Dealer Sentiment Index

SECOND QUARTER 2020

COVID-19 EDITION

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Background

Data for the Cox Automotive Dealer Sentiment Index (CADSI) is gathered via a quarterly online survey of franchised 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 Q2 2020 CADSI is based on 1,140 U.S. auto dealer respondents, comprising 610 franchised dealers and 530 independents. The survey was conducted from April 28, 2020 to May 10, 2020.

The next quarterly report will be released in Sept. 2020. The CADSI was first published in Q3 2017.

Key Takeaways

Q2 2020 CADSI data was gathered in late April and early May this year, when the retail auto industry was reeling from the negative impact of the COVID-19 pandemic. As expected, dealer sentiment in every category dropped significantly.

“The COVID-19 pandemic dramatically impacted the auto market and dealers starting in March, so it is no surprise to see views of sales, profits, and sentiment significantly down in the second quarter survey,” said Cox Automotive Chief Economist Jonathan Smoke. “However, what stands out to me is the optimism of franchises about the next 90 days. The majority of franchised dealers are optimistic about the rest of the spring and summer despite the weak economy, weak current sales, and declining inventory.”

The overall current market index declined substantially in Q2, plunging further into negative territory with a score of 20, an all-time low for the index.

The index reading of 20 indicates the vast majority of dealers feel that the current market is weak compared to the number who feel that the current market is strong.

Consistent with the severe decline, the key drivers of sentiment saw drops as well. The 3-month market outlook index score of 45 shows that, despite some optimism from franchised dealers, more dealers see the market in the next 3 months as weak as opposed to strong.

Dealer sentiment of consumer traffic and profits were particularly negative in Q2 2020, with index scores of 13 and 17, respectively, among the lowest scores ever recorded in the survey.

Consistent with the negative views of the market, the views of both new- and used-vehicle sales significantly decreased overall in Q2 compared to last quarter and last year. The new-vehicle sales index plummeted to 39, indicating a poor market. The used-vehicle sales index faired worse, with an index score of 26. Independent dealers were particularly negative, with an index score of 20, while franchised dealers, with an index score of 43, continue to be more positive about used-vehicle sales versus new.

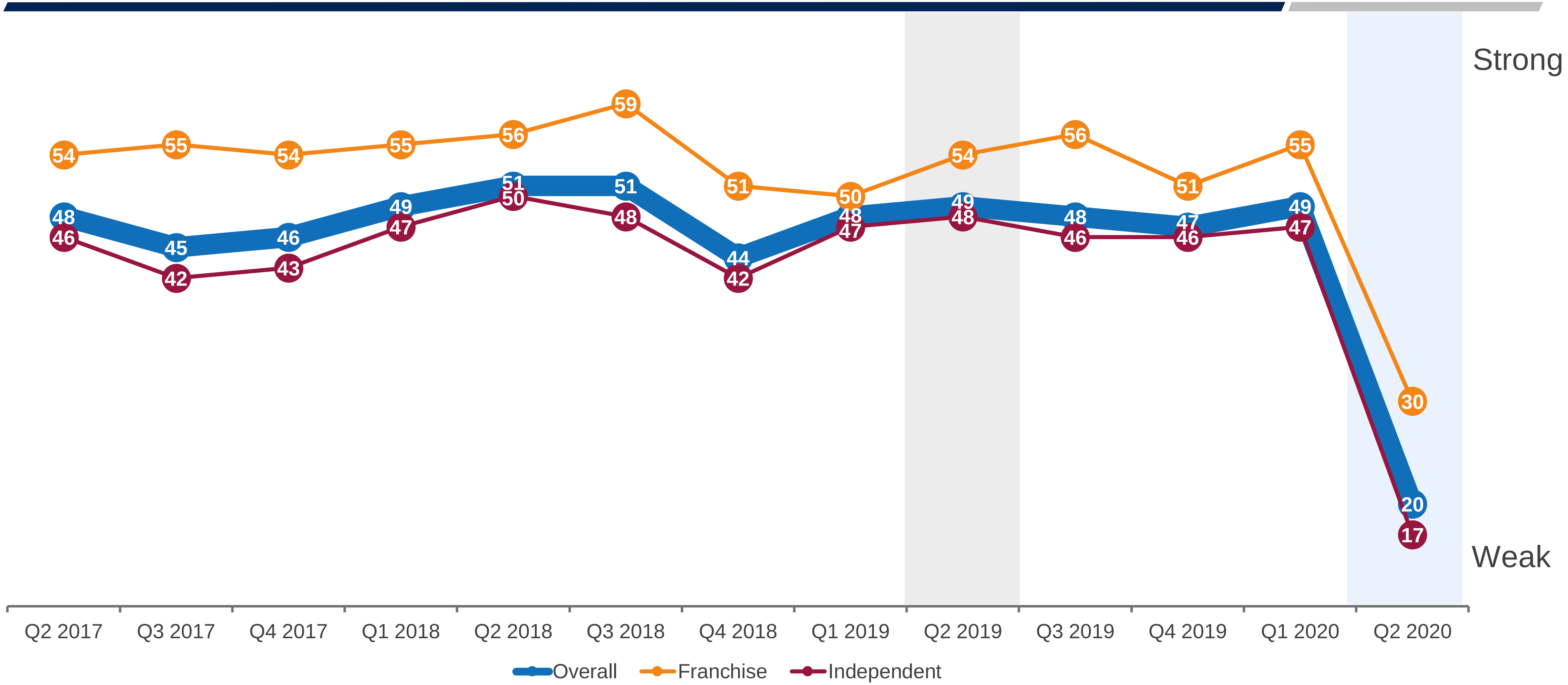
The top 5 factors holding back business across all dealers significantly shifted in Q2 from Q1, with Business Impacts from COVID-19 making its debut in CADSI at the top spot with 75% of dealers citing it.

The Economy moved up to 2 from 7 last quarter with 60% of dealers citing it. Market Conditions dropped from 2 to 3 from Q1 to Q2. Consumer Confidence rose from 9 to 4, which was the factor’s highest ever overall ranking. Limited Inventory remained in the top 5 but dropped from 4 to 5 in Q2 with only 26% of dealers citing it.

