COVID-19: TRACKING U.S. CONSUMER AND AUTOMOTIVE DEALER SENTIMENT

Issue #11

June 2, 2020
What We’re Seeing This Week

1. More consumers are emerging from hiatus, but volatility remains high. The uneven nature of the recovery, ranging from rising unemployment to people holding out for potential additional stimulus, combined with the country’s civil unrest creates uncertainty in the market.

2. Despite high consumer demand and preference, many dealers plan to discontinue offerings like digital retailing and service pick-up and delivery once things get back to “normal”. Dealers who elect to continue offering these solutions post COVID-19 will develop a clear competitive advantage over others.

3. Dealers are seeing the bleeding slow as sales and service declines continue to ease. But with inventory levels well below normal levels, dealers need our help sourcing the vehicles that consumers want.

Source: 2020 Cox Automotive COVID-19 Consumer & Dealer Impact Studies
More consumers are emerging from hiatus, but volatility remains high

Source: 2020 Cox Automotive COVID-19 Consumer Impact Study
As consumer concerns decline, we see a return of small-scale social activities

Consumer Level of Concern

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<tbody>
<tr>
<td>48%</td>
<td>53%</td>
<td>70%</td>
<td>70%</td>
<td>72%</td>
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<td>66%</td>
<td>68%</td>
<td>62%</td>
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<td>31%</td>
<td>29%</td>
<td>22%</td>
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<td>8%</td>
<td>11%</td>
<td>12%</td>
<td>25%</td>
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↑ indicates an increase from the previous period.

% who visited a friend or family member’s home in the past 2 weeks:

- Mar 5-6: 27%
- Mar 13-14: 38%
- Mar 20-22: 48%

Q9. How concerned are you about the coronavirus overall?
Q1a1. Have you done any of the following over the past 2 weeks?
Previous question wording 5/1-5/16: Q1a1. Did you do any of the following over the past weekend?

Source: 2020 Cox Automotive COVID-19 Consumer Impact Study
While chaotic times in America are contributing to an uptick in purchase delays…

Delaying Vehicle Purchase/Lease*

<table>
<thead>
<tr>
<th>Date</th>
<th>7%</th>
<th>17%</th>
<th>28%</th>
<th>35%</th>
<th>34%</th>
<th>33%</th>
<th>34%</th>
<th>34%</th>
<th>31%</th>
<th>27%</th>
<th>37%</th>
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<tr>
<td>Mar 5-6</td>
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<td>May 1-3</td>
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<td>May 15-16</td>
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<td>May 29-30</td>
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Factors At Work

- Civil unrest
- Mounting unemployment
- Potential for additional consumer stimulus
- Expiration of eviction moratoriums

Anticipated Delay in Vehicle Purchase**

(among those planning to delay purchase)

<table>
<thead>
<tr>
<th>Date</th>
<th>Not sure</th>
<th>6+ months</th>
<th>3-6 months</th>
<th>Up to 2 months</th>
</tr>
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<tr>
<td>Mar 20-22</td>
<td>30%</td>
<td>14%</td>
<td>36%</td>
<td>5%</td>
</tr>
<tr>
<td>Mar 27-28</td>
<td>32%</td>
<td>11%</td>
<td>10%</td>
<td>10%</td>
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<tr>
<td>Apr 3-4</td>
<td>5%</td>
<td>14%</td>
<td>36%</td>
<td>5%</td>
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<td>Apr 10-11</td>
<td>32%</td>
<td>11%</td>
<td>10%</td>
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<tr>
<td>Apr 17-18</td>
<td>5%</td>
<td>14%</td>
<td>36%</td>
<td>5%</td>
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<td>Apr 24-25</td>
<td>29%</td>
<td>11%</td>
<td>24%</td>
<td>17%</td>
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<td>May 1-3</td>
<td>29%</td>
<td>11%</td>
<td>24%</td>
<td>17%</td>
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<td>May 15-16</td>
<td>29%</td>
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<td>24%</td>
<td>17%</td>
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<tr>
<td>May 29-30</td>
<td>29%</td>
<td>11%</td>
<td>24%</td>
<td>17%</td>
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Q10. Have you done, or do you think you will do any of the following because of the coronavirus? *Note: Added “have done” in Wave 4 Q17a1. How do you anticipate the coronavirus will change the timing of when you purchase or lease a vehicle, if at all?

