

# Dealer Sentiment Index

THIRD QUARTER 2020  
COVID-19 RECOVERY



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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 Q3 2020 CADSI is based on 1,112 U.S. auto dealer respondents, comprising 596 franchised dealers and 516 independents. The survey was conducted from July 27 to August 11, 2020.

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

# Key Takeaways

Dealer sentiment significantly increased in Q3, according to the latest Cox Automotive Dealer Sentiment Index (CADSI). For the most part, sentiment has now fully recovered from the historic, pandemic-driven drops in Q2.

The overall current market index moved into positive territory in Q3 with a score of 56, a 36-point increase from last quarter. The increase was the largest quarter-over-quarter jump in CADSI history and put the current market index at a record high. The record-setting shift illustrates what has been a roller-coaster season for U.S. auto dealers, rocked by COVID-19. Year over year, the current market index was up a statistically significant 8 points.

CADSI research for Q3 was undertaken in late July and early August, when vehicle sales were improving and dealerships were open for business, with restrictions. Conversely, Q2 research was conducted in late April and early May, when business in many markets was fully shut down.

“Dealer sentiment improved dramatically in Q3 as the economy improved and dealers enjoyed strong sales,” said Cox Automotive Chief Economist Jonathan Smoke. “Improved traffic, less price pressure, and stronger profits lifted sentiment higher than a year ago.”

Consistent with the improvement in the current market index, the key drivers of sentiment saw improvement as well. The 3-month market outlook index registered a significant increase from the prior quarter while the price pressure index saw a decline, dropping to 45, a CADSI record. The Q3 reading indicates fewer dealers feel pressure to lower prices.

The view of new-vehicle sales was up in Q3 compared to last year and last quarter. The new vehicle sales index rose to 61, the highest score in two years. New-vehicle inventory sentiment, on the other hand, was down in Q3 compared to last quarter and last year. The index score of 29 was at an all-time low.

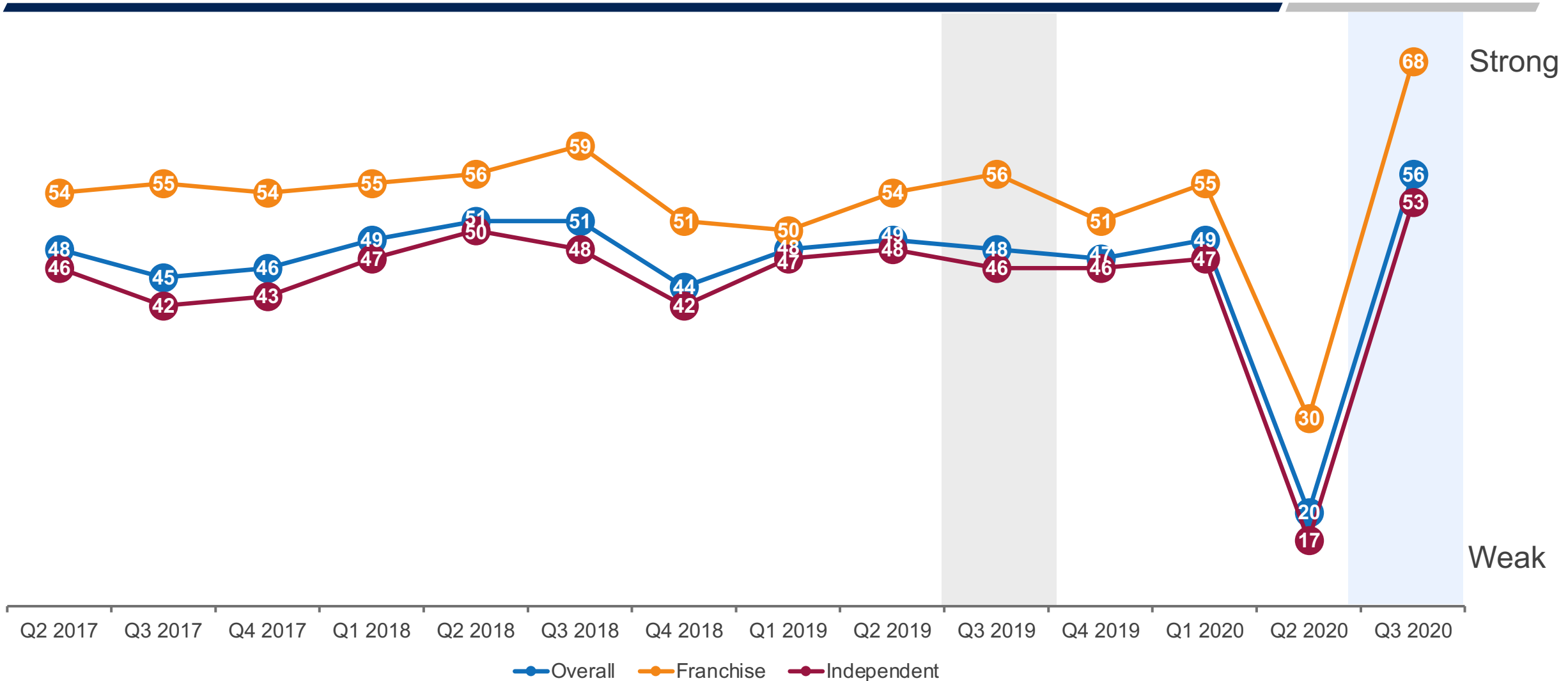
The used-vehicle sales index increased significantly as well, rising from 26 in Q2 to 55. The view from independent dealers improved from last quarter, but the used vehicle index score of 47 remained below the positive threshold. The used-vehicle sales index for franchised dealers was also higher from Q2 to Q3, moving from 43 to 77, an all-time high. The used-vehicle inventory index declined in Q3, reflecting shrinking inventory. The reading of 21 was also a record low.

The top 5 factors holding back the business across all dealers significantly shifted from Q2 to Q3, with Limited Inventory reaching the top spot, moving up from the 5th spot last quarter. Business Impacts From COVID-19 moved down to 2 from the top spot last quarter. Market Conditions stayed in the 3rd spot while the Economy dropped from 2nd to 4th. Political Climate rose to the top 5, its highest rank in CADSI history with 27% of dealers citing it.

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

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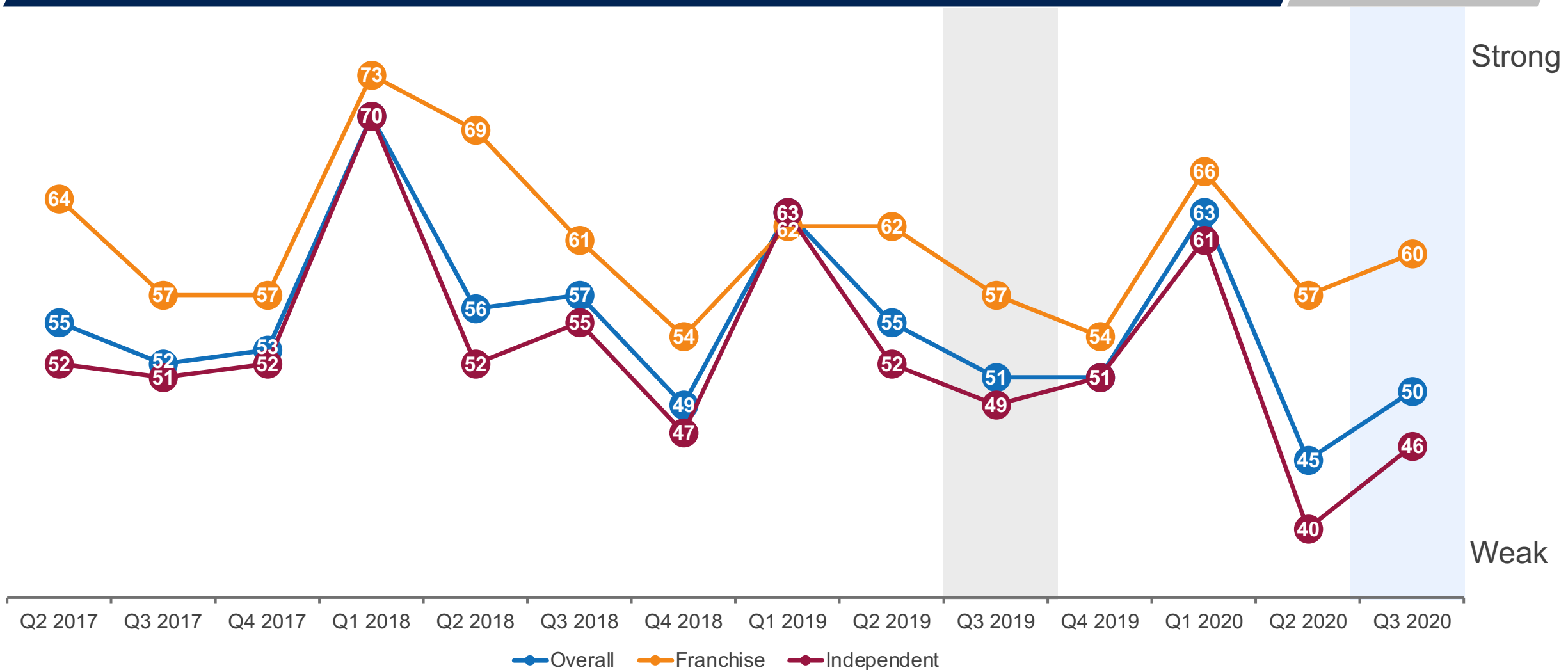


