



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

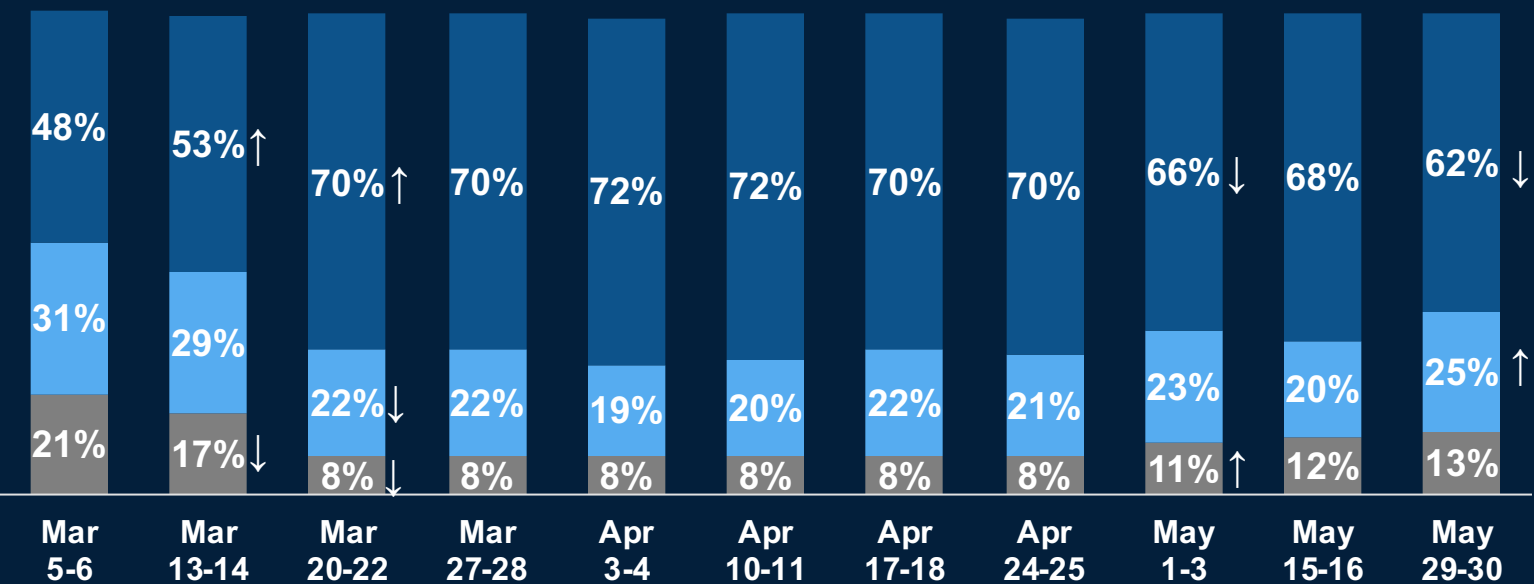
Dealers are seeing the bleeding slow as sales and service declines continue to ease. But with inventory levels well below normal levels, dealers need our help sourcing the vehicles that consumers want.

*More consumers are emerging from hiatus,
but volatility remains high*

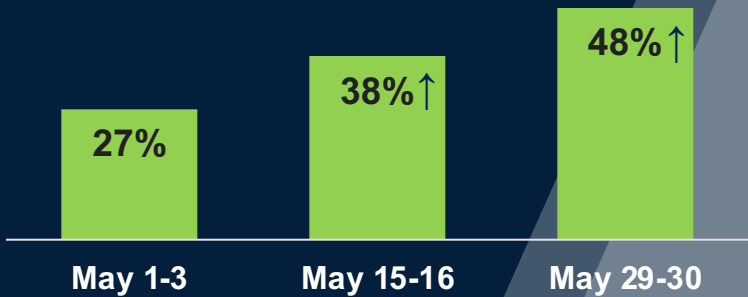
As consumer concerns decline, we see a return of small-scale social activities