Source: 2020 Cox Automotive COVID-19 Consumer Impact Study
…service delays continue to trend down

Delaying Vehicle Service/Repair*
(% consumers that said “Yes”)

<table>
<thead>
<tr>
<th>Date</th>
<th>% Consumers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mar 5-6</td>
<td>5%</td>
</tr>
<tr>
<td>Mar 13-14</td>
<td>13%</td>
</tr>
<tr>
<td>Mar 20-22</td>
<td>29%</td>
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<tr>
<td>Mar 27-28</td>
<td>37%</td>
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<tr>
<td>Apr 3-4</td>
<td>40%</td>
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<td>Apr 10-11</td>
<td>37%</td>
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<td>Apr 17-18</td>
<td>32%</td>
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<td>32%</td>
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<tr>
<td>May 1-3</td>
<td>32%</td>
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<tr>
<td>May 15-16</td>
<td>28%</td>
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<tr>
<td>May 29-30</td>
<td>25%</td>
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</tbody>
</table>

Reasons for Delaying Vehicle Service/Repair**

<table>
<thead>
<tr>
<th>Reason</th>
<th>April 3-4</th>
<th>May 29-30</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prefer to stay home/ social distancing</td>
<td>62%</td>
<td>55%</td>
</tr>
<tr>
<td>Concerned about cost/financial situation</td>
<td>33%</td>
<td>37%</td>
</tr>
<tr>
<td>Stay-at-home order in place</td>
<td>54%</td>
<td>25%</td>
</tr>
</tbody>
</table>

*Among vehicle owners
**Among those who would delay vehicle service

Q10. Have you done, or do you think you will do any of the following because of the coronavirus? *Note: Added “have done” in Wave 4
Q10a. You said you have delayed or may delay taking your vehicle in for service/maintenance. What makes you say that?

Source: 2020 Cox Automotive COVID-19 Consumer Impact Study
While trying new things has helped many dealers weather the storm, some are eager to get back to their old ways despite strong consumer interest to maintain new approaches.

Source: 2020 Cox Automotive COVID-19 Dealer Impact Study
9 out of 10 dealers have been providing “buying alternatives” to consumers, led by the wide adoption of digital retailing.

% of dealers are going beyond just conducting business in their physical location

% of dealers that have a digital retailing solution in place

Q24. How, if at all, is your dealership currently selling vehicles?
Q14. Does your dealership currently have a digital retailing solution in place?

Source: 2020 Cox Automotive COVID-19 Dealer Impact Study
Consumers who have purchased a vehicle during COVID-19 seem to favor an online experience

### How Consumer Experiences are Changing

<table>
<thead>
<tr>
<th>How this experience compared to past experiences</th>
<th>How was it better?</th>
</tr>
</thead>
<tbody>
<tr>
<td>58% Much/somewhat better</td>
<td>“It was way faster and easy.”</td>
</tr>
<tr>
<td>35% About the same</td>
<td>“Because of the coronavirus I believe the whole process was faster and the dealership was certainly less crowded.”</td>
</tr>
<tr>
<td>6% Somewhat worse</td>
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</tbody>
</table>

Q11c. Overall, how did your recent vehicle purchase experience compare to the last time you purchased a vehicle?
Q11d. Why was your recent vehicle purchase experience better than the last time you purchased a vehicle?

Source: 2020 Cox Automotive COVID-19 Consumer Impact Study
And although most dealers are seeing increased consumer activity online …

Dealers seeing their customers complete more steps online

- **72%** Franchise Dealers
- **75%** Independent Dealers

Q98. Have your current customers been completing more steps online?

Source: 2020 Cox Automotive COVID-19 Dealer Impact Study
…not all plan to continue selling vehicles online once things get back to “normal” – despite strong preference by consumers

Once things are back to normal…

50% of franchise dealers plan to continue selling vehicles online

16% of independent dealers plan to continue selling vehicles online

Why dealers plan to stop selling remotely

- It was only a short-term solution
- Not enough interest from customers
- Doesn't work as part of our normal process
- Not something our customers will want long-term

2 out of 3 shoppers prefer to buy the vehicle 100% online

On the fixed ops front, Franchise dealers are also embracing new techniques.