Note: Scale 1 - 100

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

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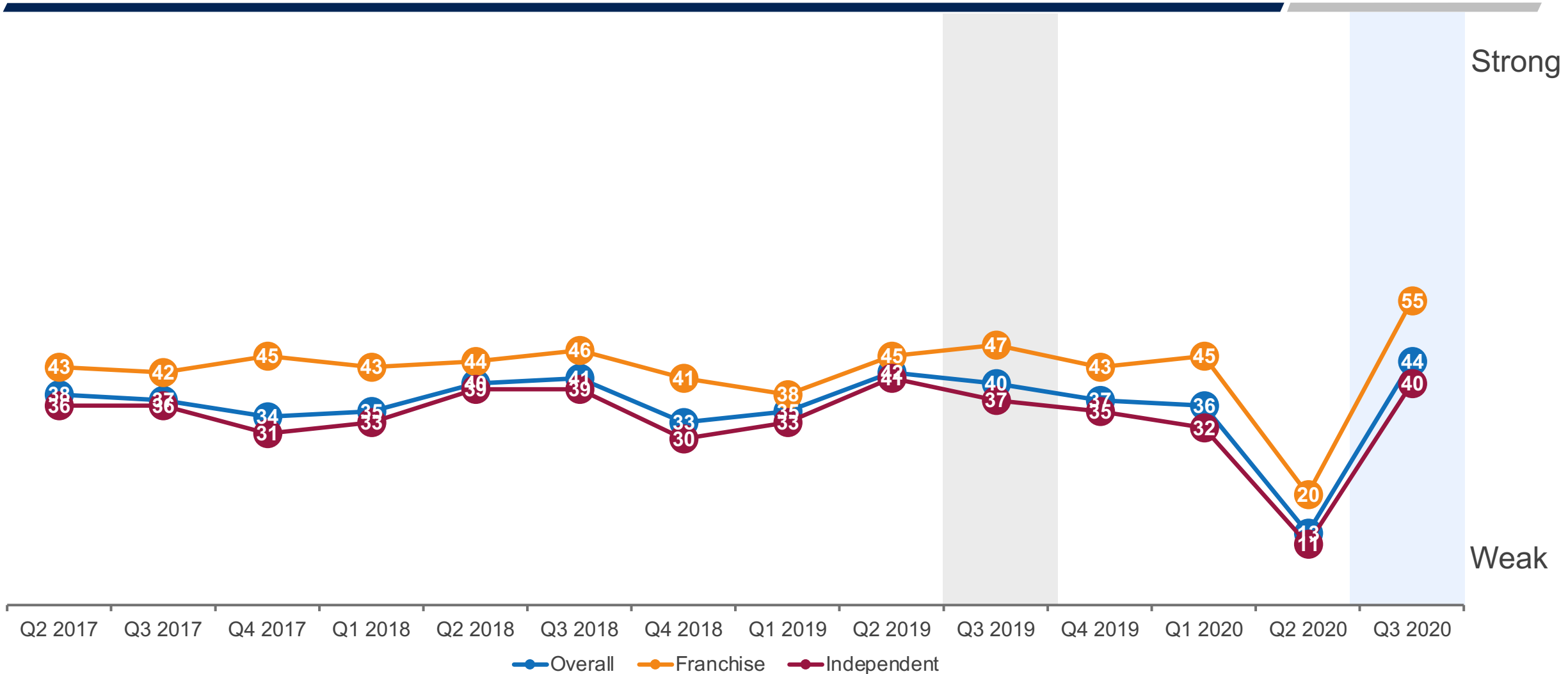


Note: Scale 1 - 100

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

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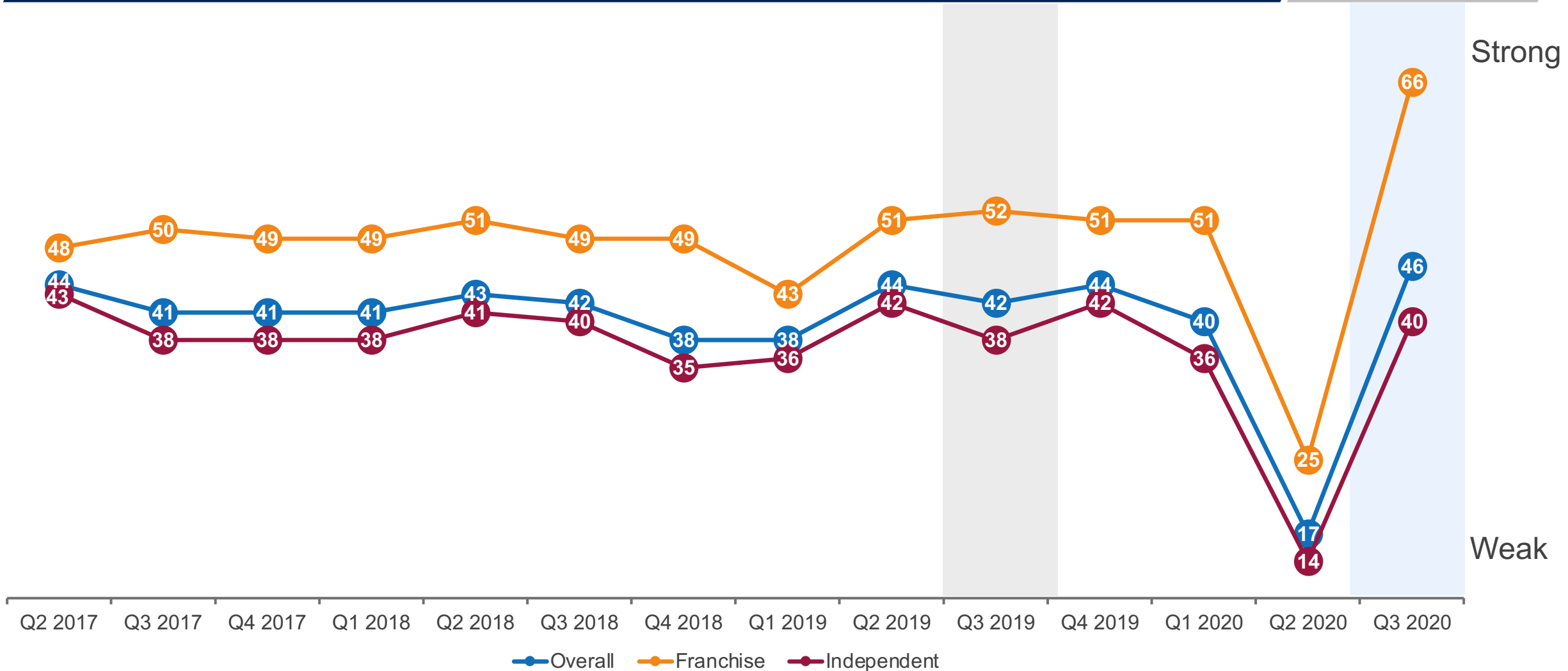


Note: Scale 1 - 100

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

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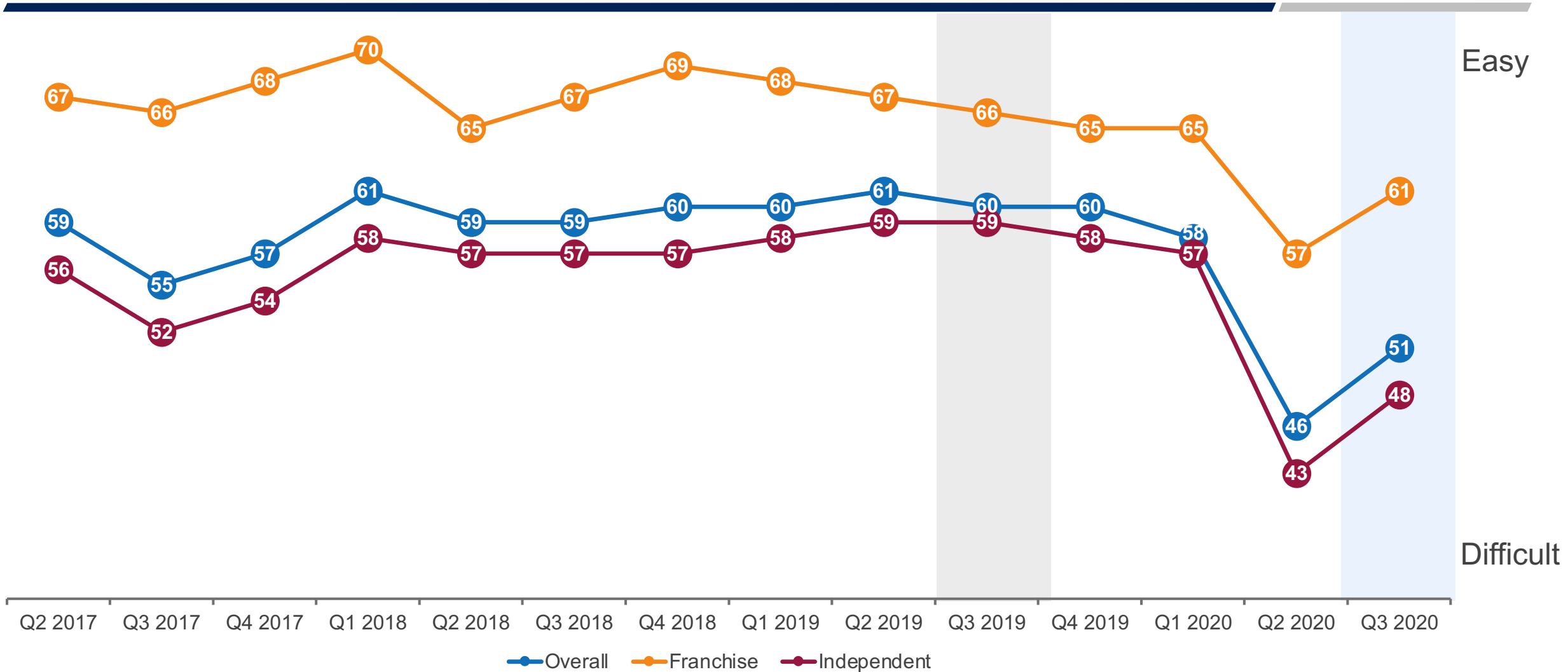
Note: Scale 1 - 100