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

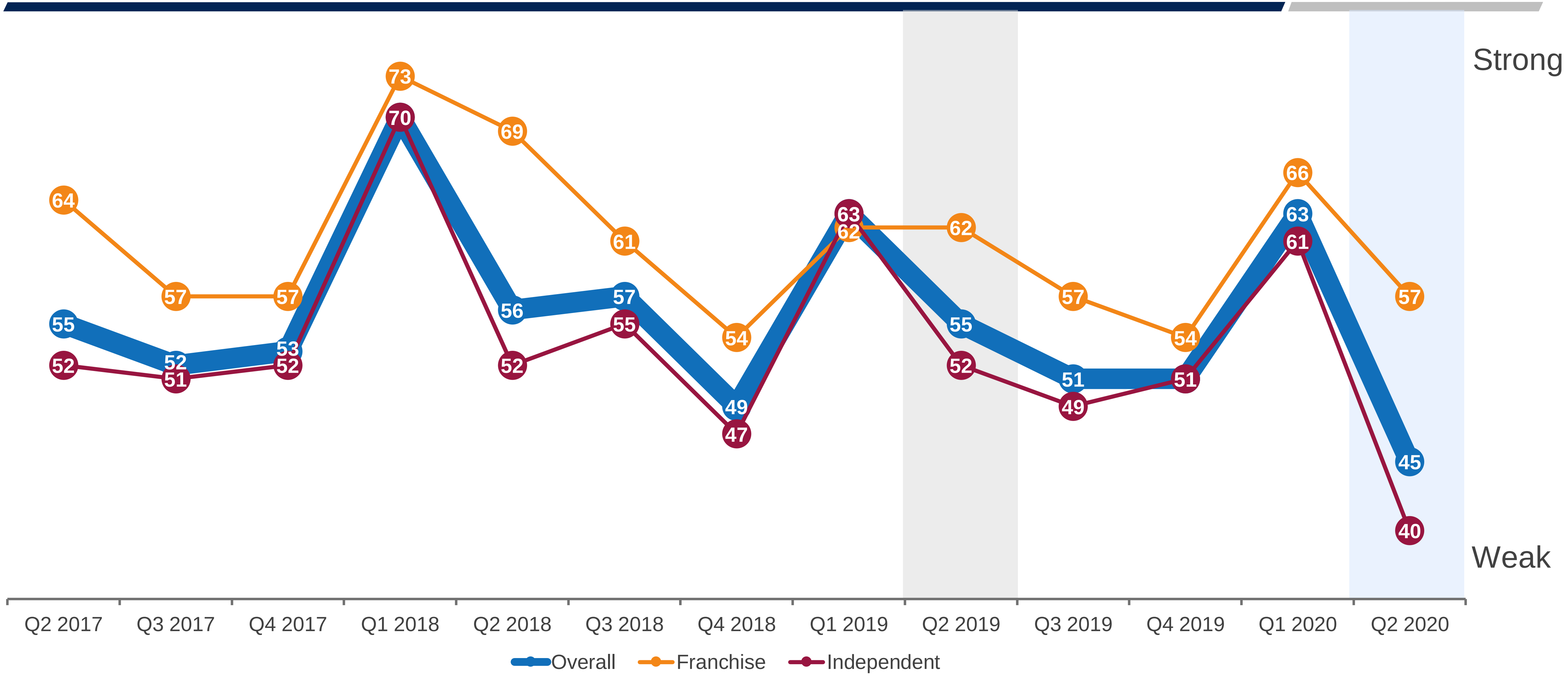
Dealer Sentiment Index

SECOND QUARTER 2020



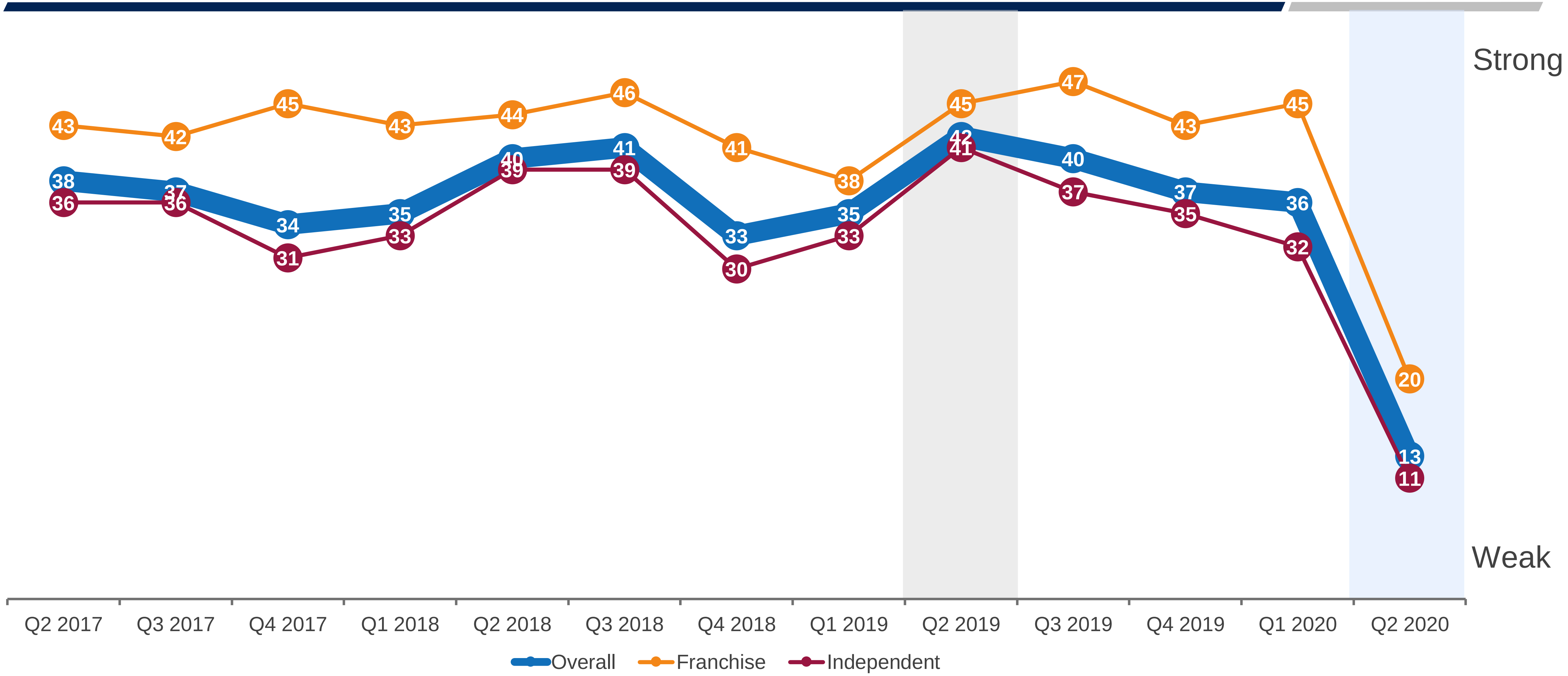
Note: Scale 1 - 100

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



Note: Scale 1 - 100

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

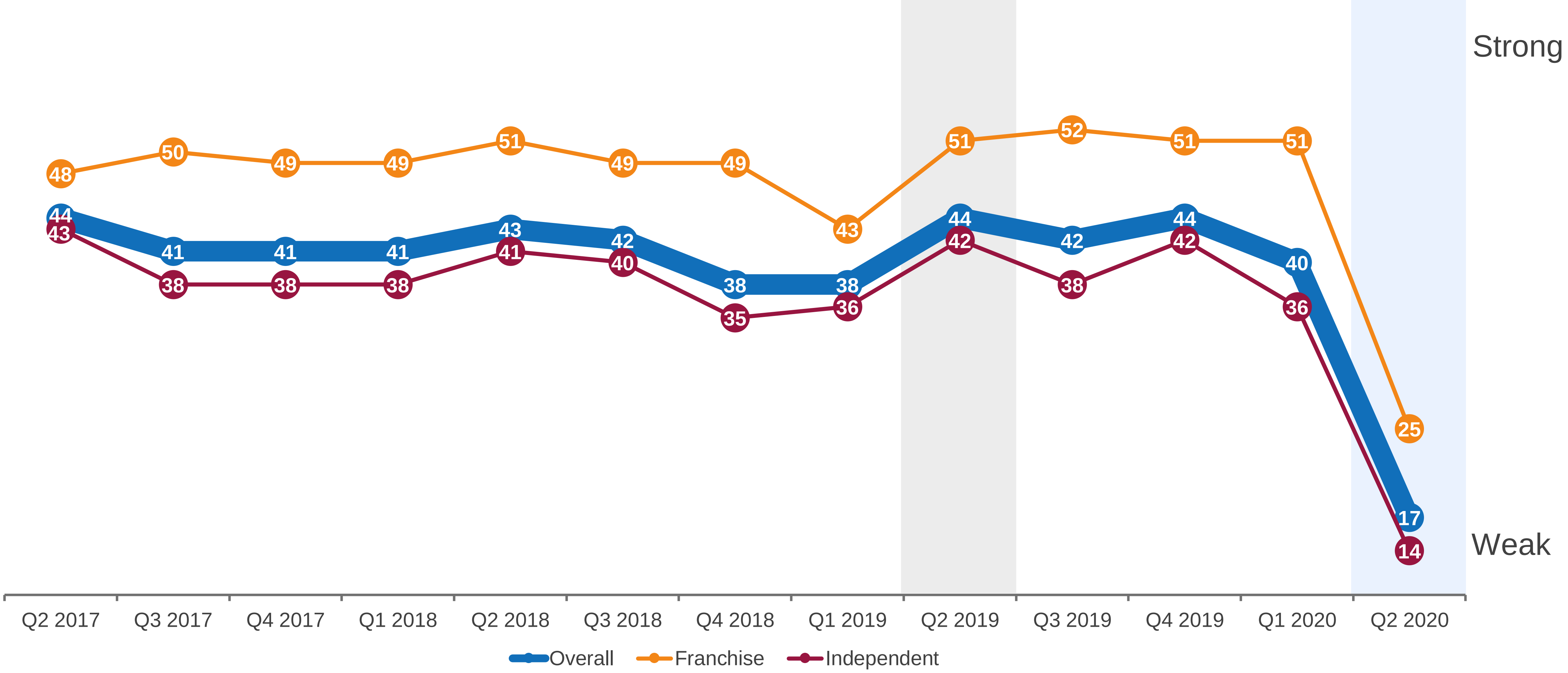


Note: Scale 1 - 100

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