What else are dealers trying?
(Among Franchise Dealers)

- Text message communications between service department and customers: 70%
- Online service scheduling: 62%
- Online approval of estimates and recommended additional services: 45%
- Online payment for vehicle service or maintenance: 43%
- Photos and videos of recommended maintenance and repairs: 39%
- Customers can check-in and sign for services on their mobile devices: 35%
- Chat function between service technicians and other dealership staff: 32%
- Service financing: 26%
- Online tracking of service status: 26%
- Lyft/Uber for customer transportation: 21%

Q122. Which of the following is your dealership currently doing? (Please select all that apply.)
Q133. Which of the following do you plan to continue once things get back to normal? (Please select all that apply.)

Source: 2020 Cox Automotive COVID-19 Dealer Impact Study
While many have started offering at-home service pick-up and delivery services…

% of Dealers currently offering service pick-up and delivery at a customer’s home
(among dealers with a service department)

- **Franchise Dealers**: 70%
- **Independent Dealers**: 38%

Q30. How, if at all, is your dealership currently servicing vehicles?

Source: 2020 Cox Automotive COVID-19 Dealer Impact Study
…not all plan to continue offering this convenience once things get back to “normal” – despite strong consumer interest and appeal…

Once things are back to normal…
(among dealers with a service department)

58% of franchise dealers plan to offer service pickup and delivery

25% of independent dealers plan to offer service pickup and delivery

Why dealers plan to stop service pick-up and delivery
- It was only a short-term solution
- Don't have the staff to maintain it
- Not enough interest from our customers
- Don't have the time to support it
- Doesn't work as part of our normal process
- Too expensive to provide to our customers

89% of consumers found this concept appealing BEFORE COVID-19

Q85. Which of the following do you plan to continue once things get back to “normal”?
Q130. You indicated you do not plan to continue providing vehicle service pick-up and delivery at a customer’s home. Please tell us why
C2. Below is a list of new ways that you might be able to complete the process in the future. How appealing are each of these?

Source: 2020 Cox Automotive COVID-19 Dealer Impact Study / 2019 Reimagining the Auto Consumer Experience
… and a willingness by consumers to pay for the convenience

Consumer willingness to pay*

<table>
<thead>
<tr>
<th>At-home service pick-up and delivery</th>
<th>Service completed at home</th>
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</thead>
<tbody>
<tr>
<td>$20</td>
<td>$20</td>
</tr>
<tr>
<td>52%</td>
<td>54%</td>
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<tr>
<td>21%</td>
<td>20%</td>
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<td>28%</td>
<td>27%</td>
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<td>$40</td>
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<td>39%</td>
<td>45%</td>
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<td>22%</td>
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<tr>
<td>39%</td>
<td>34%</td>
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*Among vehicle owners

Q18b2. In the near future, how likely would you be to pay [$20/$40] for the option to have a dealership pick up your vehicle at your home, take it in for service/maintenance, then deliver it back to your home?

Q18b3. In the near future, how likely would you be to pay [$20/$40] to have a technician complete vehicle service/maintenance at your home?
While inventory pressures continue to grow, dealers are seeing business improvements
Dealers are continuing to see losses decline, with Franchises appearing to snap back more quickly than independents...

**Average Reported Declines**

(Among all dealers)

<table>
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<tr>
<th></th>
<th>Vehicle Sales</th>
<th>Service Appointments</th>
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<tbody>
<tr>
<td>Franchise</td>
<td>39%</td>
<td>37%</td>
</tr>
<tr>
<td>Independent</td>
<td>56%</td>
<td>55%</td>
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</table>

*Among those with a service center?

**New question wording started on 5/15: Q116. By what percentage have the following decreased compared to this time last year?**

Previous question wording 4/10-5/1: Q13. By what proportion have the following decreased due to coronavirus (COVID-19)?