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

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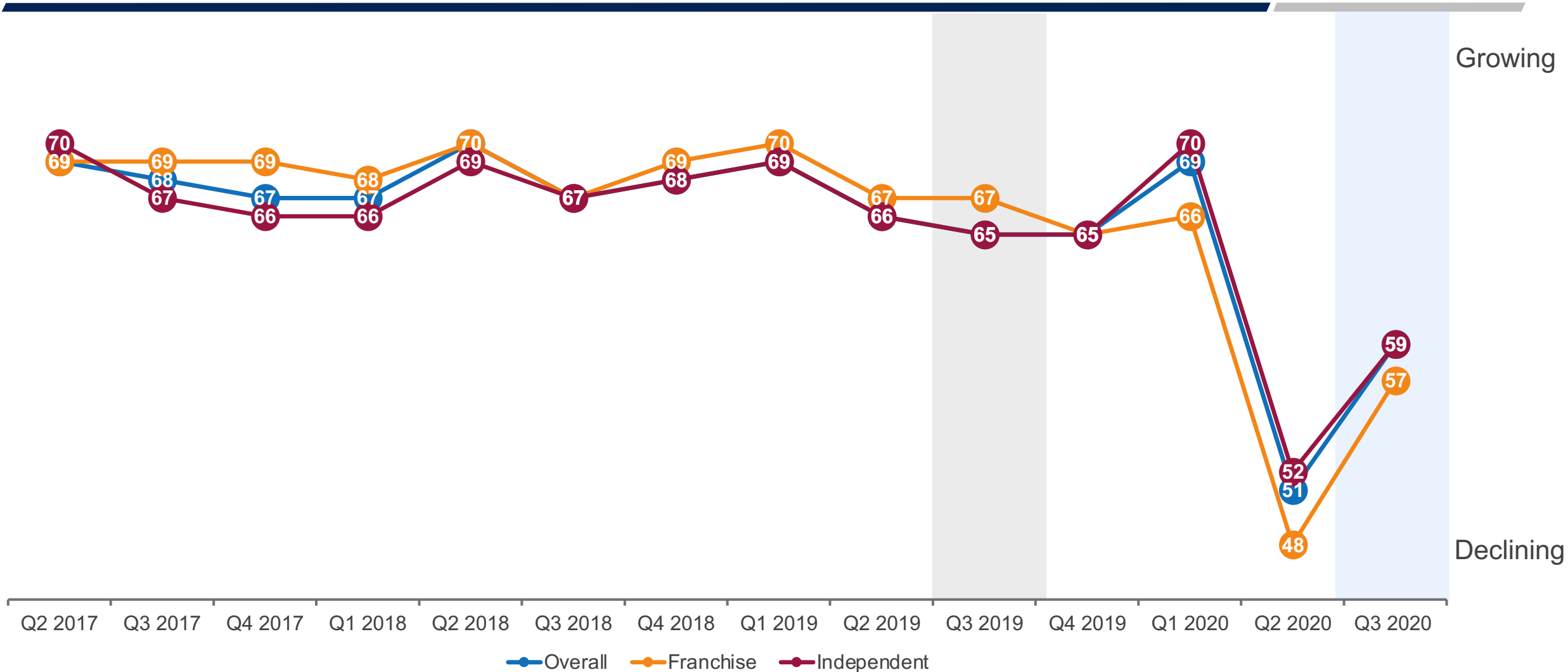
Note: Scale 1 - 100



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

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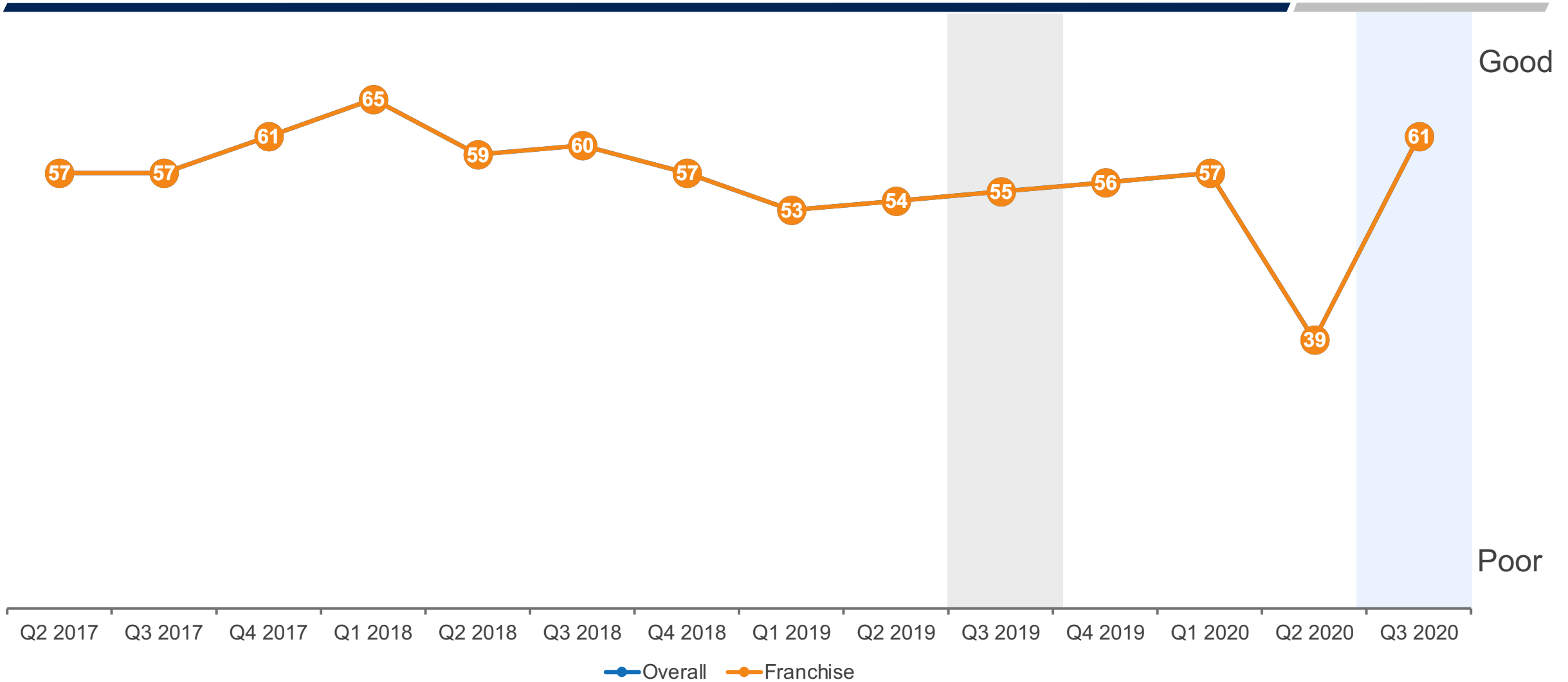