Consumer Level of Concern

■ Not very/Not at all ■ Somewhat ■ Extremely/Very



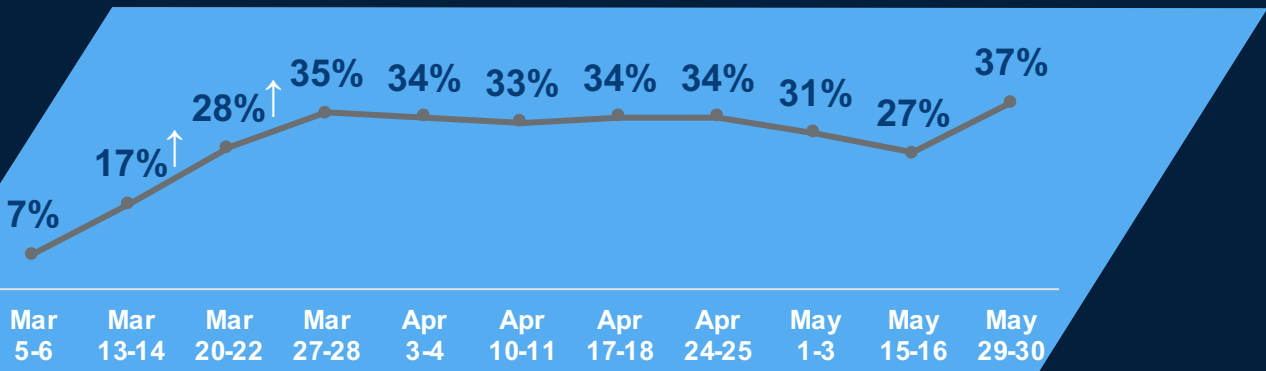
% who visited a friend or family member's home in the past 2 weeks*



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?

While chaotic times in America are contributing to an uptick in purchase delays...

Delaying Vehicle Purchase/Lease*

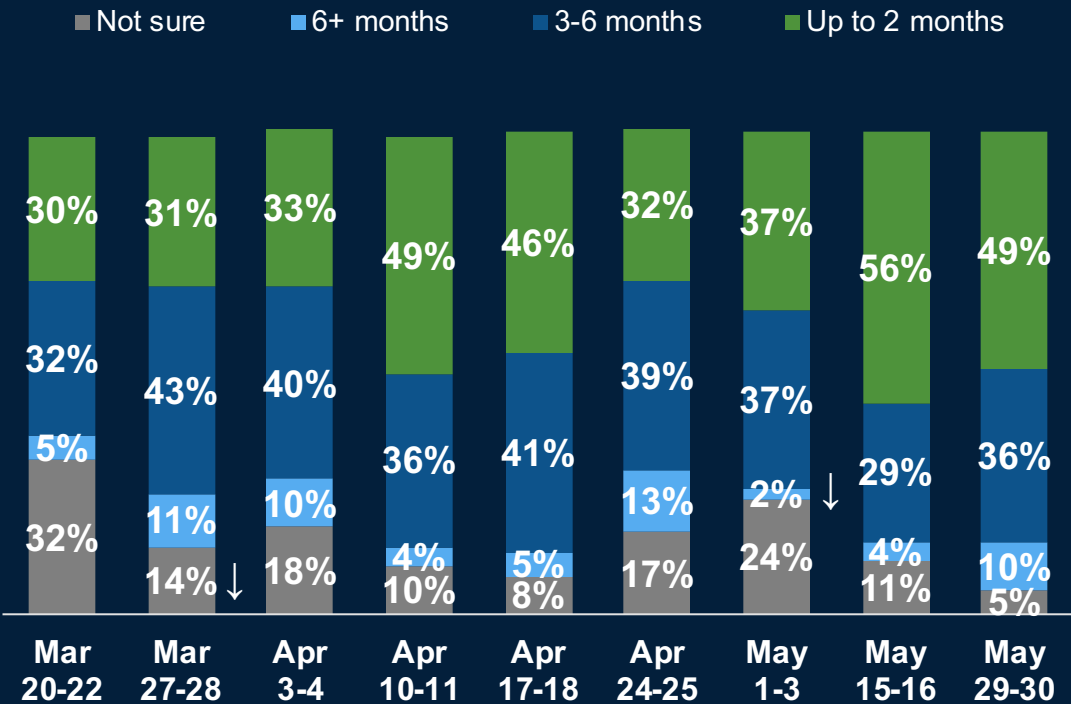


Factors At Work

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

Anticipated Delay in Vehicle Purchase**

(among those planning to delay purchase)



*Among 6-month auto intenders

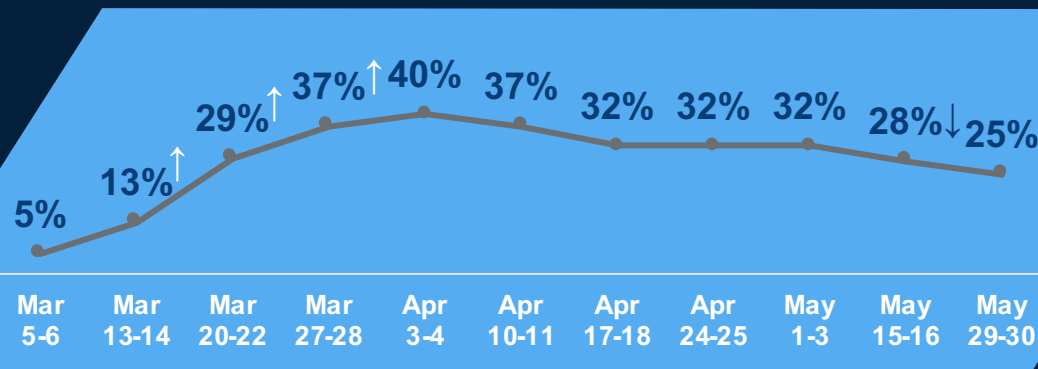
**Among 6-month auto intenders who will delay purchasing/leasing a vehicle

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?