---

Indicates significant difference between Franchise & Independents

Source: 2020 Cox Automotive COVID-19 Dealer Impact Study
…which translates into very different outlooks on the future…

Q37. How concerned are you that your dealership could close for good because of the impact of coronavirus (COVID-19)? (Percent Extremely and Very Concerned)

Source: 2020 Cox Automotive COVID-19 Dealer Impact Study

Indicates significant difference between Franchise & Independents

Q37. How concerned are you that your dealership could close for good because of the impact of coronavirus (COVID-19)? (Percent Extremely and Very Concerned)
…and when business might return to normal

When dealers think things will get back to “normal”

Franchise
- June: 26%
- July: 18%
- August: 14%
- Sept or Beyond: 24%
- Not Sure: 10%
- I don’t know if things will ever be back to normal: 7%

Independent
- June: 19%
- July: 12%
- August: 7%
- Sept or Beyond: 30%
- Not Sure: 19%
- I don’t know if things will ever be back to normal: 14%

Indicates significant difference between Franchise & Independents

Only 17% of consumers expect things to get back to “normal” by August

Source: 2020 Cox Automotive COVID-19 Consumer & Dealer Impact Studies
Low inventory levels are a growing challenge for dealers across the board…

**Current inventory levels**

**NEW**
- 44% Too High
- 49% About Right
- 7% Too Low

**CPO**
- 46% Too High
- 5% About Right
- 7% Too Low

**USED**
- 45% Too High
- 6% About Right
- 7% Too Low

**Franchise**
- 49% Too High
- 45% About Right
- 6% Too Low

**Independent**
- 53% Too High
- 40% About Right
- 7% Too Low

†↑ Indicates significant difference since last wave, (#) indicates score from last wave when change is significant

Q90. How is your dealership’s current retail inventory levels?
Q142. You indicated your used vehicle / CPO inventory level is too low. Can you tell us why? (Please select all that apply.)

17% of Franchise and 30% of Independent dealers are intentionally keeping inventory levels low “until things get better”

Source: 2020 Cox Automotive COVID-19 Dealer Impact Study
…with shortages up to 50% of normal levels for the majority of impacted dealers

Q110. You indicated the following inventory levels were too low.

**How much below normal are you experiencing?**

**Current inventory levels**

*NEW*

How much **below** normal are inventory levels?

(among those whose NEW inventory level is too low)

- Franchise:
  - 1%-25%: 2%
  - 26%-50%: 23%
  - 51%-75%: 49%
  - 76%-100%: 27%

**CPO**

How much **below** normal are inventory levels?

( among those whose CPO inventory level is too low)

- Franchise:
  - 1%-25%: 2%
  - 26%-50%: 16%
  - 51%-75%: 47%
  - 76%-100%: 35%

**USED**

How much **below** normal are inventory levels?

( among those whose USED inventory level is too low)

- Franchise:
  - 1%-25%: 1%
  - 26%-50%: 18%
  - 51%-75%: 45%
  - 76%-100%: 36%

- Independent:
  - 1%-25%: 7%
  - 26%-50%: 26%
  - 51%-75%: 44%
  - 76%-100%: 22%

Source: 2020 Cox Automotive COVID-19 Dealer Impact Study

Q110. You indicated the following inventory levels were too low. How much below normal are you experiencing?
Incentives targeted at healthcare workers can positively impact brand consideration

**Impact on brand consideration:**
OEM offering free/discounted oil changes + free vehicle cleaning to all healthcare workers

73% of 6-month intenders say this offering would have a positive impact on their brand consideration

79% among medical professionals

Q22a. You may have heard that some vehicle manufacturers are offering special services to healthcare workers during the coronavirus pandemic. Imagine a vehicle manufacturer offered free or discounted oil changes + free vehicle cleaning to all healthcare workers, regardless of the type of car they drive. How would this affect your consideration of that brand when selecting your next vehicle?
Dealers have seen significant improvements in staffing levels, although many are still short-handed.

**% Decrease in staff working for your dealership**

<table>
<thead>
<tr>
<th>Date</th>
<th>Franchise Dealers</th>
<th>Independent Dealers</th>
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<tbody>
<tr>
<td>4/10</td>
<td>54%</td>
<td></td>
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<tr>
<td>4/17</td>
<td>49%</td>
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<tr>
<td>4/24</td>
<td>51%</td>
<td></td>
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<tr>
<td>5/1</td>
<td>44%</td>
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<tr>
<td>5/15</td>
<td>41%</td>
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<td>5/29</td>
<td>38%</td>
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<tr>
<td>4/10</td>
<td>61%</td>
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<td>4/17</td>
<td>63%</td>
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<tr>
<td>4/24</td>
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<td>5/1</td>
<td>53%</td>
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<tr>
<td>5/15</td>
<td>60%</td>
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<td>5/29</td>
<td>52%</td>
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Indicates significant difference between Franchise & Independents

**New Question wording started on 5/15: Q116 - By what percentage have the following decreased compared to this time last year?**

Previous question wording 4/10-5/1: Q13. By what proportion have the following decreased due to coronavirus (COVID-19)?