Note: Scale 1 - 100

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

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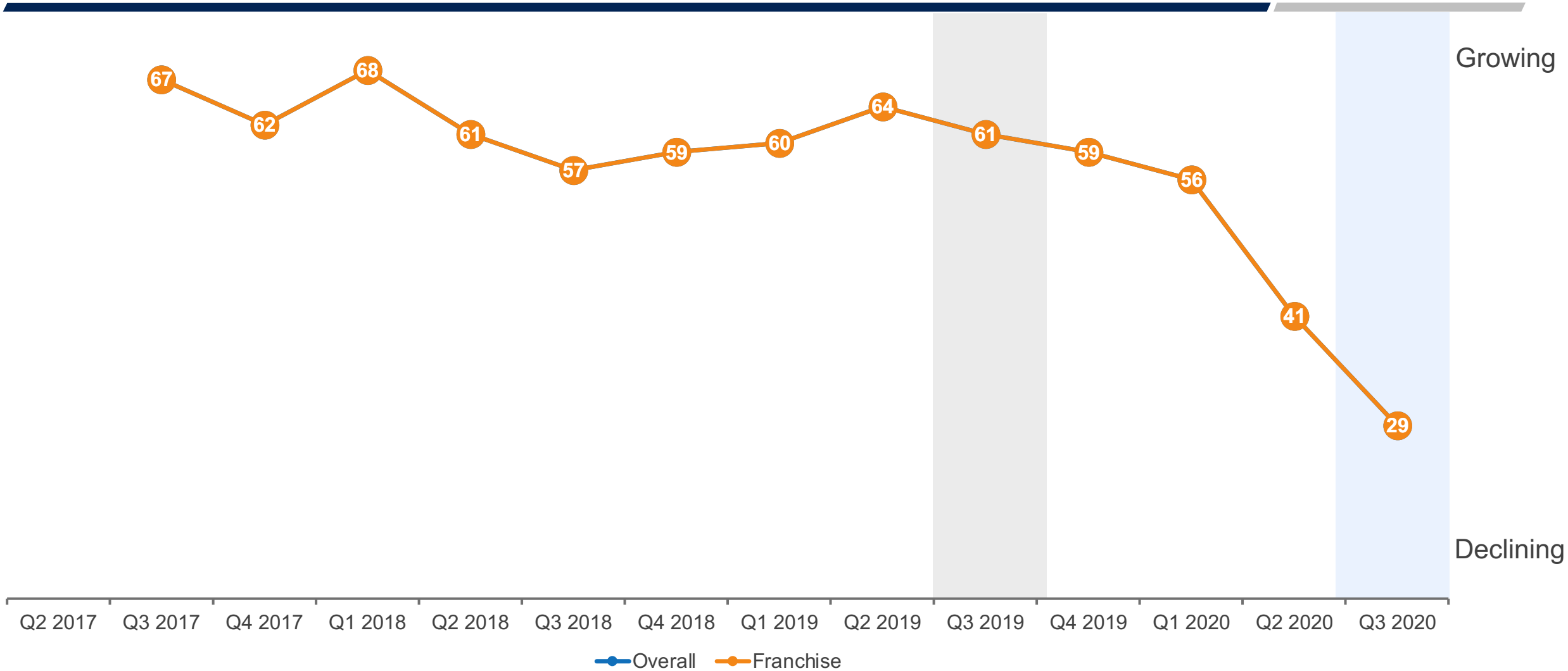


Note: Scale 1 - 100

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

# Dealer Sentiment Index

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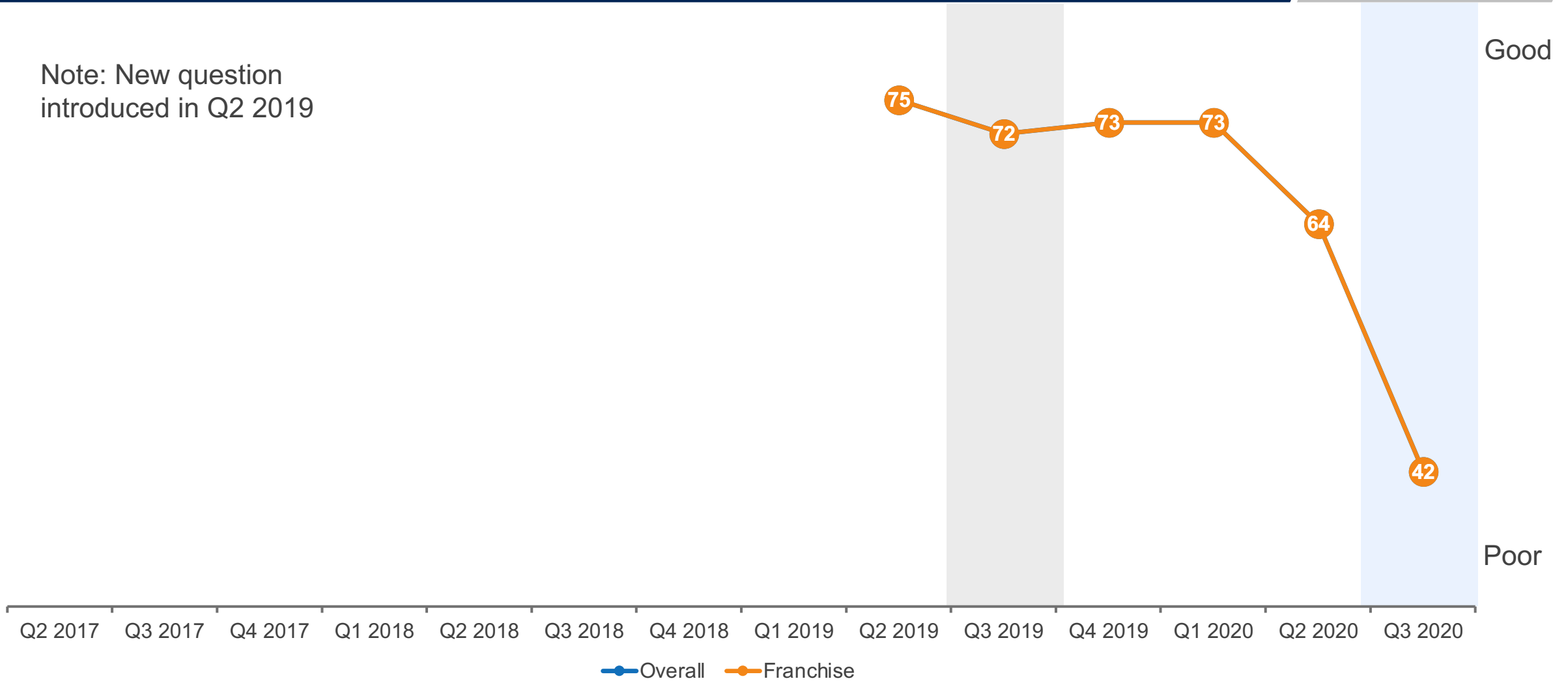
Note: Scale 1 - 100

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

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Note: New question introduced in Q2 2019