...service delays continue to trend down

Delaying Vehicle Service/Repair*

(% consumers that said "Yes")



Reasons for Delaying Vehicle Service/Repair**

	April 3-4	May 29-30
Prefer to stay home/ social distancing	62%	55%
Concerned about cost/financial situation	33%	37%
Stay-at-home order in place	54%	25%↓

*Among vehicle owners

**Among those who would delay vehicle service

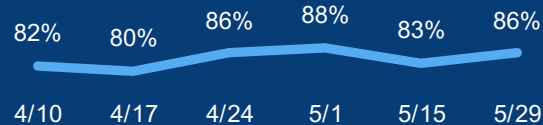
Q10. Have you done, or do you think you will do any of the following because of the coronavirus? *Note: Added "have done" in Wave 4

Q18a. You said you have delayed or may delay taking your vehicle in for service/maintenance. What makes you say that?

*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*

9 out of 10 dealers have been providing “buying alternatives” to consumers, led by the wide adoption of digital retailing

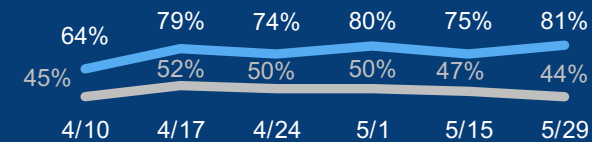
86%



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

81% / 44%

Franchise / Independent



% 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?

Consumers who have purchased a vehicle during COVID-19 seem to favor an online experience

How Consumer Experiences are Changing

How this experience
compared to past experiences

58% Much/somewhat **better**

35% About the same

6% Somewhat **worse**

How was it **better**?

- *"It was way faster and easy."*
- *"Because of the coronavirus I believe the whole process was faster and the dealership was certainly less crowded."*

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?

And although most dealers are seeing increased consumer activity online ...



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

...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**

Dealer Q119. Which of the following do you plan to continue once things get back to normal?

Dealer Q126. You indicated you do not plan to continue selling vehicles digitally/online. Please tell us why.

Consumer Q12. Thinking about this current time period of “life impacted by the spread of Coronavirus”, if this option were available, are you more or less likely to complete the entire vehicle purchase process online than you would have been previously?

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



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.)

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)

70%

**Franchise
Dealers**

38%

**Independent
Dealers**

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

*...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**

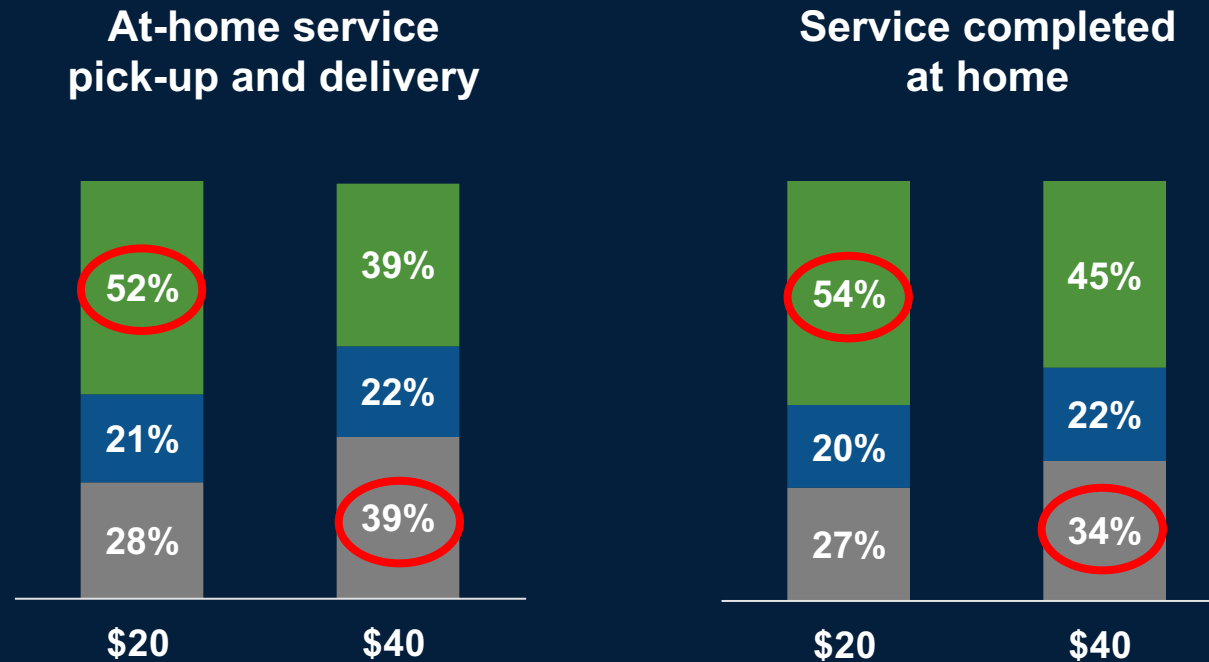
Q85. Which of the following do you plan to continue once things get back to normal?