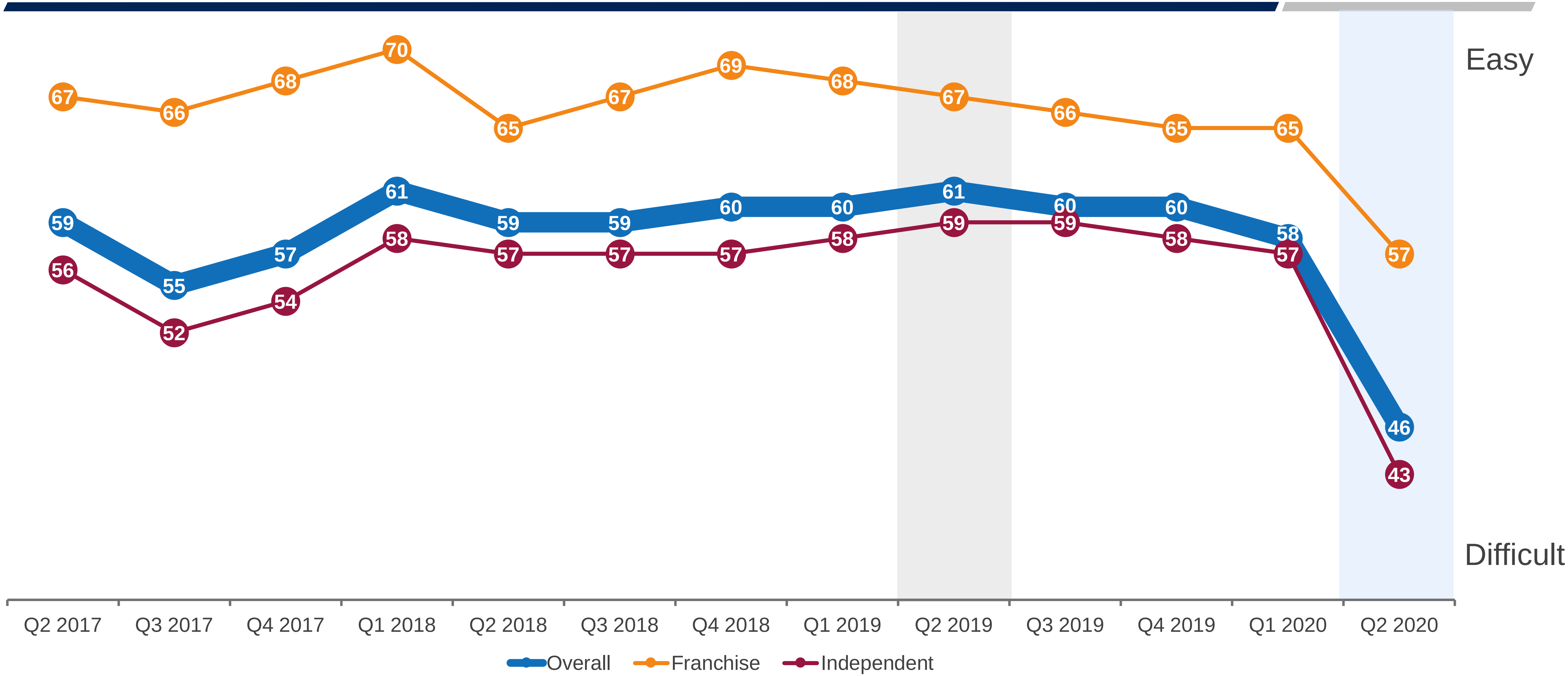
Dealer Sentiment Index

SECOND QUARTER 2020



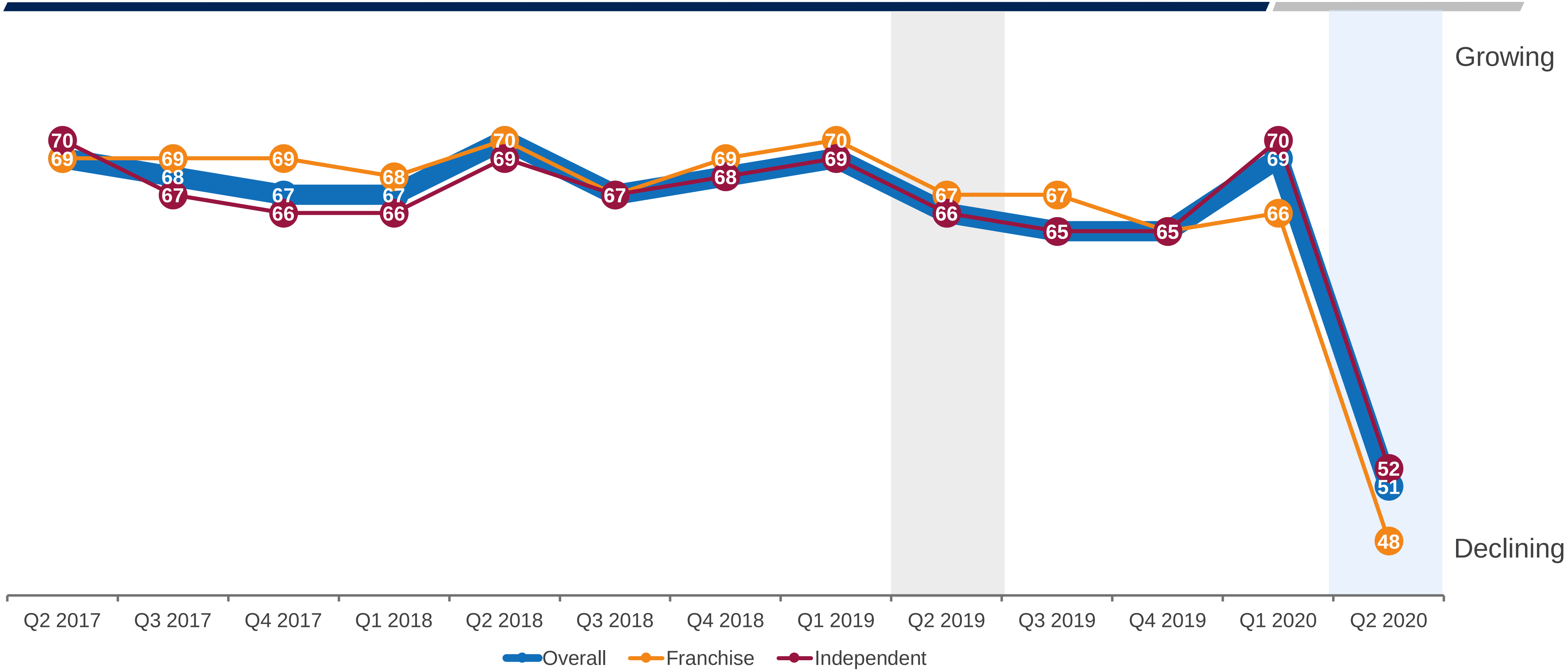
Note: Scale 1 - 100

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



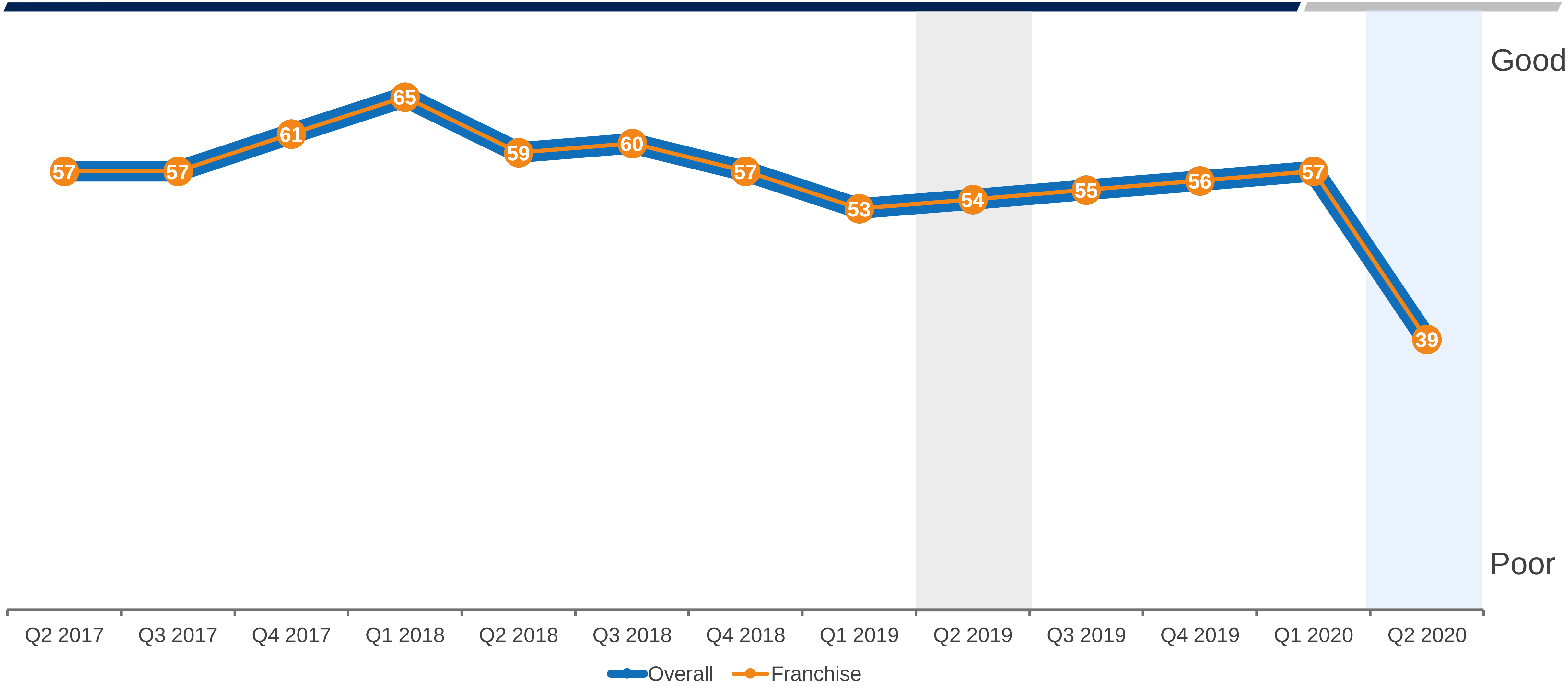
Note: Scale 1 - 100

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



Note: Scale 1 - 100

Q7: How would you describe the current new-vehicle sales environment?