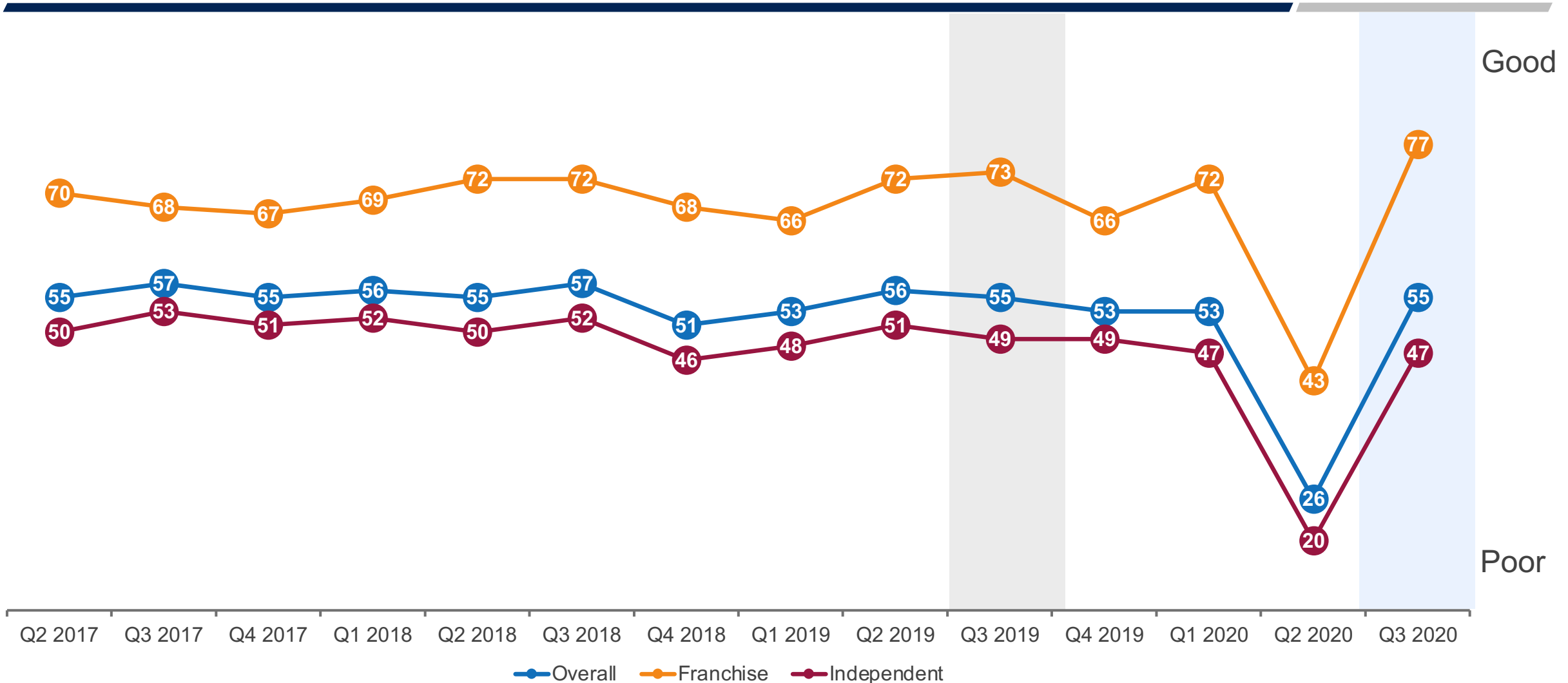


Note: Scale 1 - 100

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

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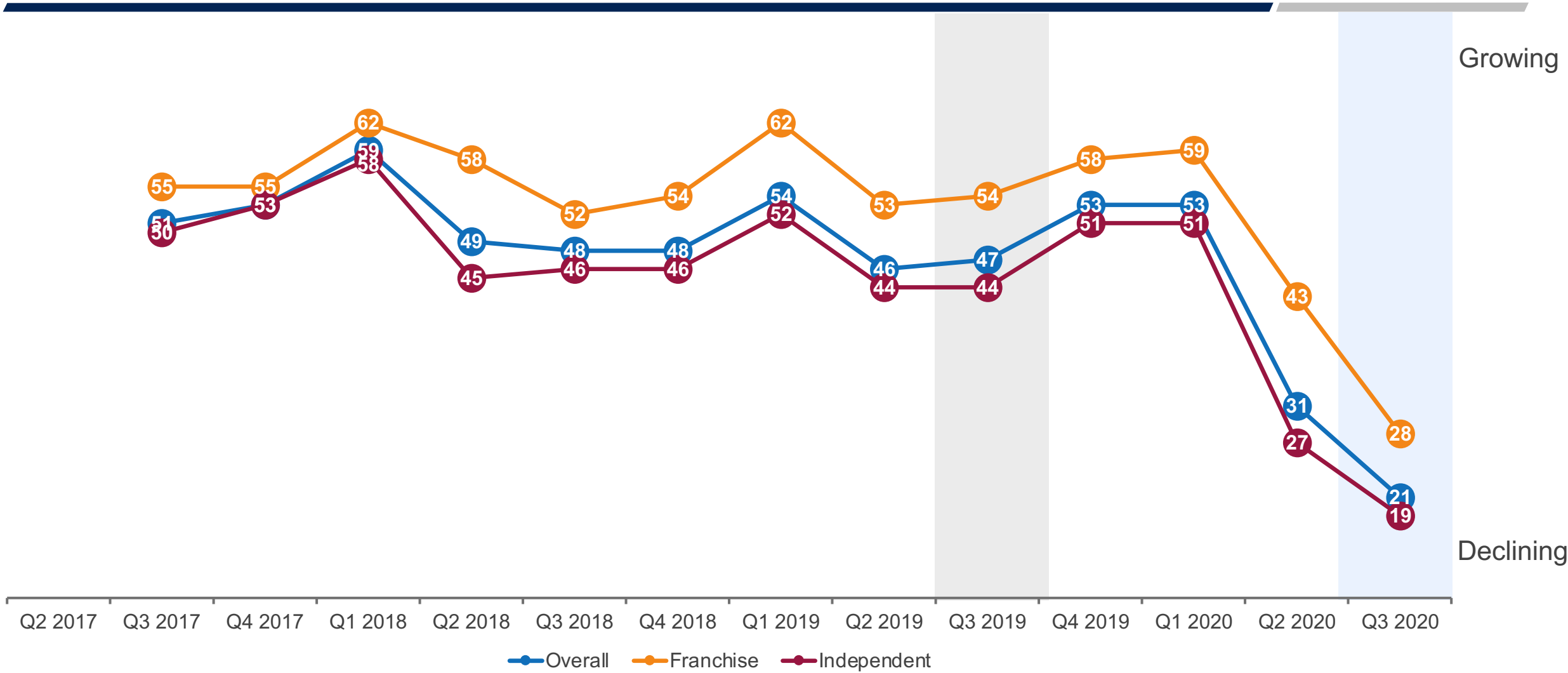


Note: Scale 1 - 100

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

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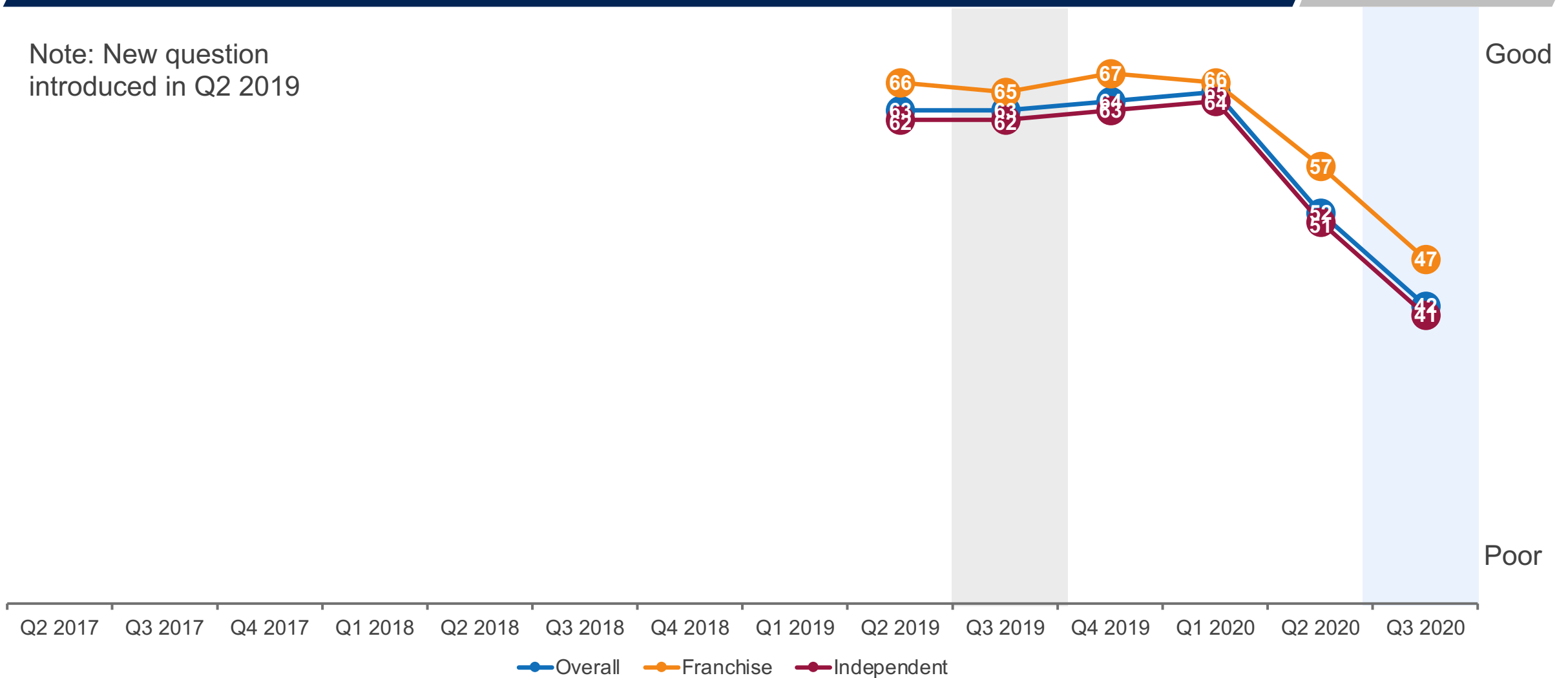
Note: Scale 1 - 100

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

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Note: New question introduced in Q2 2019