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?

... and a willingness by consumers to pay for the convenience

Consumer willingness to pay*



*Among vehicle owners

○ Indicates significant difference between \$20 & \$40

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*

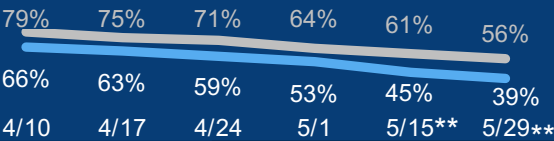
Dealers are continuing to see losses decline, with Franchises appearing to snap back more quickly than independents...

Average Reported Declines

(Among all dealers)

39% / 56%

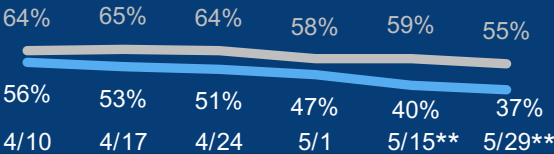
Franchise / Independent



Vehicle Sales

37% / 55%

Franchise / Independent



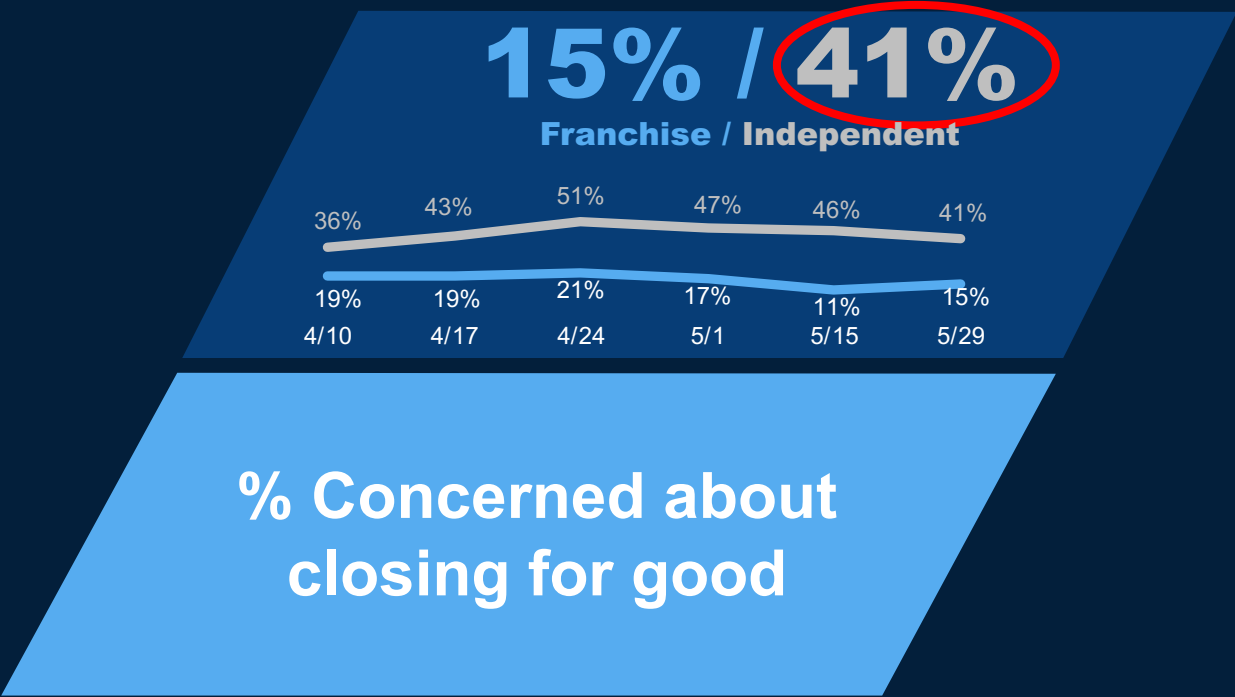
Service Appointments


Indicates significant difference between Franchise & Independents

* 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)?