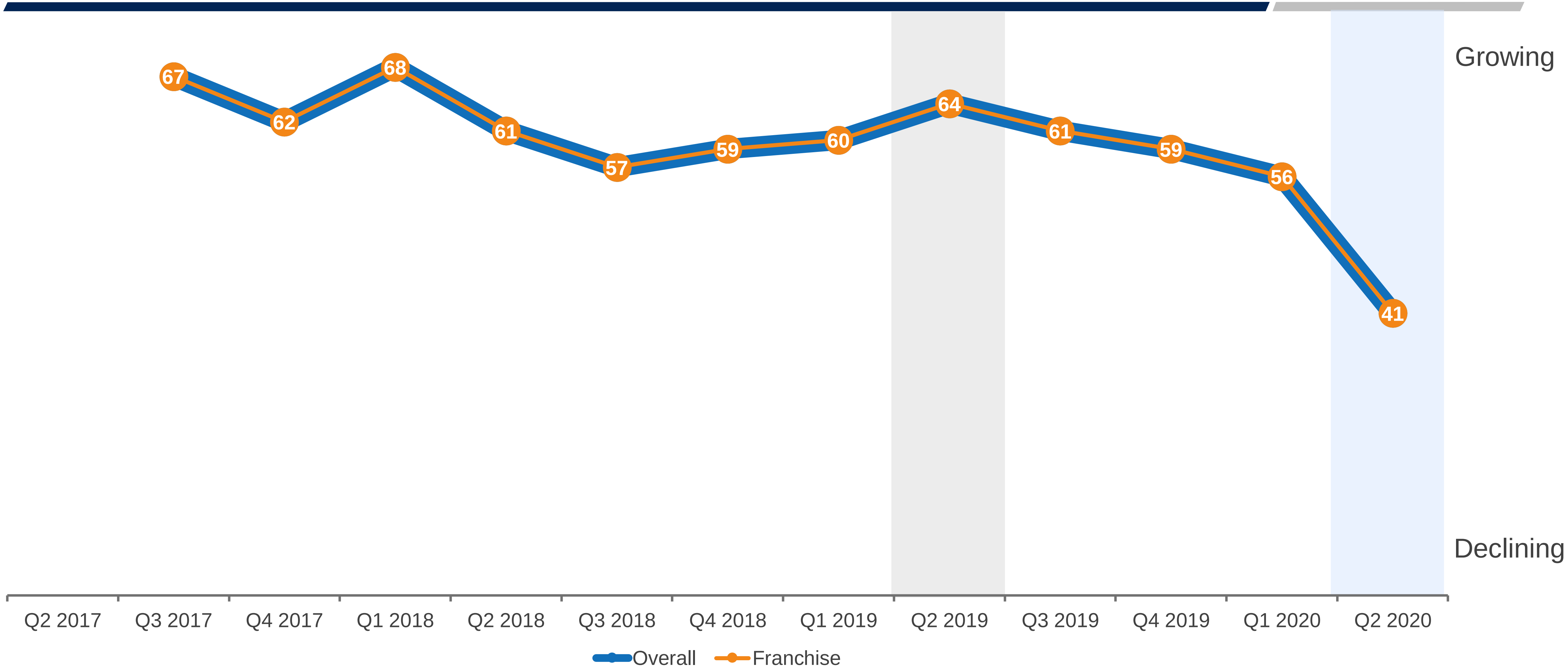


Note: Scale 1 - 100

Q8: How would you describe the current new-vehicle inventory levels?