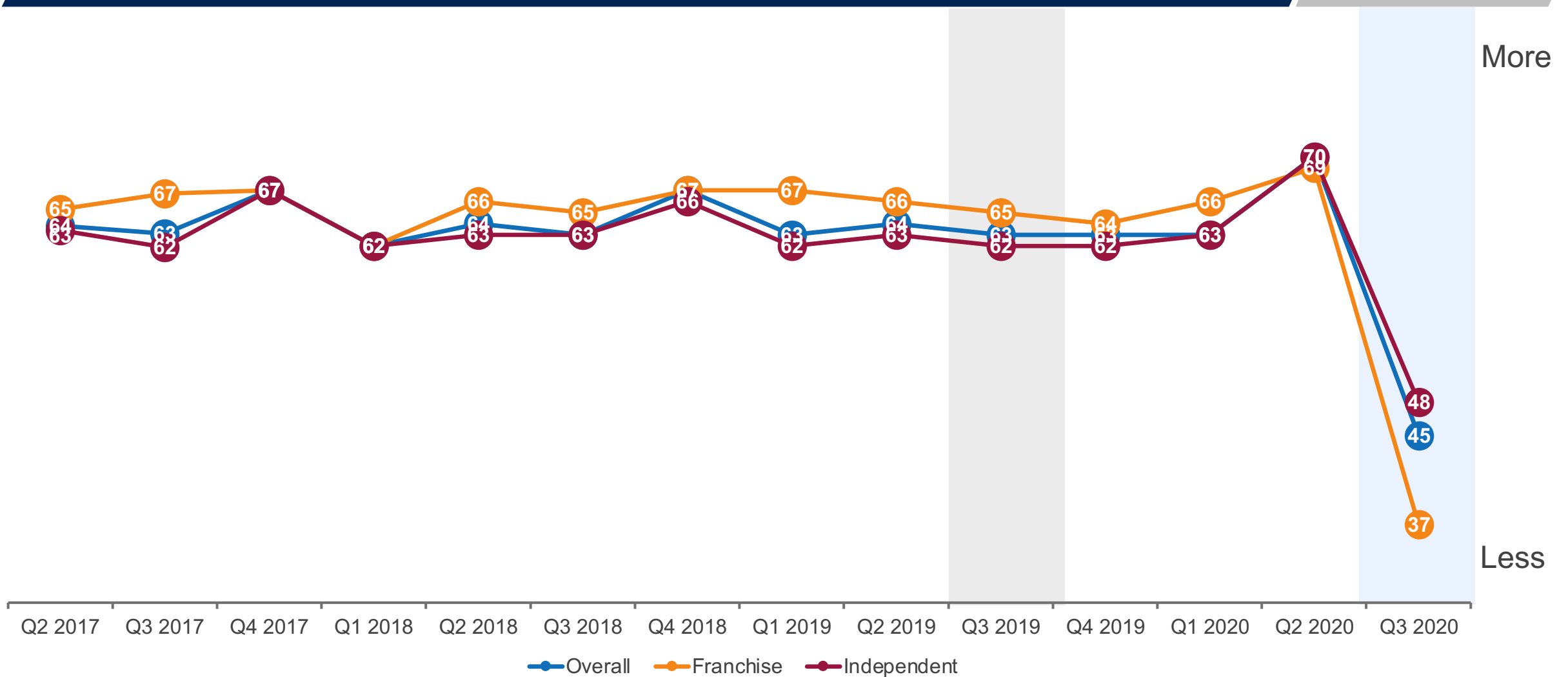
Note: Scale 1 - 100



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

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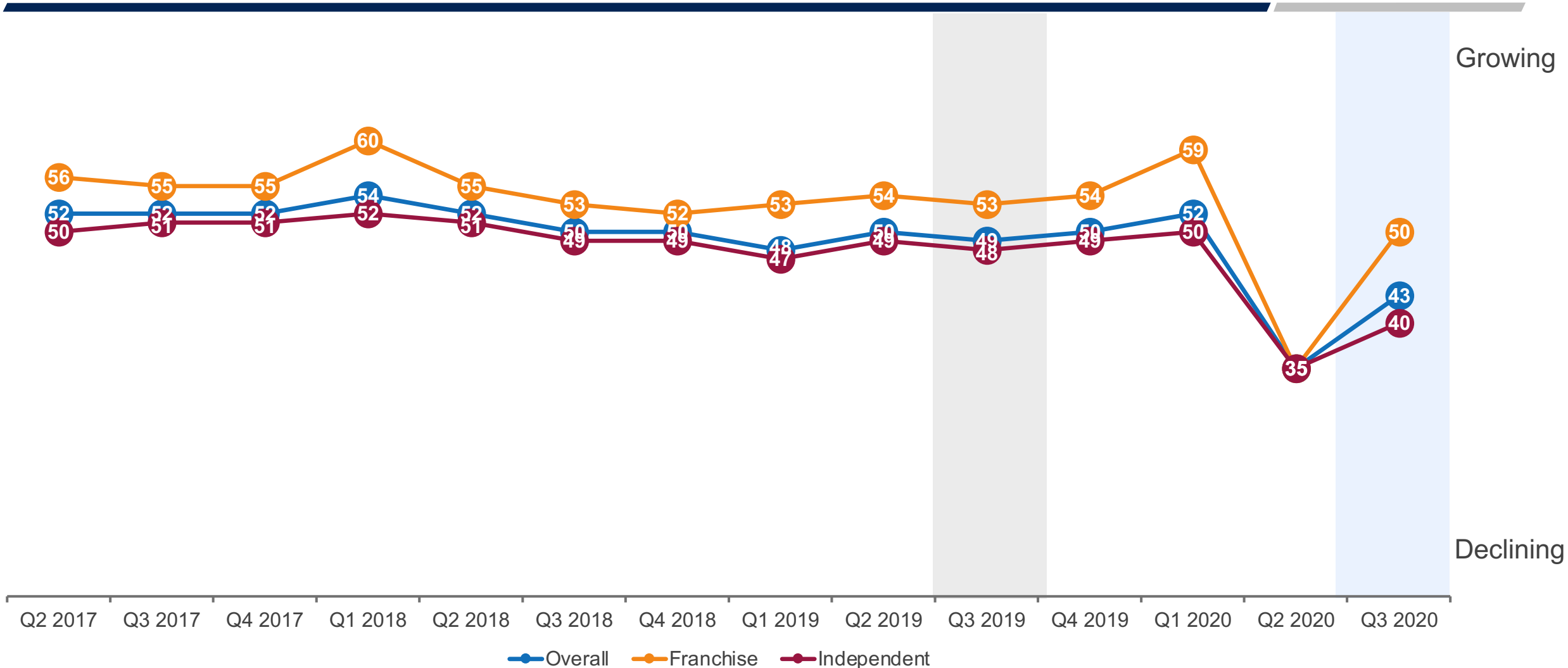


Note: Scale 1 - 100

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

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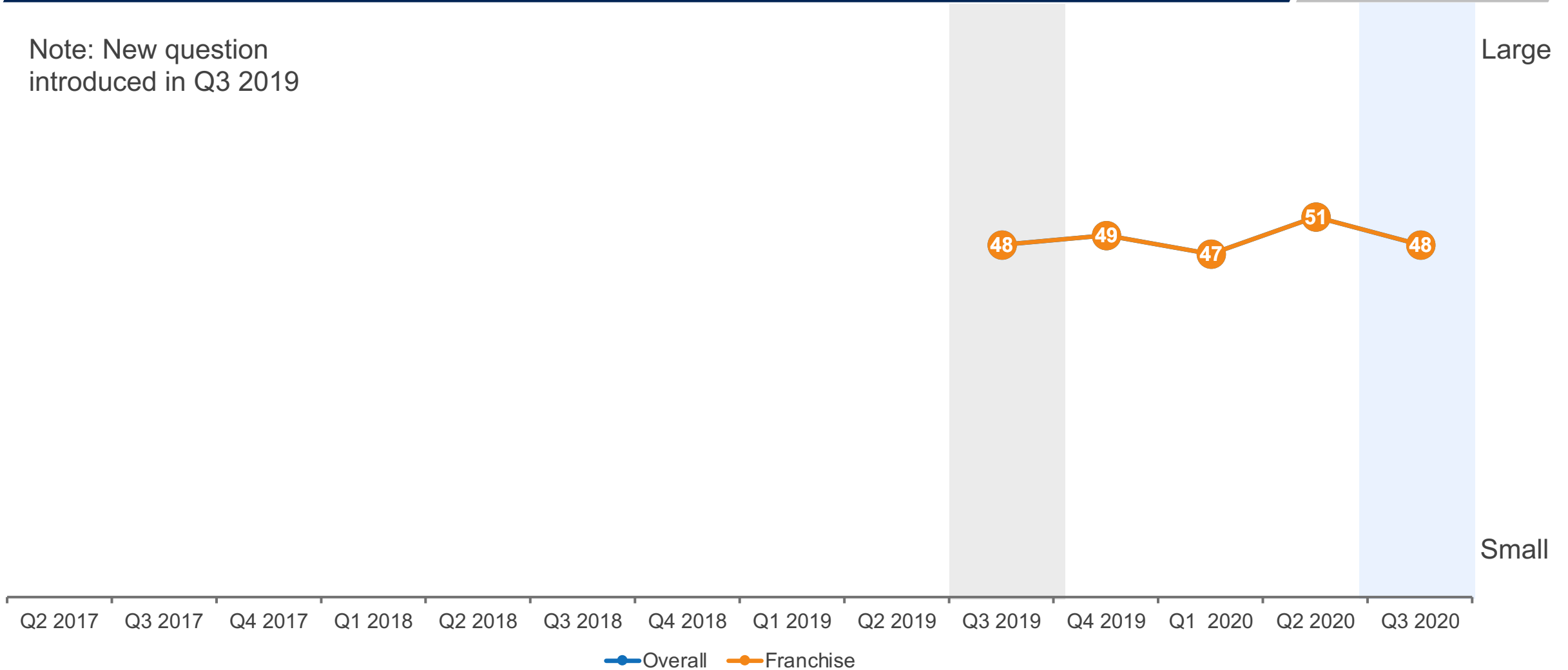
Note: Scale 1 - 100

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

## Dealer Sentiment Index

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Note: New question introduced in Q3 2019