...which translates into very different outlooks on the future...

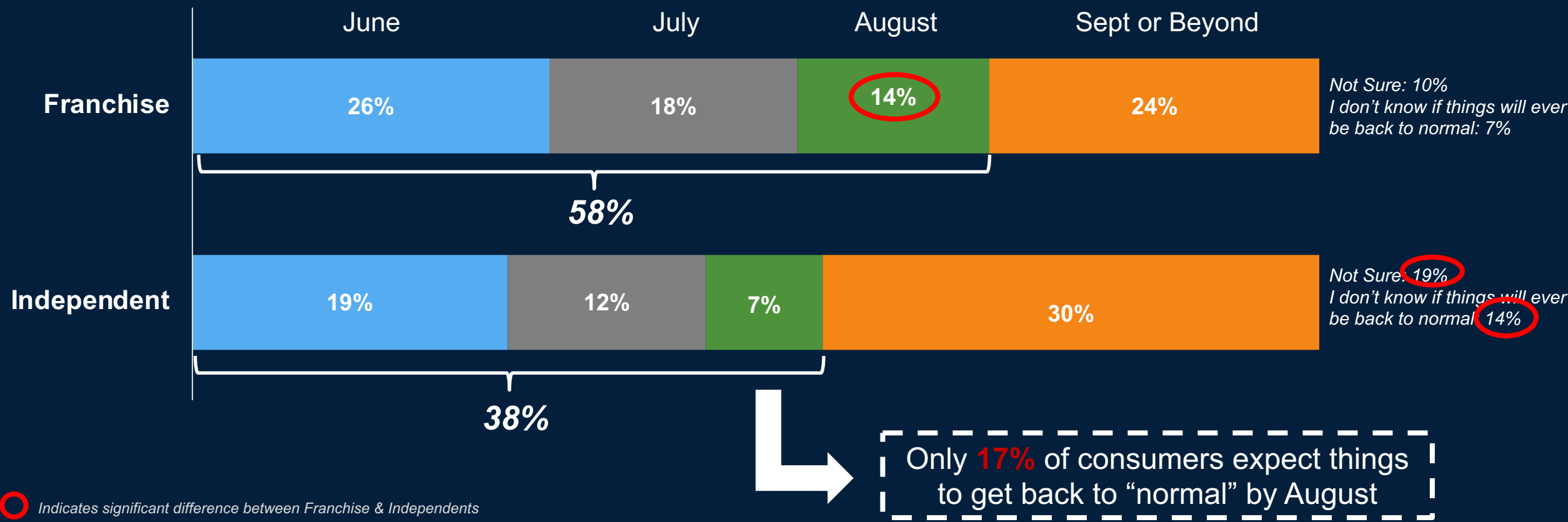


 Indicates significant difference between Franchise & Independents

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”