Dealer Sentiment Index

SECOND QUARTER 2020

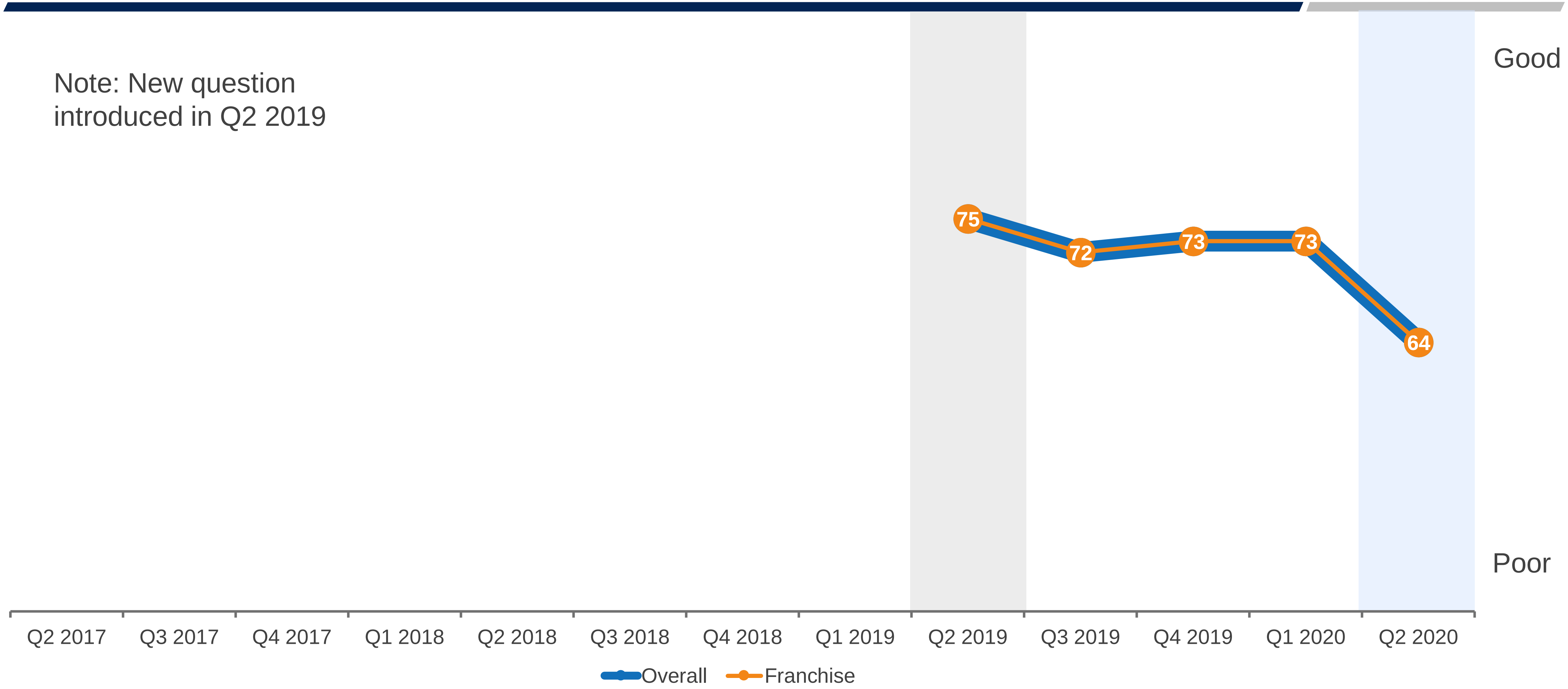


Note: Scale 1 - 100

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

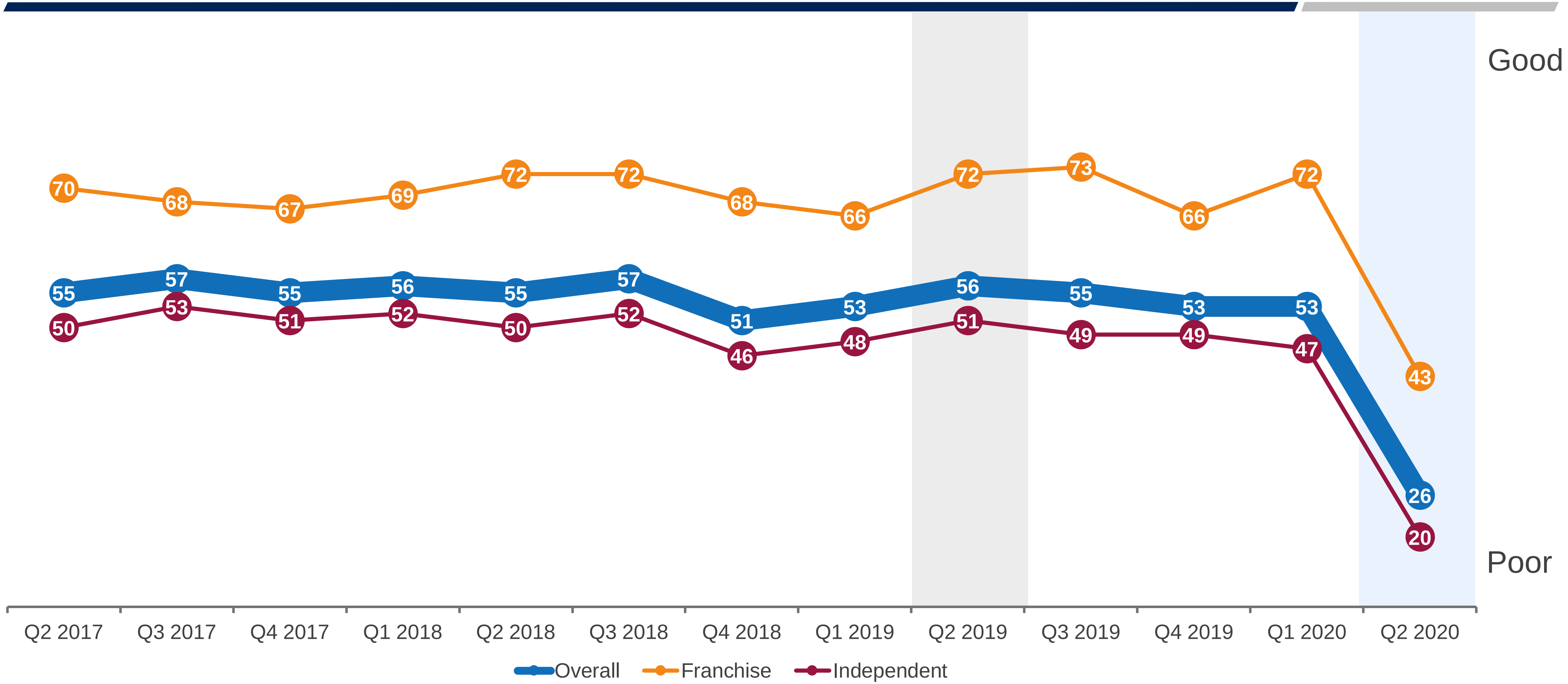
Dealer Sentiment Index

SECOND QUARTER 2020



Note: Scale 1 - 100

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

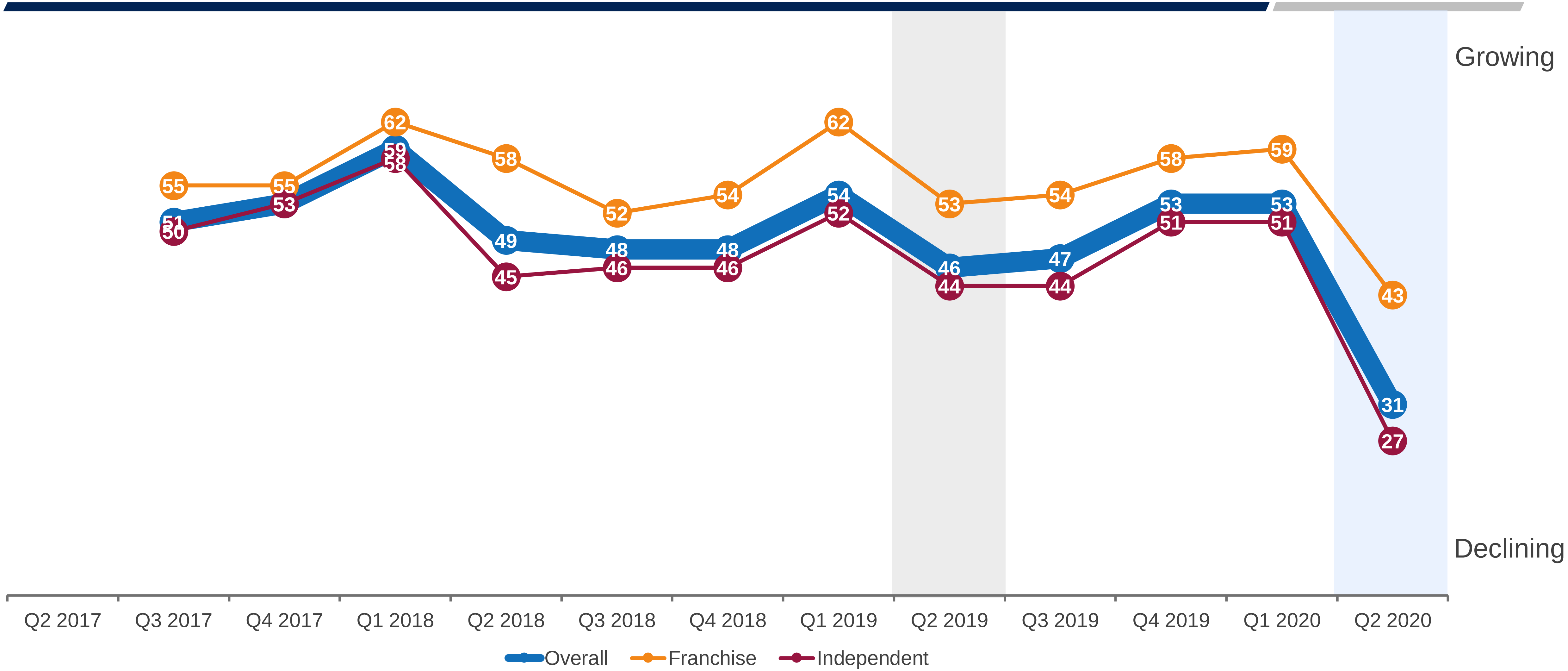


Note: Scale 1 - 100

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

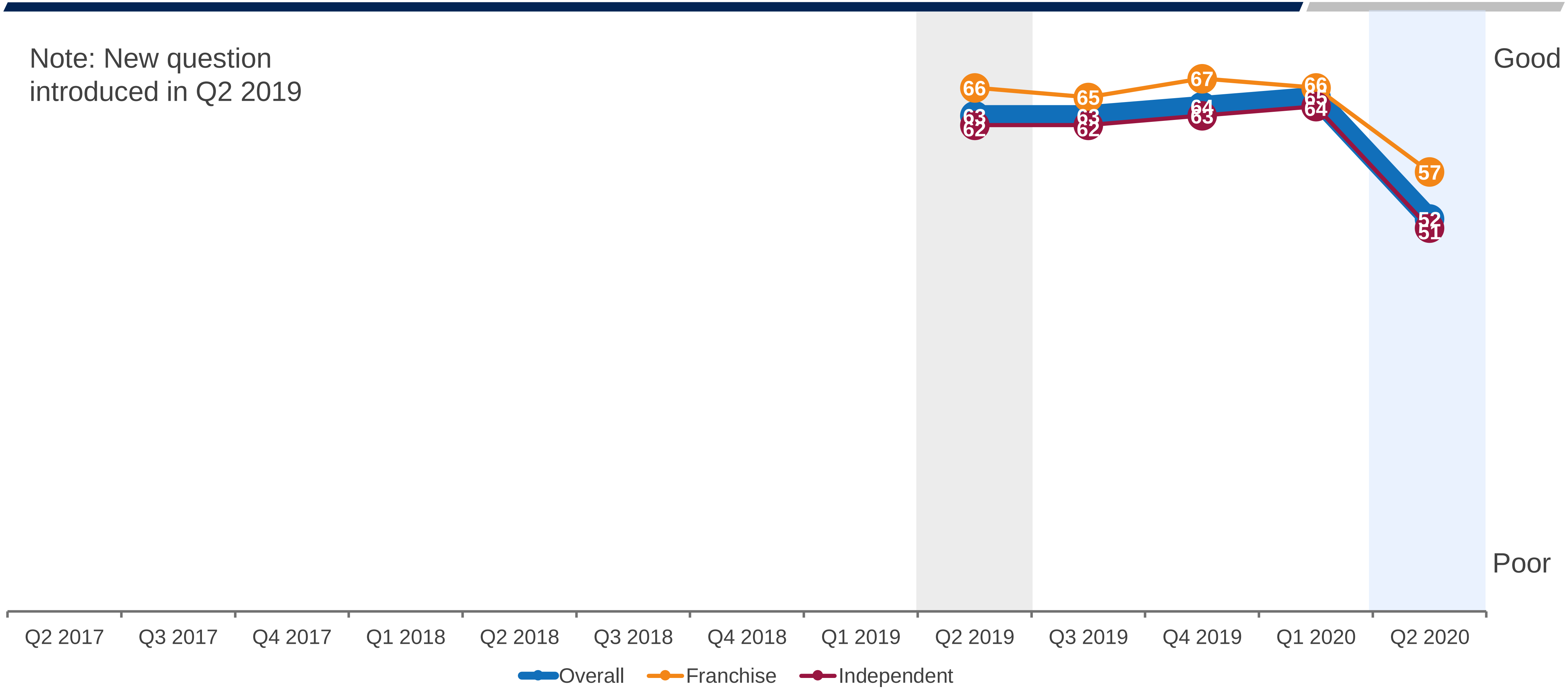
Dealer Sentiment Index

SECOND QUARTER 2020



Note: Scale 1 - 100

Q22: How would you describe the current used-vehicle inventory mix?

