Dealer Sentiment Index

FIRST QUARTER 2021

A RECOVERY IN SIGHT

COX AUTOMOTIVE™

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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 Q1 2021 CADSI is based on 1,058 U.S. auto dealer respondents, comprising 599 franchised dealers and 459 independents. The survey was conducted from January 26th to February 7th, 2021.

The next quarterly report will be released in June 2021. The CADSI was first published in Q3 2017.

Key Takeaways

Dealer sentiment in the first quarter of 2021 was unchanged compared to last quarter and a year ago as the overall current market index stayed at 49 on the Cox Automotive Dealer Sentiment Index (CADSI).

The index reading below 50 indicates that the majority of dealers feel that the current market is weak as opposed to strong. The consistency this quarter is in marked contrast to the monumental shifts seen in 2020 as a result of COVID-19 and the presidential election.

"Dealer sentiment was remarkably stable to start the year despite pandemic conditions reaching their worst level yet in the U.S. in January," said Cox Automotive Chief Economist Jonathan Smoke.

On the positive side, the 90-day outlook improved significantly—up 11 points—from Q4 2020. The 90-day-outlook index, at 59, is now at its highest point since the outbreak of the global pandemic in March of 2020.

While the 90-day outlook consistently moves upward in the first quarter, it's worth noting franchised dealers are particularly optimistic about the next 90 days, with an index score of 68, a rating above Q1 2020 (66) and the 3rd highest rating since the CADSI was introduced in 2017.

The key drivers of sentiment saw marginal shifts in Q1. With an exception: The profit index saw a significant decrease compared to the prior quarter, reflecting that dealers feel that profits are weaker than last quarter. Overall, the price pressure index also saw a statistically significant increase over Q4, rising to 57 from 51, indicating more dealers feel pressure to lower their prices.

The view of new-vehicle sales was down compared to last quarter but was higher compared to last year. The new-vehicle sales index fell to 61, but remains above 50, indicating a majority of franchised dealers feel the new-vehicle market remains good.

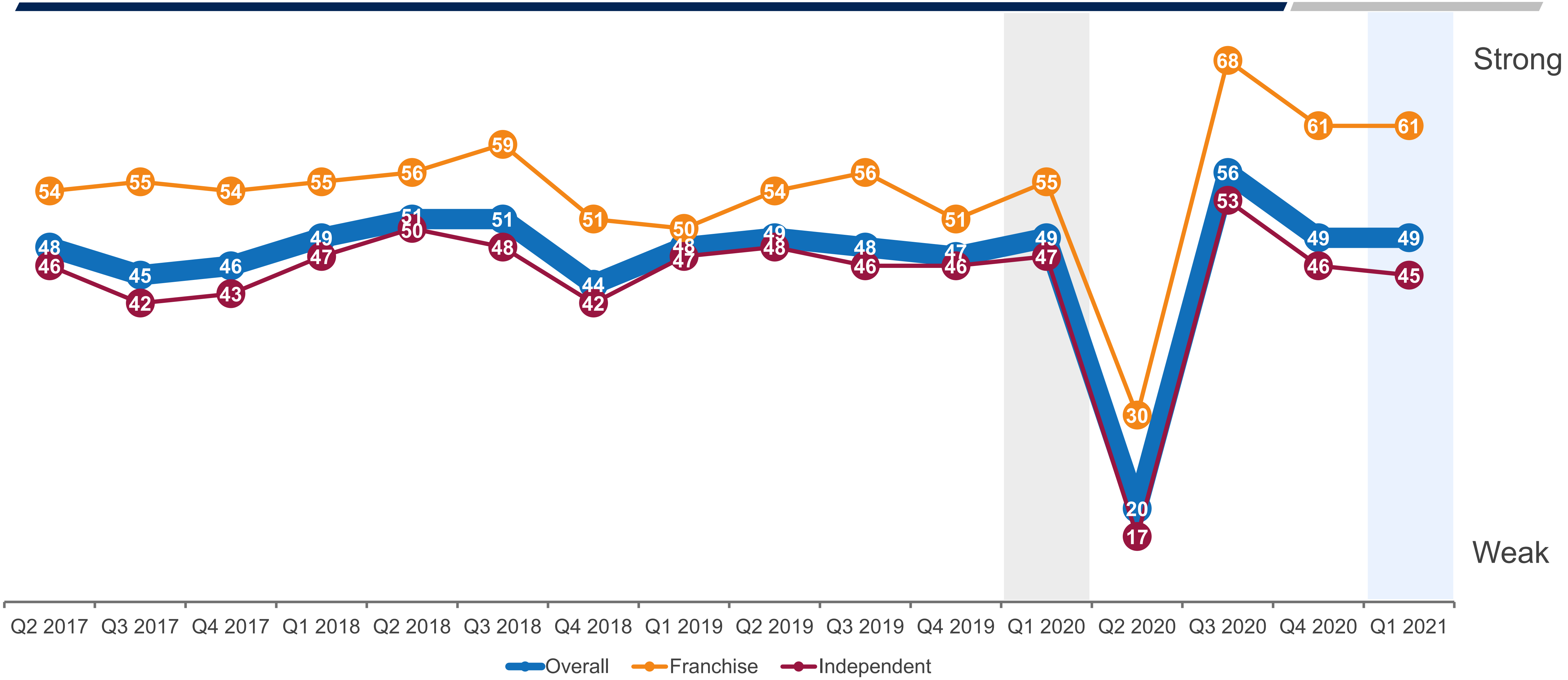
The used-vehicle sales index was down in Q1, dropping to 47 from 52 in Q4. Franchised dealers continue to see the used market as stronger than the new market and are more positive than independent dealers. In Q1, franchised dealers indicated that their current fixed operations are better than a year ago. Their outlook for fixed operations for the next 90 days was also positive at 72, which indicates the vast majority of dealers expect growth in fixed operations in the future.