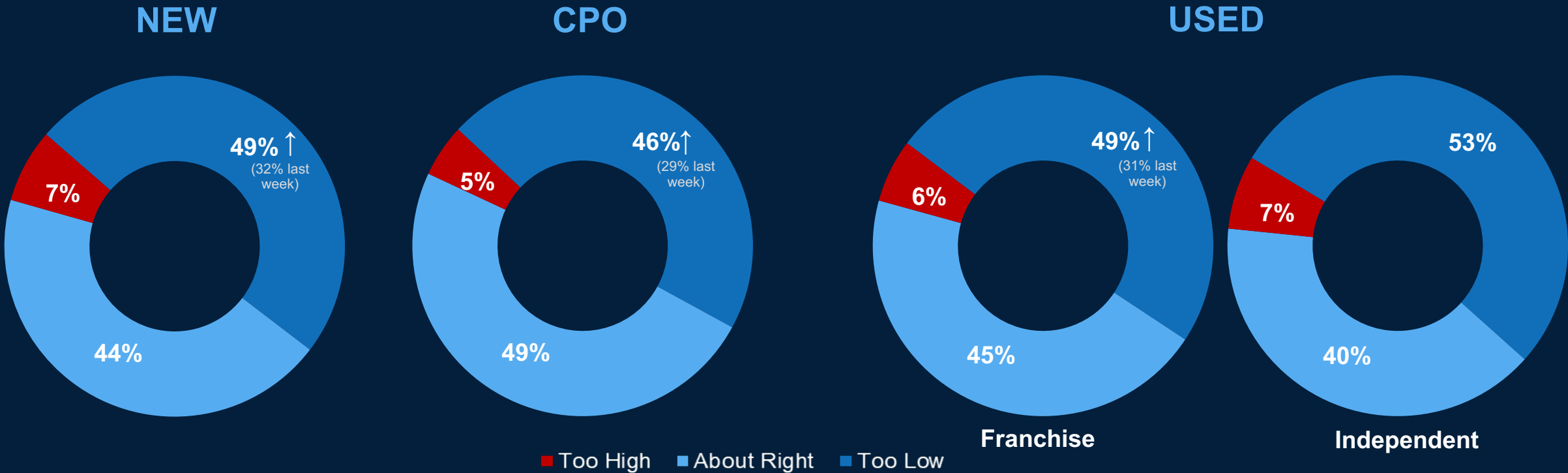


Indicates significant difference between Franchise & Independents

Dealer Q20. When do you think things will get back to normal for your dealership?
Consumer Q23a. When do you think things will get back to normal?

Low inventory levels are a growing challenge for dealers across the board...

Current inventory levels



↑↓ 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"

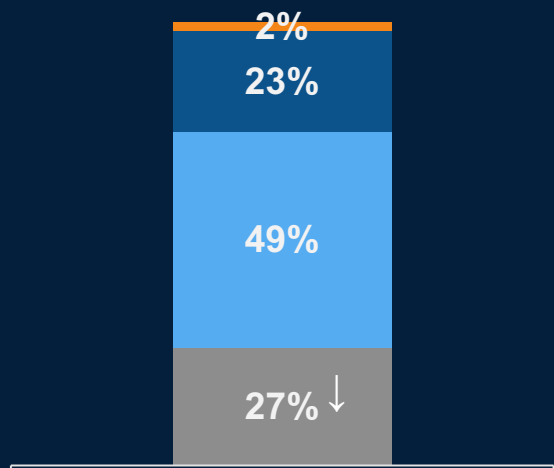
...with shortages up to 50% of normal levels for the majority of impacted dealers

Current inventory levels

NEW

How much below normal are inventory levels?

(among those whose NEW inventory level is too low)



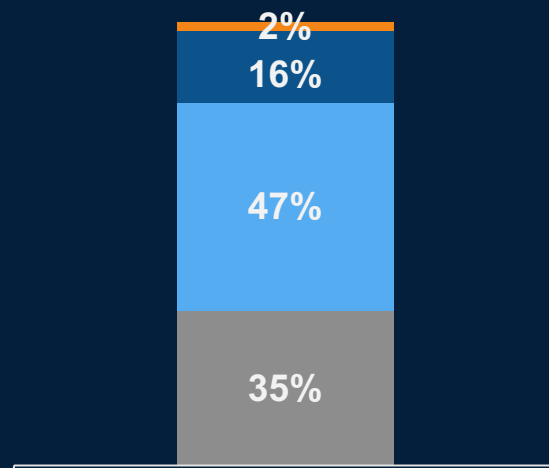
Franchise

■ 1%-25% ■ 26%-50%
■ 51%-75% ■ 76%-100%

CPO

How much below normal are inventory levels?

(among those whose CPO inventory level is too low)



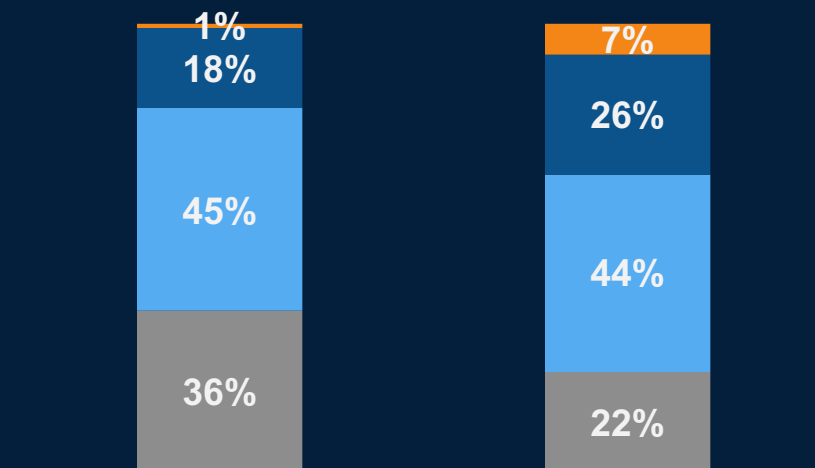
Franchise

■ 1%-25% ■ 26%-50%
■ 51%-75% ■ 76%-100%

USED

How much below normal are inventory levels?

