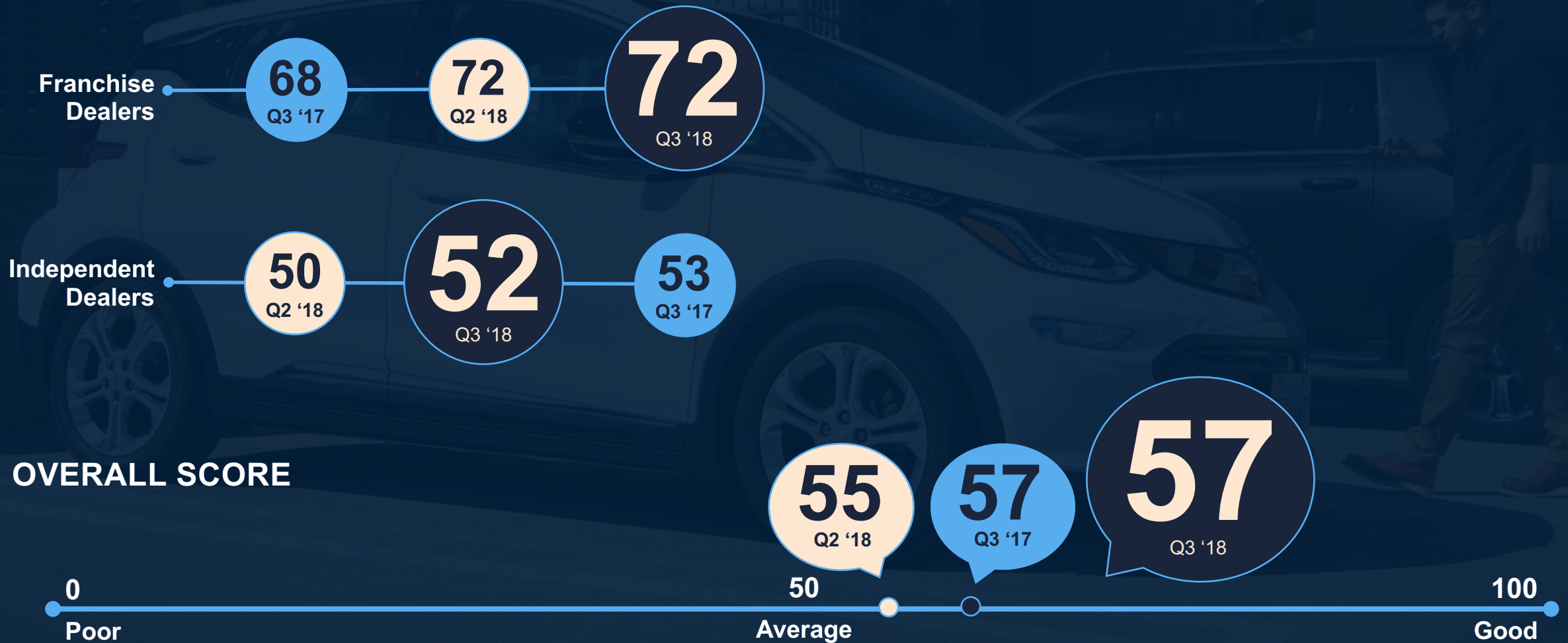




# Q10: How would you describe the current used-vehicle sales environment?

## Dealer Sentiment Index

THIRD QUARTER 2018

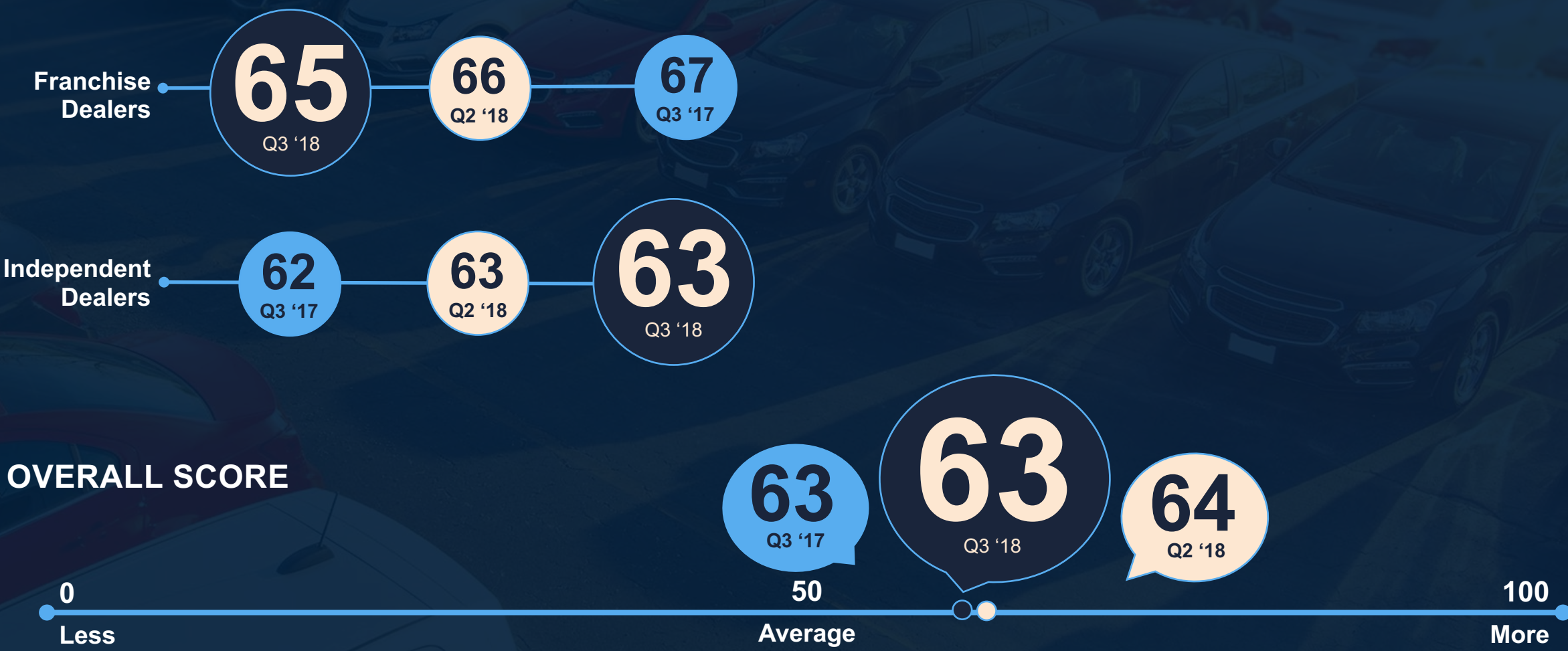


# Q11: How would you describe the current used-vehicle inventory levels?





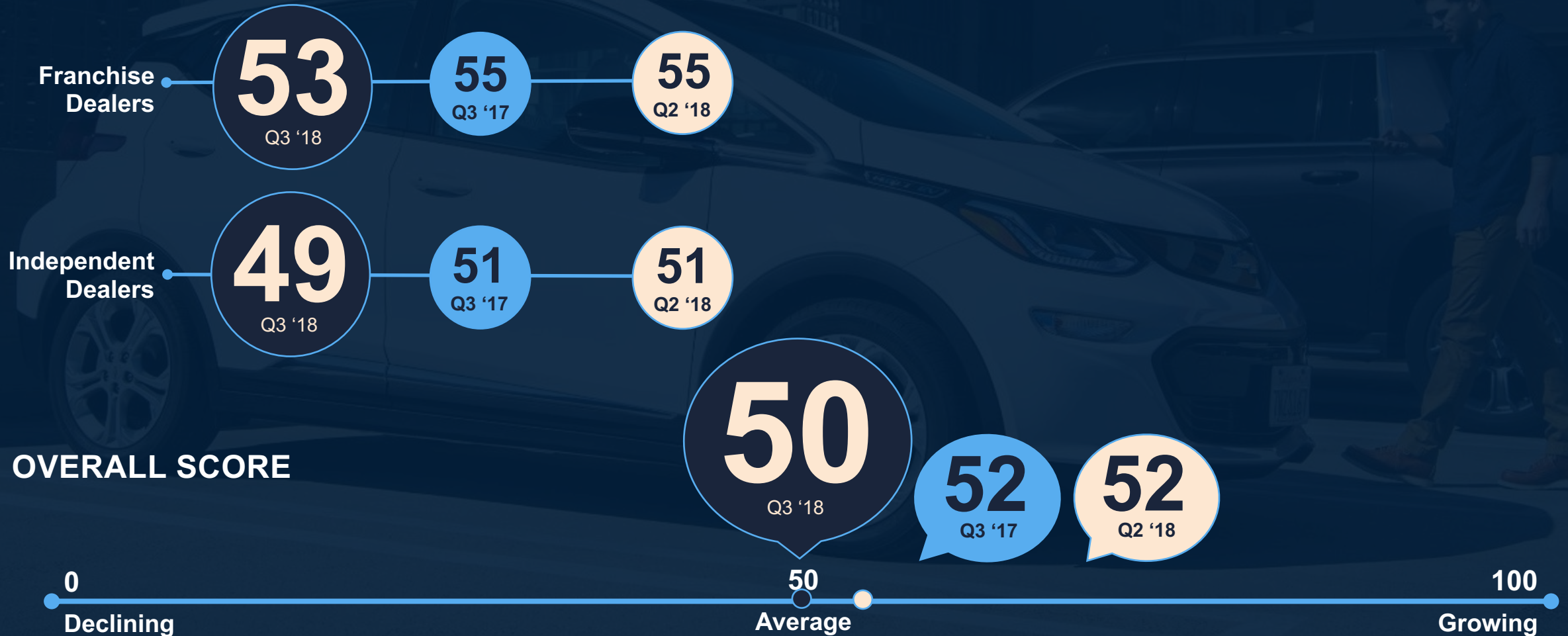
# Q12: How much pressure do you feel to lower your prices?



# Q13: How would you describe your dealership's current staffing levels?

## Dealer Sentiment Index

THIRD QUARTER 2018





# What are the Factors Holding Back Your Business?

OVERALL RANK