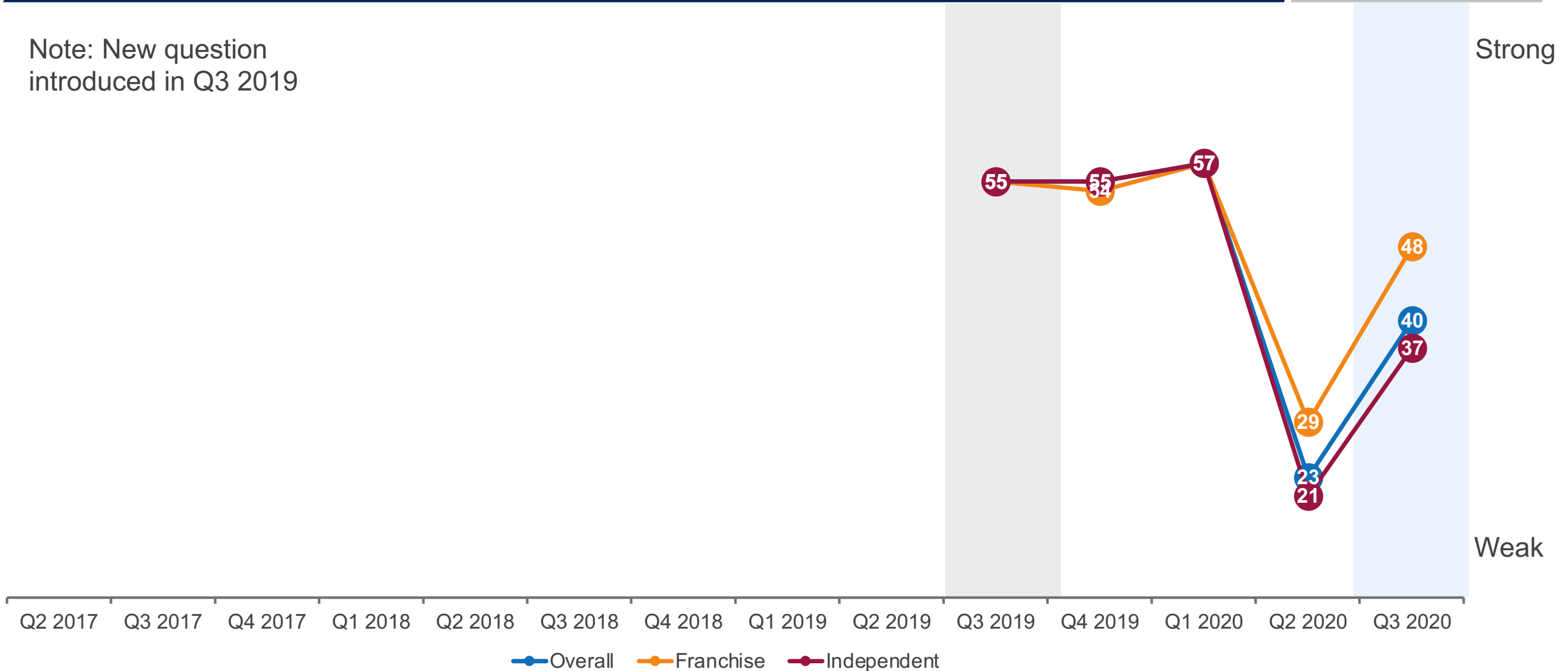
Note: Scale 1 - 100

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

## Dealer Sentiment Index

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Note: New question introduced in Q3 2019



Note: Scale 1 - 100

# Factors Holding Back Your Business?

# Dealer Sentiment Index

THIRD QUARTER 2020

OVERALL RANK

		Q3 '20	Q2 '20	Q1 '20
1	Limited Inventory	60% ↑	26%	31%
2	Business Impacts From COVID-19/Coronavirus	49% ↓	75%	N/A
3	Market Conditions	40% ↓	49%	38%
4	Economy	39% ↓	60%	23%
5	Political Climate	27% ↑	22%	14%
6	Consumer Confidence	24% ↓	42%	14%
7	Credit Availability for Consumers	21%	22%	31%
8	Expenses	20%	18%	25%
9	Competition	13%	12%	33%
10	Regulations	8% ↓	12%	7%
11	Credit Availability for Business	7%	9%	7%
11	Staff Turnover	7%	5%	9%
13	Consumer Transparency in Pricing	5%	5%	11%
14	Dealership Systems/Tools	4% ↑	2%	5%
14	Interest Rates	4% ↑	2%	11%
16	Lack of Consumer Incentives From My OEM	3%	3%	4%
16	Weather	3% ↓	5%	10%
16	Technology to Support Sales	3%	3%	N/A
19	Too Much Retail Inventory	2% ↓	6%	7%

Significant decrease vs previous quarter



Significant increase vs previous quarter



# Factors Holding Back Your Business?

# Dealer Sentiment Index

THIRD QUARTER 2020

OVERALL RANK

		Q3 '20	Q2 '20	Q1 '20
20	Tariffs on Imported Vehicles and Parts	2%	2%	5%
20	Technology to Support Operations	2%	1%	N/A
20	OEM Priorities	2%	2%	N/A
20	OEM Mandates/Restrictions	2%	2%	3%

Significant decrease vs previous quarter



Significant increase vs previous quarter



# Factors Holding Back Your Business?

# Dealer Sentiment Index

THIRD QUARTER 2020

FRANCHISED DEALERS

		Q3 '20	Q2 '20	Q1 '20
1	Limited Inventory	59% ↑	15%	20%
2	Business Impacts From COVID-19/Coronavirus	46% ↓	72%	N/A
3	Economy	33% ↓	53%	26%
4	Market Conditions	32% ↓	45%	37%
5	Political Climate	30% ↑	23%	19%
6	Consumer Confidence	24% ↓	38%	17%
7	Lack of Consumer Incentives From My OEM	13%	12%	18%
8	Credit Availability for Consumers	11%	8%	21%
8	Expenses	11%	13%	20%
10	Staff Turnover	10%	9%	22%
10	Competition	10%	10%	36%
12	OEM Priorities	7%	7%	N/A
12	Regulations	7% ↓	14%	4%
14	OEM Mandates/Restrictions	6%	8%	14%
15	Weather	4%	6%	11%
15	Consumer Transparency in Pricing	4%	3%	11%
17	Tariffs on Imported Vehicles and Parts	3%	2%	8%
17	Interest Rates	3%	2%	17%
19	Dealership Systems/Tools	2%	1%	7%

Significant decrease vs previous quarter



Significant increase vs previous quarter






# Factors Holding Back Your Business?

# Dealer Sentiment Index

SECOND QUARTER 2020

FRANCHISED DEALERS

		Q3 '20	Q2 '20	Q1 '20
20	Credit Availability for Business	1%	2%	2%
20	Technology to Support Sales	1%	2%	N/A
20	Too Much Retail Inventory	1% 	4%	5%
20	Technology to Support Operations	1%	1%	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

		Q3 '20	Q2 '20	Q1 '20
1	Limited Inventory	60% ↑	29%	35%
2	Business Impacts From COVID-19/Coronavirus	50% ↓	76%	N/A
3	Market Conditions	43% ↓	50%	38%
4	Economy	41% ↓	62%	22%
5	Political Climate	25%	22%	12%
6	Credit Availability for Consumers	25%	27%	34%
7	Consumer Confidence	24% ↓	43%	12%
8	Expenses	24% ↑	20%	27%
9	Competition	14%	13%	32%
10	Regulations	9%	11%	8%
11	Credit Availability for Business	9%	11%	9%
12	Staff Turnover	6%	4%	5%
13	Consumer Transparency in Pricing	6%	6%	11%
14	Dealership Systems/Tools	5% ↑	2%	4%
15	Interest Rates	4% ↑	1%	9%
16	Technology to Support Sales	3%	3%	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

		Q3 '20	Q2 '20	Q1 '20
17	Too Much Retail Inventory	3% ↓	6%	7%
18	Weather	2% ↓	5%	10%
19	Technology to Support Operations	2%	1%	N/A
20	Tariffs on Imported Vehicles and Parts	2%	3%	4%