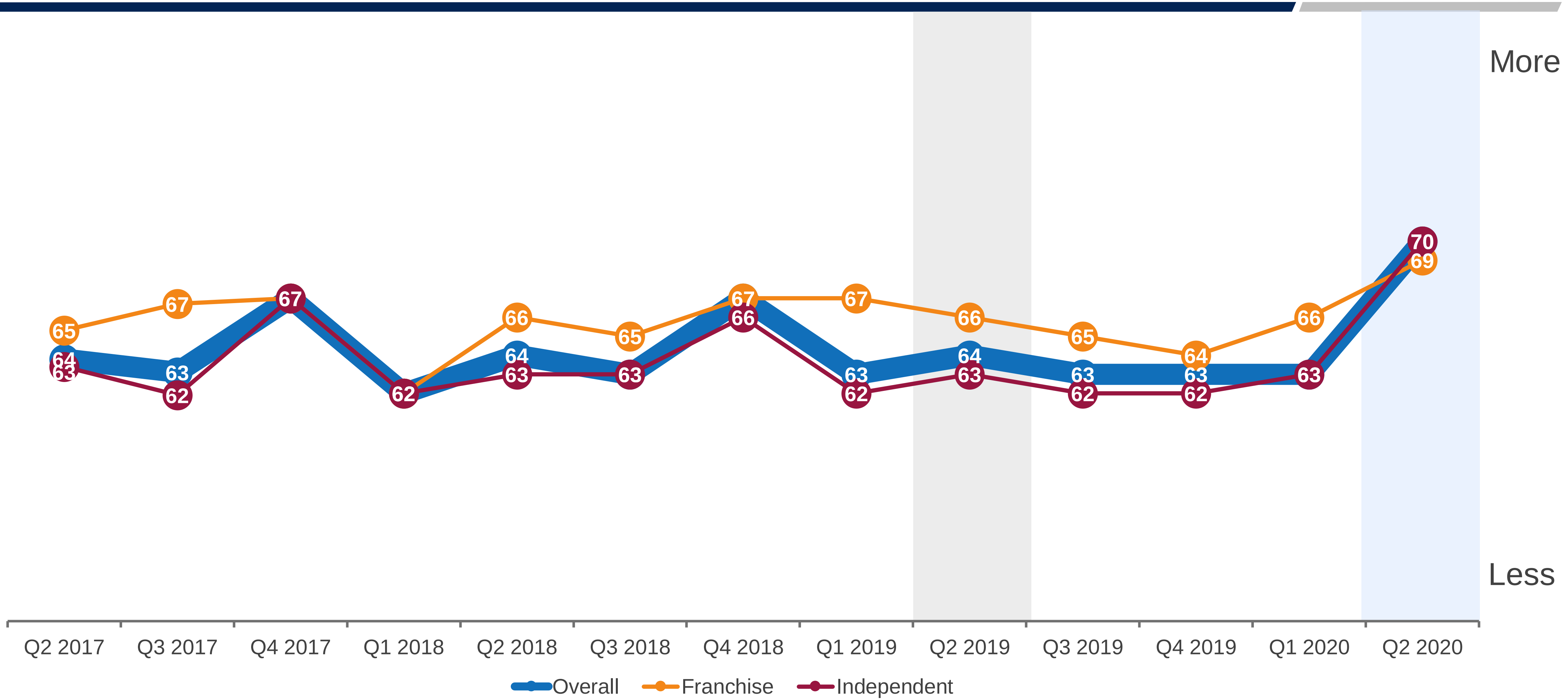


Note: Scale 1 - 100

Q13: How much pressure do you feel to lower your prices?

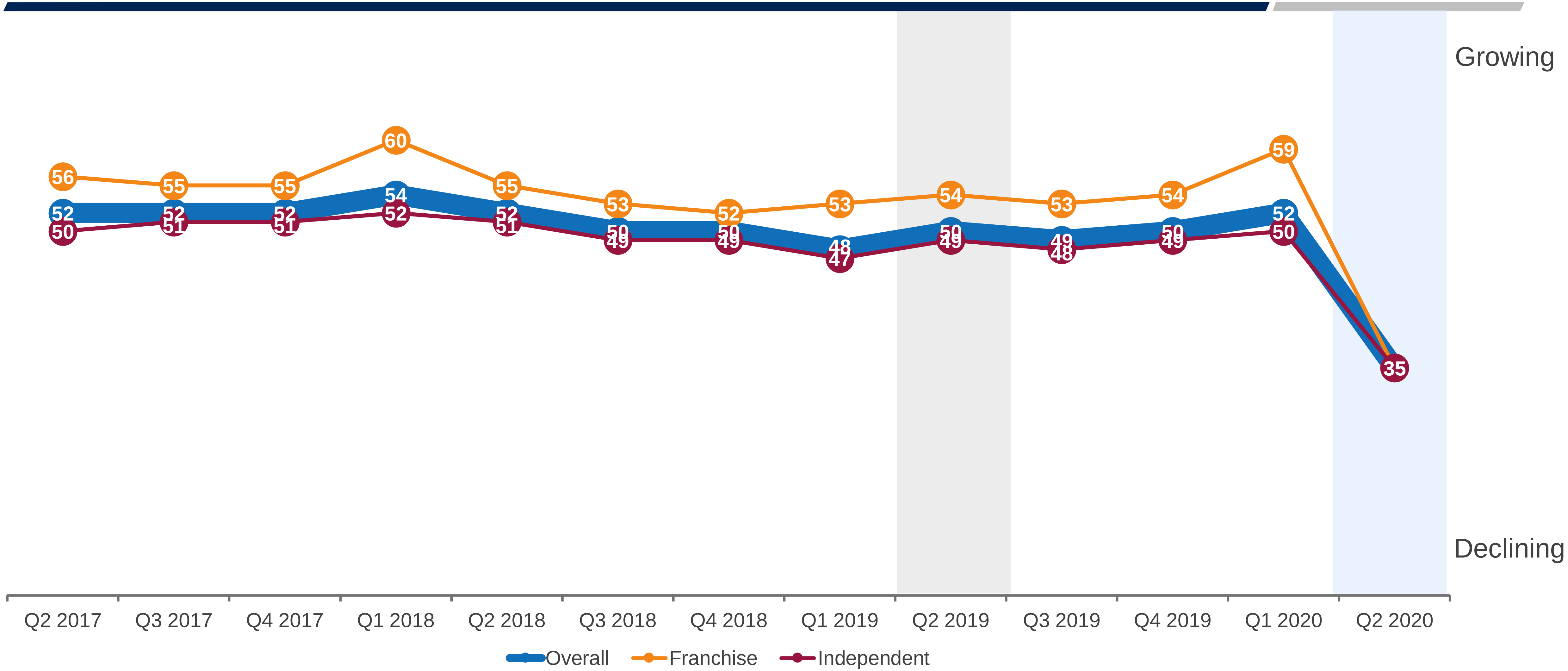
Dealer Sentiment Index

SECOND QUARTER 2020



Note: Scale 1 - 100

Q14: How would you describe your dealership's current staffing levels?

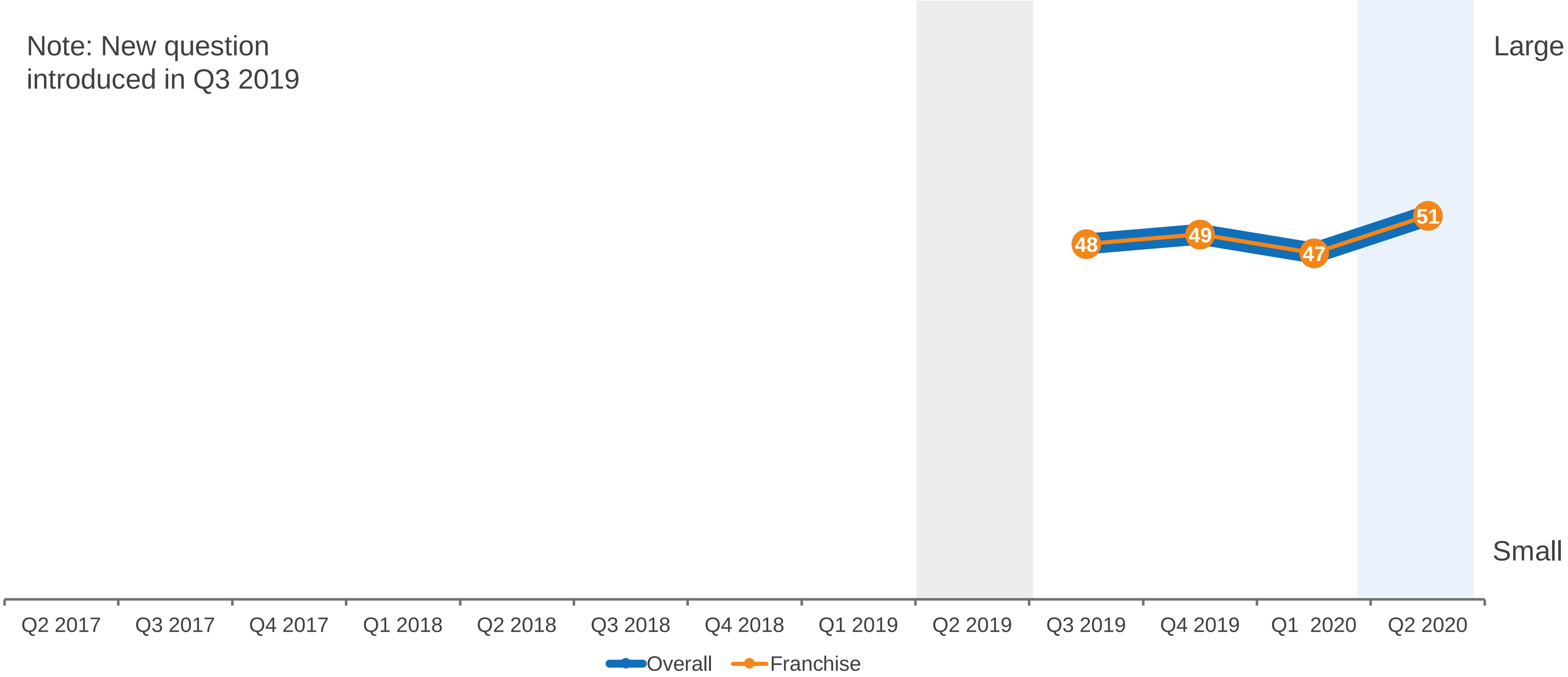


Note: Scale 1 - 100

Q15: How would you describe the current level of OEM new-vehicle incentives?