Source: 2020 Cox Automotive COVID-19 Dealer Impact Study
Many dealers continue to be concerned about used vehicle values

How concerned are you with the valuation of your **USED** vehicle inventory?

- Franchise
  - Not at all concerned: 28%
  - Somewhat concerned: 40%
  - Very concerned: 19%

- Independent
  - Not at all concerned: 20%
  - Somewhat concerned: 34%
  - Very concerned: 42%

Indicates significant difference between Franchise & Independents

Q99. How concerned are you with the valuation of your used vehicle inventory?

Source: 2020 Cox Automotive COVID-19 Dealer Impact Study
Some dealers continue to use price cuts to drive traffic, especially with used vehicles.

How Dealers have adjusted retail prices as a result of COVID-19

**NEW Vehicles**

- Franchise:
  - Decreased: 33%
  - Stayed about the same: 59%
  - Increased: 8%

**CPO Vehicles**

- Franchise:
  - Decreased: 34%
  - Stayed about the same: 59%
  - Increased: 7%

**USED Vehicles**

- Franchise:
  - Decreased: 42%
  - Stayed about the same: 50%
  - Increased: 8%

- Independent:
  - Decreased: 59%
  - Stayed about the same: 32%
  - Increased: 8%

Indicates significant difference between Franchise & Independents.

Q88. How has your dealership changed your retail prices as a result of the coronavirus (COVID-19) outbreak?

Source: 2020 Cox Automotive COVID-19 Dealer Impact Study
We will be releasing an updated version of this material each week.

We surveyed a nationally representative sample of US consumers ages 18+ during the following timeframes:

- Wave 11: May 29-30, 2020 (n=1,000)
- Wave 10: May 15-16, 2020 (n=1,000)
- Wave 9: May 1-3, 2020 (n=1,000)
- Wave 8: April 24-25, 2020 (n=1,000)
- Wave 7: April 17-18, 2020 (n=1,000)
- Wave 6: April 10-11, 2020 (n=1,000)
- Wave 5: April 3-4, 2020 (n=1,000)
- Wave 4: March 27-28, 2020 (n=1,000)
- Wave 3: March 20-22, 2020 (n=1,000)
- Wave 2: March 13-14, 2020 (n=999)
- Wave 1: March 5-6, 2020 (n=1,000)

We surveyed a sample of automotive dealers about their general level of concern:

- Wave 9: May 26-29, 2020 (n=470)
- Wave 8: May 11-15, 2020 (n=555)
- Wave 7: April 29-May 1, 2020 (n=648)
- Wave 6: April 22-24, 2020 (n=642)
- Wave 5: April 15-17, 2020 (n=691)
- Wave 4: April 8-10, 2020 (n=763) (Note: methodology changed from wave 3 to wave 4)
- Wave 3: April 1-3, 2020 (n=331)
- Wave 2: March 25-27, 2020 (n=339)
- Wave 1: March 18-20, 2020 (n=348)

We also surveyed a sample of automotive dealers who use digital retailing asking how digital retailing is being impacted:

- Wave 2: April 8-10 (n=151), Wave 1: March 25-27, 2020 (n=124)

Prior to the full-scale survey among automotive dealers, we polled a sample of automotive dealers during the following timeframes to understand their level of concern on how the virus will impact their dealership:

- Wave 2: March 16-17, 2020 (n=322), Wave 1: March 5-11, 2020 (n=343)

The objective of this research was to understand the impact of Coronavirus (COVID-19) on US Consumers & Dealer attitudes and behaviors:

- Awareness & Familiarity of COVID-19
- Level of Concern over COVID-19
- Impact on Everyday Behaviors & Business Operations
- Impact on Current Auto Shoppers & Commuters
- Actions to Mitigate Any Negative Impact

Source: 2020 Cox Automotive COVID-19 Consumer & Dealer Impact Studies