	Q3 '18	Q2 '18	Q3 '17
1 Limited Inventory	38%	36%	34%
2 Market Conditions	37% ↓	43%	43%
3 Credit Availability for Consumers	35%	36%	34%
3 Competition	35% ↑	28%	34%
5 Expenses	29% ↑	25%	30%
6 Interest Rates	17%	16%	7%
7 Consumer Confidence	16%	15%	18%
8 Consumer Transparency in Pricing	15%	14%	11%
9 Staff Turnover	12%	11%	11%
10 Credit Availability for Business	9%	9%	11%
11 Regulations	7% ↓	12%	11%
11 Dealership Systems/Tools	7%	7%	6%
13 Too Much Retail Inventory	5% ↓	7%	9%
13 OEM Mandates/Restrictions	5%	6%	5%



Significant decrease vs previous quarter



Significant increase vs previous quarter

# What are the Factors Holding Back Your Business?

## FRANCHISE DEALERS

	Q3 '18	Q2 '18	Q3 '17
1 Market Conditions	40%	47%	43%
2 Competition	37%	36%	37%
3 Limited Inventory	28%	23%	16%
3 Staff Turnover	28%	22%	25%
5 Expenses	25%	23%	23%
6 Credit Availability for Consumers	23%	24%	18%
7 Interest Rates	22%	21%	6%
8 OEM Mandates/Restrictions	21%	24%	21%
9 Consumer Confidence	20%	19%	23%
10 Consumer Transparency in Pricing	18%	18%	17%
11 Dealership Systems/Tools	12%	9%	8%
13 Regulations	5% 	10%	10%
14 Too Much Retail Inventory	3%	6%	12%
15 Credit Availability for Business	2%	3%	2%