Significant decrease vs previous quarter



Significant increase vs previous quarter



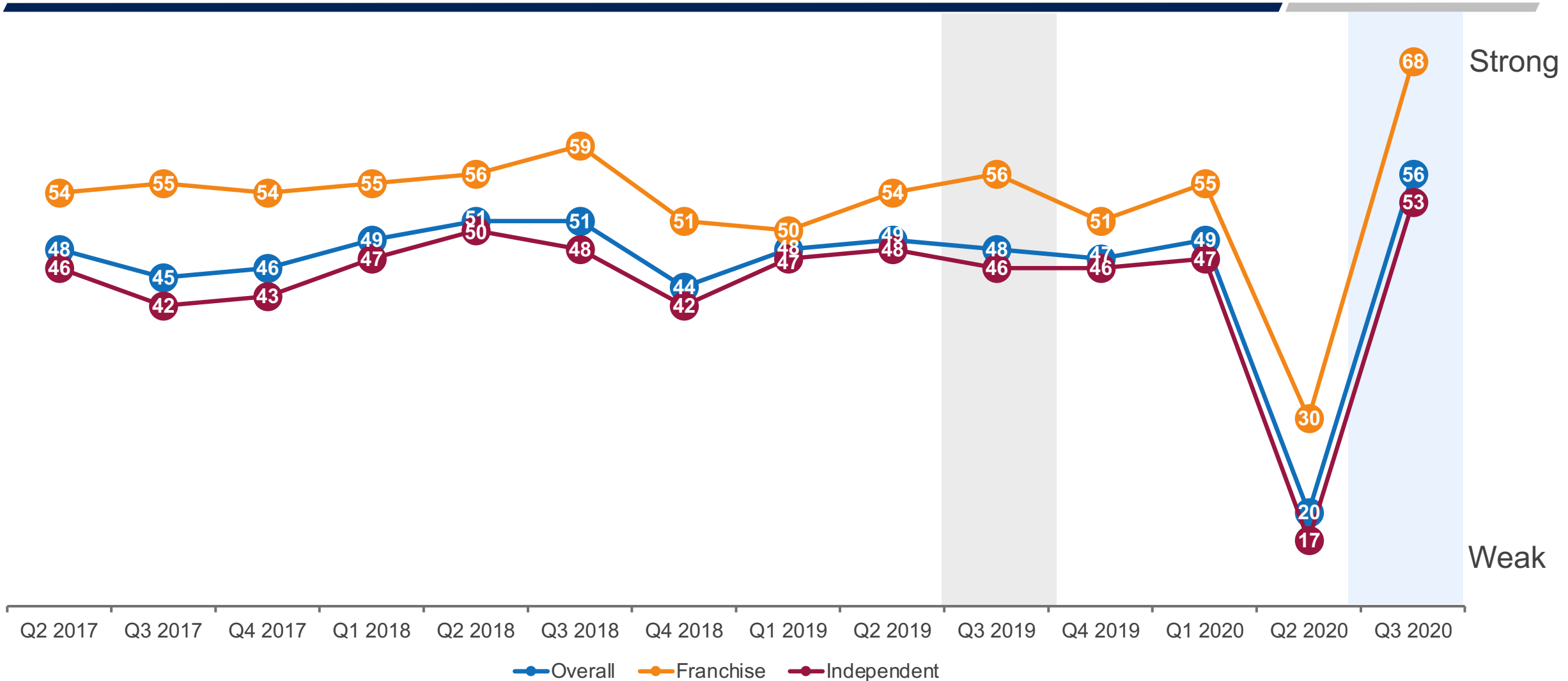
# The Business Impact of COVID-19



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

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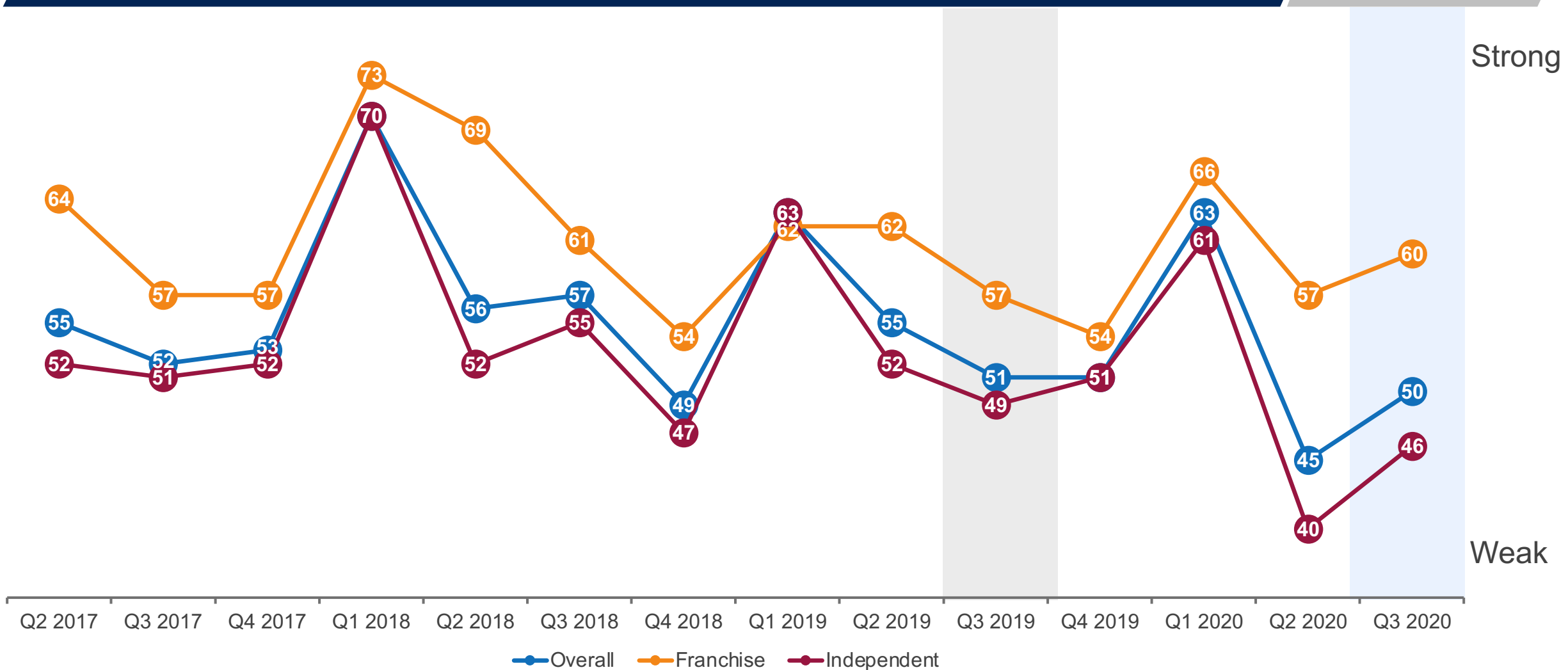


Note: Scale 1 - 100

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

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Note: Scale 1 - 100

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## Top Priorities at This Time

	Overall Q2 / Q3	Franch. Q2 / Q3	Indep. Q2 / Q3	High Tax States Q2 / Q3	All Other States Q2 / Q3
Finding/Buying inventory*	NA / 47%	N/A / 36%	N/A / 51%	N/A / 38%	N/A / 49%
Staying in business in general	46% / 19%	23% / 10%	54% A / 22%	49% / 23%	45% / 18%
Improving efficiency in general	11% / 8%	12% / 12%	10% / 7%	11% / 10%	11% / 7%
Reducing expenses by cutting unnecessary costs	15% / 7%	13% / 6%	16% / 7%	18% / 7%	14% / 7%
Improving Sales and Service solutions	11% / 7%	20% B / 11%	8% / 5%	12% / 10%	11% / 6%
Retaining customers	8% / 5%	14% B / 10%	6% / 3%	5% / 7%	8% / 5%
Gaining market share	3% / 4%	7% B / 10%	2% / 2%	1% / 3%	4% / 4%
Retaining employees	4% / 1%	9% B / 4%	3% / 1%	3% / 0%	4% / 2%
Other	2% / 2%	2% / 1%	2% / 2%	1% / 2%	2% / 2%



# Dealer Sentiment Index

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## Regional View – Index Scores (Franchised Dealers)

Question	Answer	North-east	Mid-west	South	West
Current Market	Strong/Weak	<b>78</b>	<b>67</b>	<b>66</b>	<b>63</b>
Market Next 3 Months	Strong/Weak	59	61	61	58
Customer Traffic	Strong/Weak	<b>66</b>	<b>59</b>	<b>51</b>	<b>43</b>
Profits	Strong/Weak	<b>66</b>	<b>68</b>	<b>66</b>	<b>63</b>
Dealer Credit	Easy/Difficult	60	61	62	59
Costs	Growing/Declining	<b>57</b>	<b>57</b>	56	<b>60</b>
New Vehicle Sales	Good/Poor	<b>68</b>	<b>60</b>	<b>61</b>	<b>56</b>
New Vehicle Inventory	Growing/Declining	<b>25</b>	<b>24</b>	37	<b>23</b>
New Vehicle Inventory Mix	Good/Poor	<b>43</b>	<b>35</b>	<b>48</b>	<b>41</b>



Note: Scale 1 – 100

**GREEN:** Significant increase from prior quarter

**RED:** Significant decrease from prior quarter

# Dealer Sentiment Index

THIRD QUARTER 2020

## Regional View – Index Scores (Franchised Dealers)

Question	Answer	North-east	Mid-west	South	West
Used Vehicle Sales	Good/Poor	<b>80</b>	<b>81</b>	<b>71</b>	<b>77</b>
Used Vehicle Inventory	Growing/Declining	<b>28</b>	<b>25</b>	<b>30</b>	33
Used Vehicle Inventory Mix	Good/Poor	48	47	<b>49</b>	<b>44</b>
Price Pressure	More/Less	<b>32</b>	<b>37</b>	<b>39</b>	<b>40</b>
Staffing	Growing/Declining	<b>50</b>	<b>53</b>	50	<b>46</b>
OEM incentives	Large/Small	50	44	48	53
Economy	Strong/Weak	<b>50</b>	<b>53</b>	<b>47</b>	41



Note: Scale 1 – 100

**GREEN:** Significant increase from prior quarter

**RED:** Significant decrease from prior quarter



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## Contact Information:

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A large, blue, three-dimensional signpost with the word "COX" in white, sans-serif capital letters. The signpost is set against a background of a modern glass skyscraper and a clear blue sky.

← (P) 6205 6305

▲ (P) 6325