Dealer Sentiment Index

SECOND QUARTER 2020

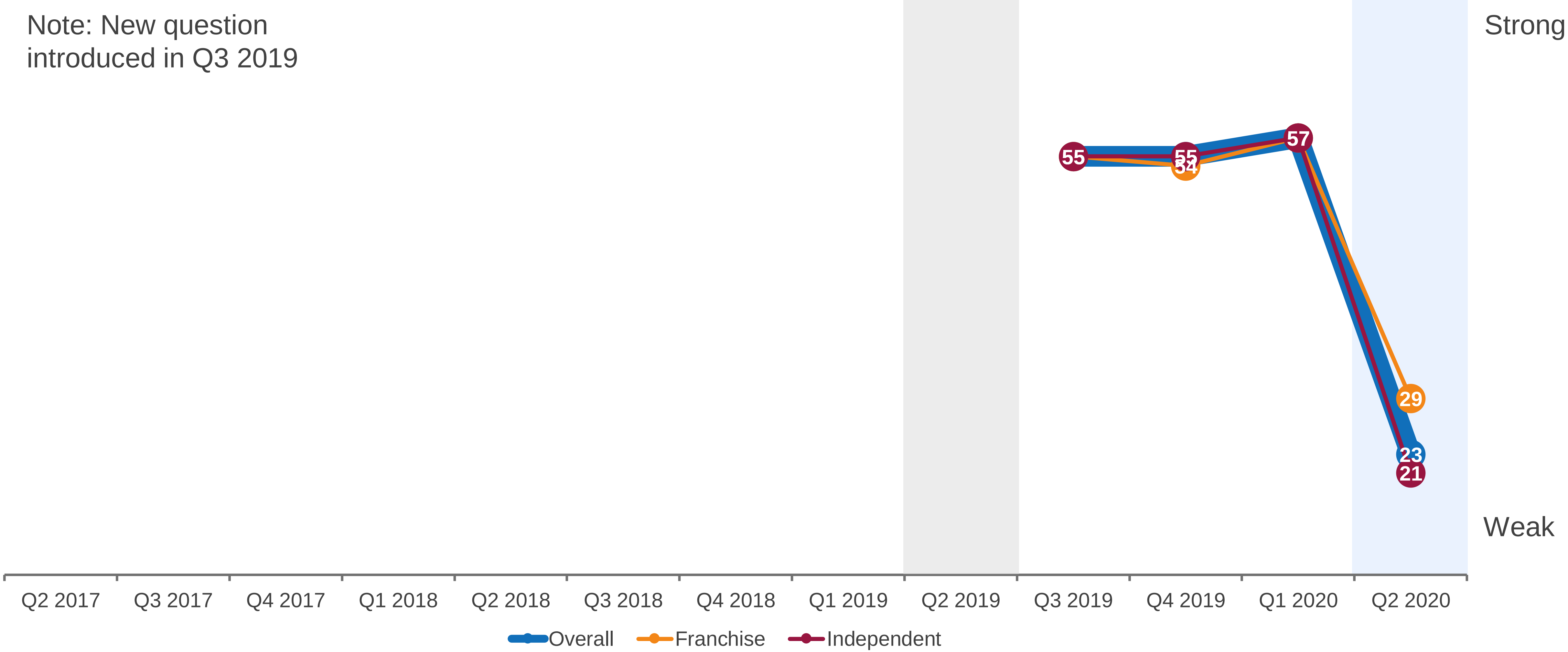


Note: Scale 1 - 100

Q16: How would you describe the current U.S. economy?

Dealer Sentiment Index

SECOND QUARTER 2020



Note: Scale 1 - 100

Factors Holding Back Your Business?

Dealer Sentiment Index

SECOND QUARTER 2020

OVERALL RANK

		Q2 '20	Q1 '20	Q2 '19
1	Business Impacts From COVID-19/Coronavirus	**75%**	N/A	N/A
2	Economy	**60%** ↑	19%	N/A
3	Market Conditions	**49%** ↑	34%	40%
4	Consumer Confidence	**42%** ↑	17%	13%
5	Limited Inventory	**26%**	29%	33%
6	Political Climate	**22%**	19%	N/A
7	Credit Availability for Consumers	**22%** ↓	30%	31%
8	Expenses	**18%**	21%	29%
9	Competition	**12%** ↓	34%	35%
10	Regulations	**12%** ↑	6%	7%
11	Credit Availability for Business	**9%** ↑	7%	6%
12	Too Much Retail Inventory	**6%**	5%	7%
13	Consumer Transparency in Pricing	**5%** ↓	9%	12%
14	Staff Turnover	**5%** ↓	8%	12%
15	Weather	**5%** ↓	19%	N/A
16	Lack of Consumer Incentives From My OEM	**3%** ↓	5%	N/A
17	Technology to Support Sales	**3%**	N/A	N/A
18	Tariffs on Imported Vehicles and Parts	**2%**	3%	4%
19	Dealership Systems/Tools	**2%** ↓	5%	5%

Significant decrease vs previous quarter ↓

Significant increase vs previous quarter ↑

Factors Holding Back Your Business?

Dealer Sentiment Index

SECOND QUARTER 2020

OVERALL RANK

		Q2 '20	Q1 '20	Q2 '19
20	OEM Mandates/Restrictions	**2%**	3%	4%
21	OEM Priorities	**2%**	N/A	N/A
22	Interest Rates	**2%** ↓	8%	16%
23	Technology to Support Operations	**1%**	N/A	N/A

Significant decrease vs previous quarter ↓

Significant increase vs previous quarter ↑

Factors Holding Back Your Business?

Dealer Sentiment Index

SECOND QUARTER 2020

FRANCHISED DEALERS

		Q2 ’20	Q1 ’20	Q2 ’19
1	Business Impacts From COVID-19/Coronavirus	**72%**	N/A	N/A
2	Economy	**53%** ↑	20%	N/A
3	Market Conditions	**45%** ↑	34%	39%
4	Consumer Confidence	**38%** ↑	18%	22%
5	Political Climate	**23%**	23%	N/A
6	Limited Inventory	**15%**	18%	19%
7	Regulations	**14%** ↑	2%	4%
8	Expenses	**13%**	17%	21%
9	Lack of Consumer Incentives From My OEM	**12%** ↓	21%	N/A
10	Competition	**10%** ↓	32%	37%
11	Staff Turnover	**9%** ↓	19%	25%
12	Credit Availability for Consumers	**8%** ↓	18%	23%
13	OEM Mandates/Restrictions	**8%**	10%	17%
14	OEM Priorities	**7%**	N/A	N/A
15	Weather	**6%** ↓	23%	N/A
16	Too Much Retail Inventory	**4%**	4%	6%
17	Consumer Transparency in Pricing	**3%** ↓	9%	12%
18	Credit Availability for Business	**2%**	2%	1%
19	Interest Rates	**2%** ↓	11%	26%

Significant decrease vs previous quarter ↓

Significant increase vs previous quarter ↑

Factors Holding Back Your Business?

Dealer Sentiment Index

SECOND QUARTER 2020

FRANCHISED DEALERS

		Q2 ’20	Q1 ’20	Q2 ’19
20	Tariffs on Imported Vehicles and Parts	**2%**	4%	6%
21	Technology to Support Sales	**2%**	N/A	N/A
22	Technology to Support Operations	**1%**	N/A	N/A
23	Dealership Systems/Tools	**1%** ⬇	8%	7%

Significant decrease vs previous quarter ⬇

Significant increase vs previous quarter ⬆

Factors Holding Back Your Business?

Dealer Sentiment Index

SECOND QUARTER 2020

INDEPENDENT DEALERS

		Q2 '20	Q1 '20	Q2 '19
1	Business Impacts From COVID-19/Coronavirus	**76%**	N/A	N/A
2	Economy	**62%** ↑	19%	N/A
3	Market Conditions	**50%** ↑	34%	40%
4	Consumer Confidence	**43%** ↑	17%	11%
5	Limited Inventory	**29%**	33%	38%
6	Credit Availability for Consumers	**27%** ↓	35%	33%
7	Political Climate	**22%** ↑	18%	N/A
8	Expenses	**20%**	22%	31%
9	Competition	**13%** ↓	35%	34%
10	Regulations	**11%** ↑	7%	8%
11	Credit Availability for Business	**11%** ↑	8%	7%
12	Consumer Transparency in Pricing	**6%** ↓	9%	13%
13	Too Much Retail Inventory	**6%**	6%	7%
14	Weather	**5%** ↓	17%	N/A
15	Staff Turnover	**4%**	4%	7%
16	Technology to Support Sales	**3%**	N/A	N/A

Significant decrease vs previous quarter ↓

Significant increase vs previous quarter ↑

Factors Holding Back Your Business?