Significant decrease vs previous quarter



Significant increase vs previous quarter



# What are the Factors Holding Back Your Business?

## INDEPENDENT DEALERS

	Q3 '18	Q2 '18	Q3 '17
1 Limited Inventory	41%	41%	40%
2 Credit Availability for Consumers	39%	40%	39%
3 Market Conditions	36% ↓	42%	43%
4 Competition	34% ↑	25%	33%
5 Expenses	30%	26%	32%
6 Interest Rates	15%	14%	7%
6 Consumer Confidence	15%	14%	17%
8 Consumer Transparency in Pricing	13%	13%	10%
9 Credit Availability for Business	12%	11%	15%
10 Staff Turnover	7%	8%	7%
10 Regulations	7% ↓	13%	11%
12 Too Much Retail Inventory	5% ↓	8%	8%
12 Dealership Systems/Tools	5%	6%	5%



Significant decrease vs previous quarter



Significant increase vs previous quarter





# The Effect of Automotive Tariffs





# Import Tariff Impact (Full Breakout)

OVERALL	Q3 2018
---------	---------

Positive Impact	11%
-----------------	-----

No Impact	51%
-----------	-----

Negative Impact	38%
-----------------	-----

FRANCHISE
-----------

Positive Impact	9%
-----------------	----

No Impact	35%
-----------	-----

Negative Impact	56% B
-----------------	-------

INDEPENDENT
-------------

Positive Impact	11%
-----------------	-----

No Impact	57% A
-----------	-------

Negative Impact	32%
-----------------	-----

Q: Which of the following best describes the impact on your business' profitability next quarter if tariffs are imposed on imported vehicles and parts?

A/B Indicates significant difference between groups at the 95% confidence level.



# Positive Impact of Import Tariffs

	Overall	Franchise	Independent
Increased traffic for used vehicles	44%	30%	48%
Will make the market stronger overall	28%	29%	28%
Increased margin on all used vehicles as market adjusts	27%	8%	32% A
Increased domestic vehicles sales	27%	44% B	22%
Increased margin on all new vehicles as market adjusts	12%	18%	11%
Increased margin on all vehicle repairs as market adjusts	8%	12%	7%
Other	0%	0%	0%
No positive impact	15%	17%	15%

Q: What, if any, positive impacts would imposing tariffs on imported vehicles and parts have on your business? Please select all that apply.

A/B Indicates significant difference between groups at the 95% confidence level.



# Negative Impact of Import Tariffs

	Overall	Franchise	Independent
Higher prices on <u>used</u> vehicles as market adjusts	60%	44%	70% A
Higher prices on imported vehicles	55%	62% B	51%
Higher prices on <u>new</u> vehicles as market adjusts	48%	66% B	38%
Lower (or delayed) new vehicle sales	27%	38% B	21%
Higher prices on domestic vehicles	25%	24%	26%
Lower (or delayed) used vehicle sales	23%	16%	27% A
Other	3%	4%	3%
No concerns	4%	2%	5%

Q: What, if any, concerns do you have if tariffs are imposed on imported vehicles and parts? Please select all that apply.

A/B Indicates significant difference between groups at the 95% confidence level

## Contact Information:

Dara Hailes  
Manager, Public Relations  
Cox Automotive  
[dara.hailes@coxautoinc.com](mailto:dara.hailes@coxautoinc.com)

Mark Schirmer  
Senior Manager, Public Relations  
Cox Automotive  
[mark.schirmer@coxautoinc.com](mailto:mark.schirmer@coxautoinc.com)