(among those whose USED inventory level is too low)



Franchise

Independent

■ 1%-25% ■ 26%-50%
■ 51%-75% ■ 76%-100%

Q110. You indicated the following inventory levels were too low. How much below normal are you experiencing?

Appendix



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%

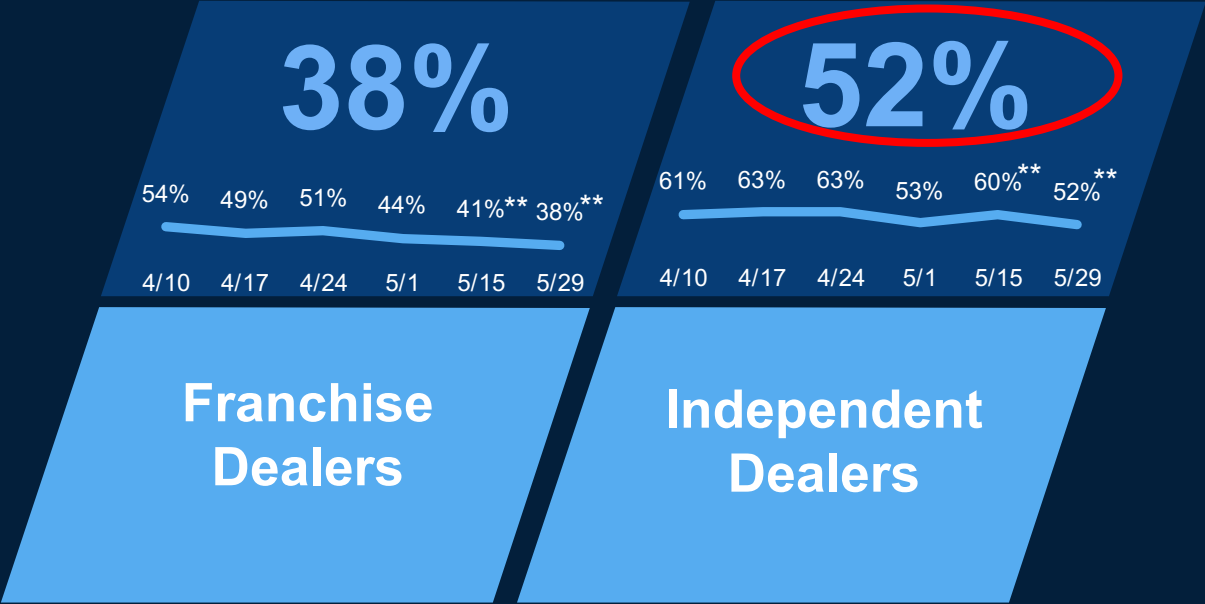
*79% among medical
professionals*


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

Q22e. 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

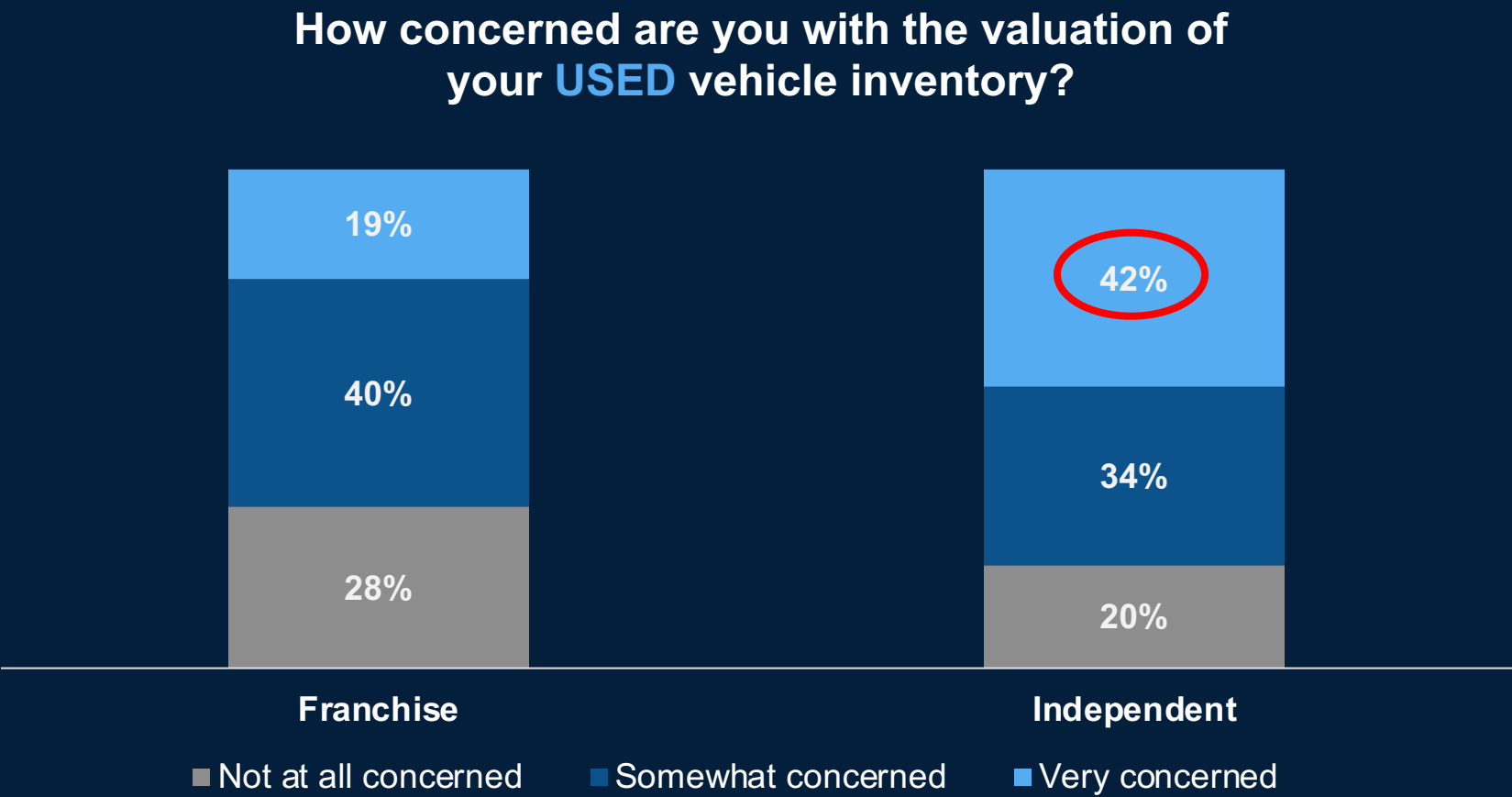
% Decrease in staff working for your dealership