Dealer Sentiment Index

SECOND QUARTER 2020

INDEPENDENT DEALERS

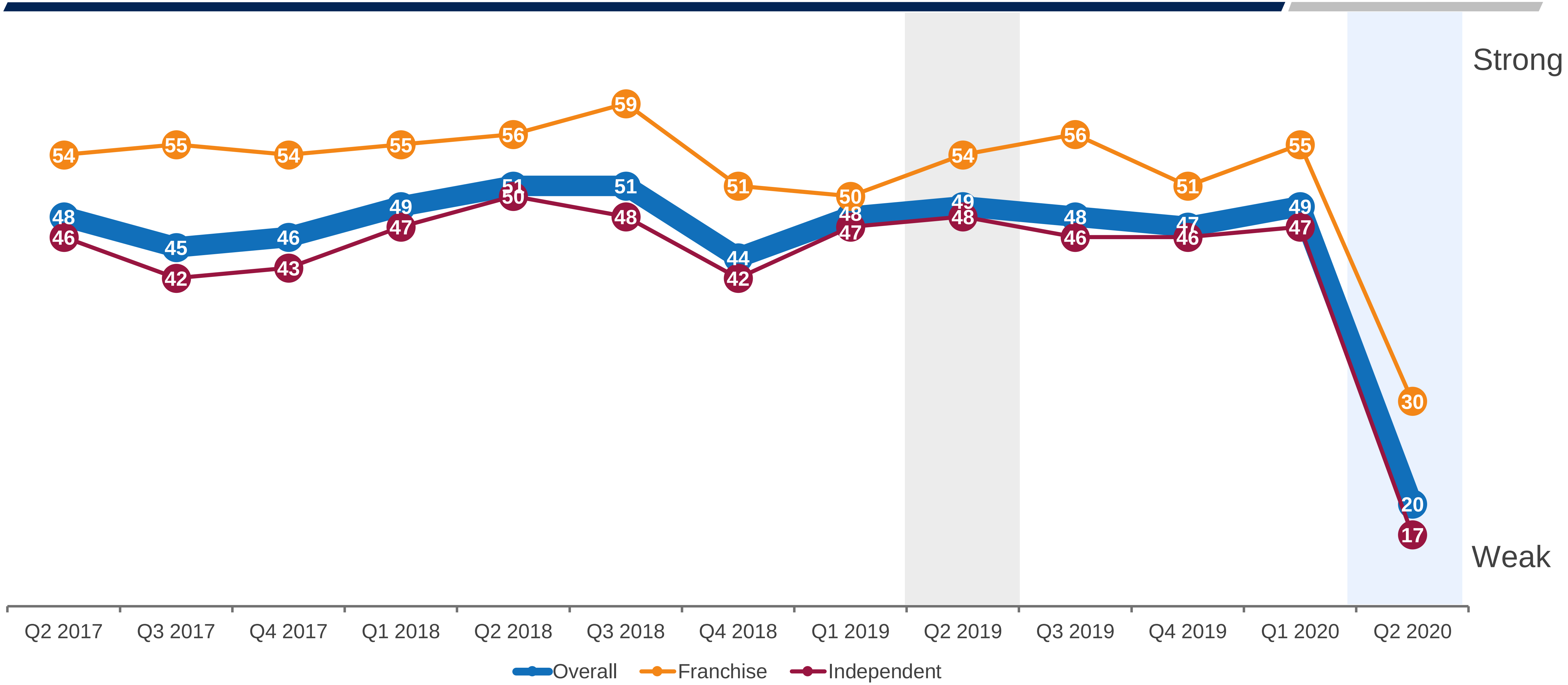
		Q2 '20	Q1 '20	Q2 '19
17	Tariffs on Imported Vehicles and Parts	**3%**	3%	4%
18	Dealership Systems/Tools	**2%** ⬇	4%	5%
19	Interest Rates	**1%** ⬇	7%	13%
20	Technology to Support Operations	**1%**	N/A	N/A

Significant decrease vs previous quarter ⬇

Significant increase vs previous quarter ⬆

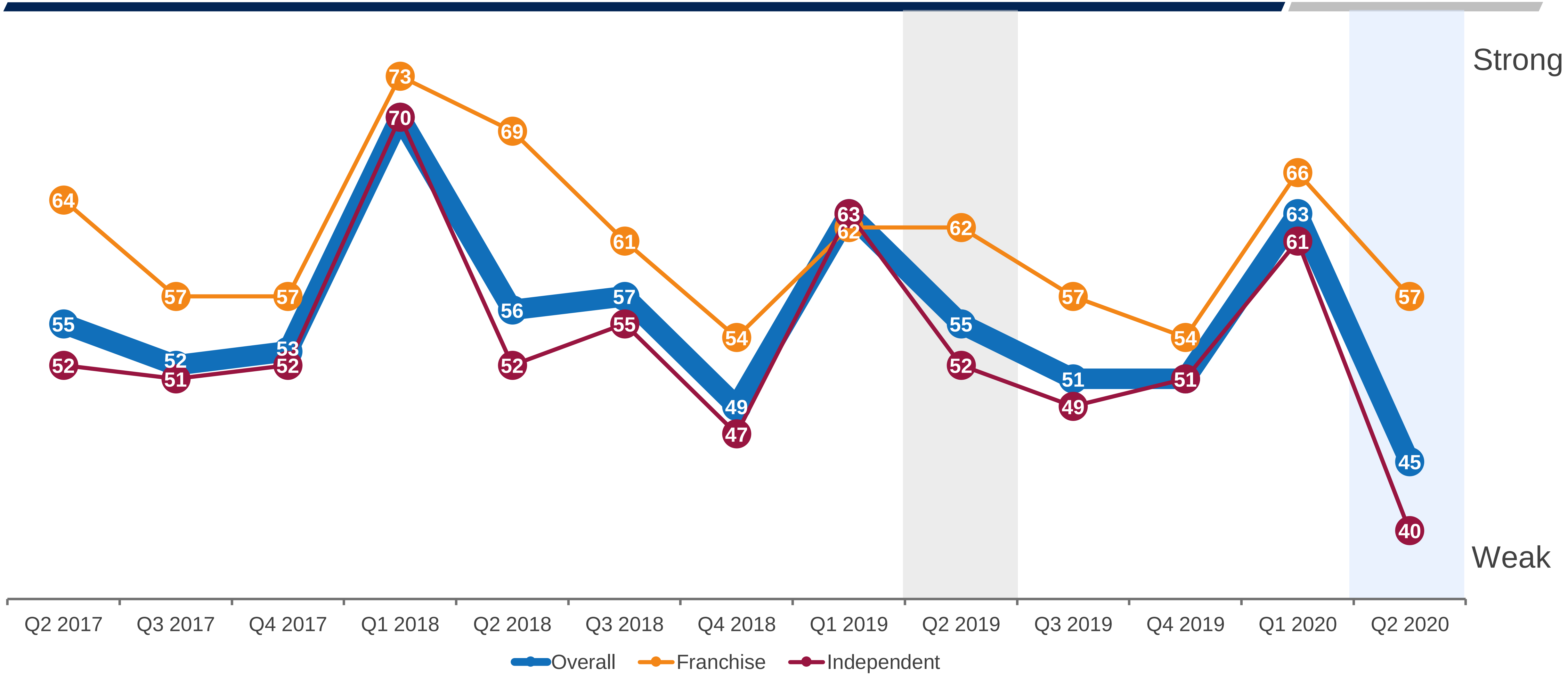
The Business Impact of COVID-19

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



Note: Scale 1 - 100

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



Note: Scale 1 - 100

Top Priorities at This Time

	Overall	Franch. (A)	Indep. (B)	High Tax States	All Other States
Staying in business in general	46%	23%	**54% A**	49%	45%
Reducing expenses / cutting costs	15%	13%	16%	18%	14%
Improving Sales & Service solutions	11%	**20% B**	8%	12%	11%
Improving efficiency in general	11%	12%	10%	11%	11%
Retaining customers	8%	**14% B**	6%	5%	8%
Retaining employees	4%	**9% B**	3%	3%	4%
Gaining market share	3%	**7% B**	2%	1%	4%
Other	2%	2%	2%	1%	2%

Regional View – Index Scores

Question	Answer	North-east	Mid-west	South	West
Current Market	Strong/Weak	23	31	33	32
Market Next 3 Months	Strong/Weak	56	57	60	54
Customer Traffic	Strong/Weak	11	19	26	21
Profits	Strong/Weak	17	22	32	24
Dealer Credit	Easy/Difficult	58	61	55	57
Costs	Growing/Declining	46	47	53	44
New Vehicle Sales	Good/Poor	27	38	47	42

Note: Scale 1 - 100

Regional View – Index Scores

Question	Answer	North-east	Mid-west	South	West
Used Vehicle Sales	Good/Poor	31	45	51	37
Used Vehicle Inventory	Growing/Declining	45	44	45	38
Current Mix of Used Inventory	Good/Poor	52	56	60	57
Price Pressure	More/Less	68	69	69	71
Staffing	Growing/Declining	27	37	42	30
OEM incentives	Large/Small	51	47	51	58
Economy	Strong/Weak	22	29	34	30

Note: Scale 1 - 100

State Sales Impact – Index Scores

Question	Answer	Severe (A)	Moderate (B)	None (C)
Current Market	Strong/Weak	18	19	23[A]
Market Next 3 Months	Strong/Weak	41	47	47[A]
Customer Traffic	Strong/Weak	9	11	16[AB]
Profits	Strong/Weak	14	18	19[A]
Dealer Credit	Easy/Difficult	49[C]	48	43
Costs	Growing/Declining	52	49	51
New Vehicle Sales	Good/Poor	34	41	44[A]

Note: Scale 1 - 100

State Sales Impact – Index Scores

Question	Answer	Severe (A)	Moderate (B)	None (C)
Used Vehicle Sales	Good/Poor	20	26^{A}	30^{A}
Used Vehicle Inventory	Growing/Declining	32	31	31
Current Mix of Used Inventory	Good/Poor	55	53	50
Price Pressure	More/Less	70	71	69
Staffing	Growing/Declining	31	33	39^{AB}
OEM incentives	Large/Small	51	52	52
Economy	Strong/Weak	20	24	25^{A}

Note: Scale 1 - 100

Dealer Sentiment Index

SECOND QUARTER 2020

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