 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)?

Many dealers continue to be concerned about used vehicle values

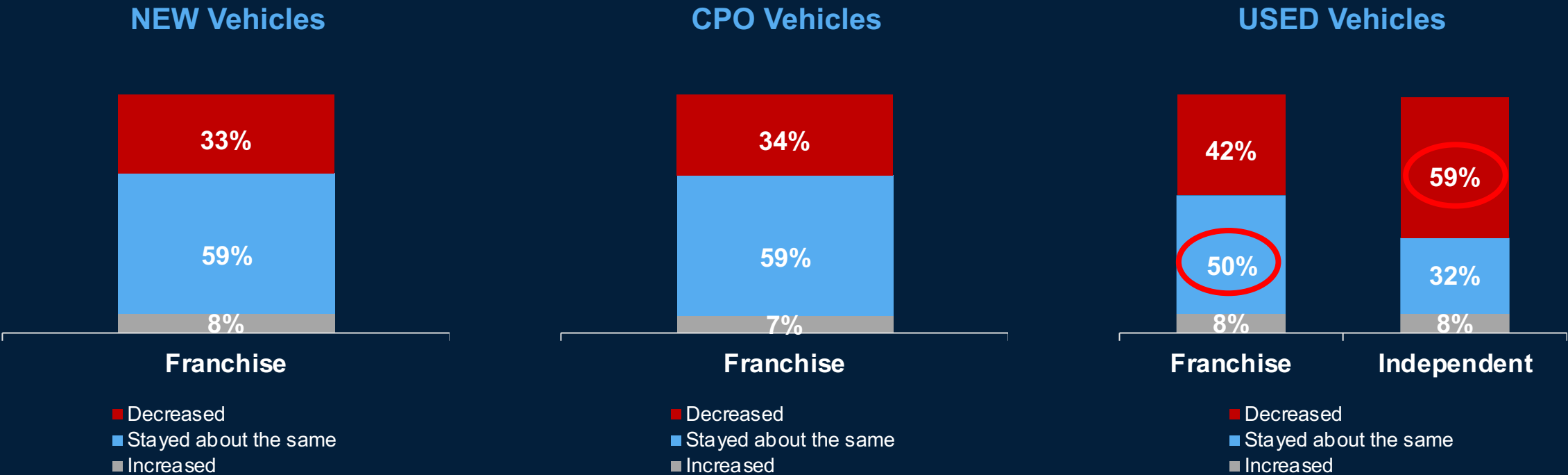


 Indicates significant difference between Franchise & Independents

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

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



○ Indicates significant difference between Franchise & Independents

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

2020 Cox Automotive COVID-19 Consumer & Dealer Impact Studies

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