The top 5 factors holding back the business across all dealers shifted only modestly in Q1 from Q4, with Business Impacts From COVID-19 remaining in the top spot with 46% of dealers citing it. Limited Inventory stayed at No. 2 with 43% of dealers citing it. The Economy rose to the 3rd spot in Q1 from 4th in Q4. Market Conditions moved up to No. 4, while Political Climate dropped from 3 to 5 with 36% of dealers citing it as holding their business back.

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

Dealer Sentiment Index

FIRST QUARTER 2021

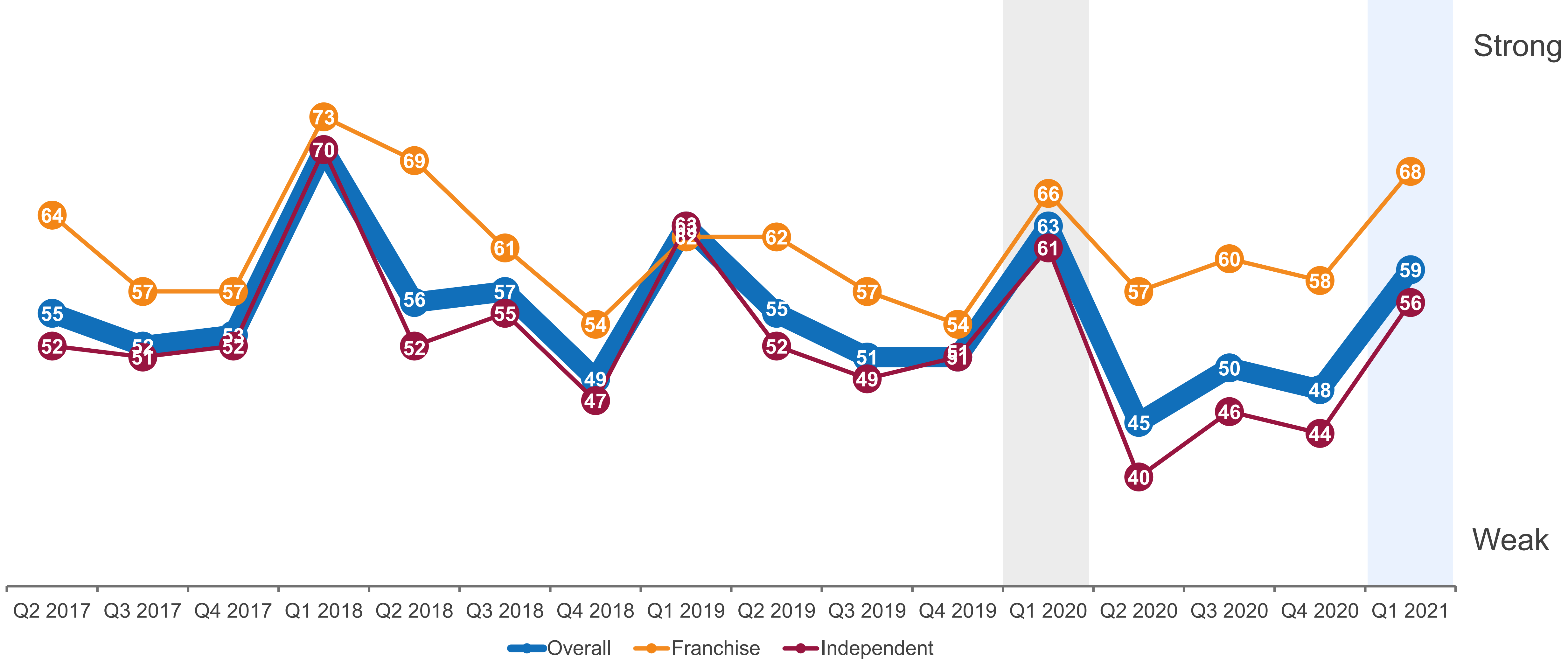


Note: Scale 1 - 100

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

Dealer Sentiment Index

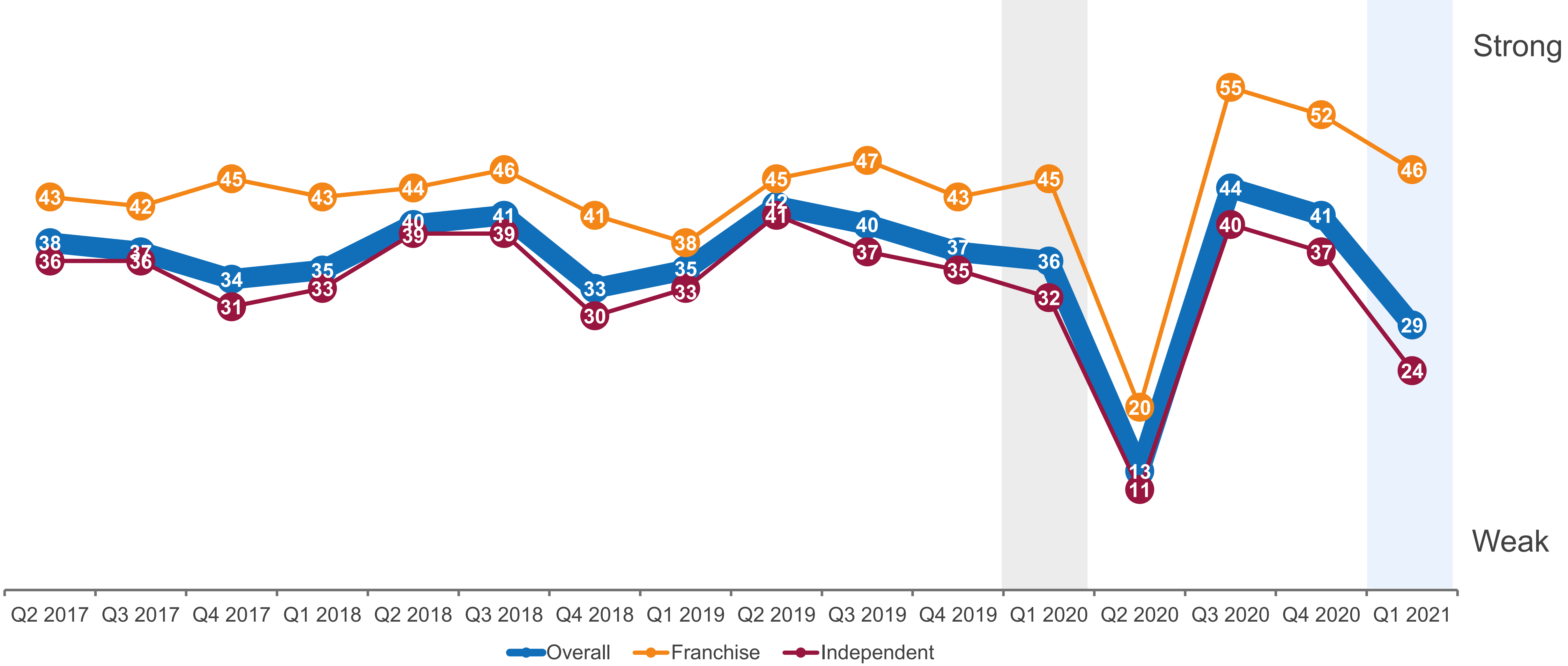
FIRST QUARTER 2021



Note: Scale 1 - 100

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

Dealer Sentiment Index
FIRST QUARTER 2021

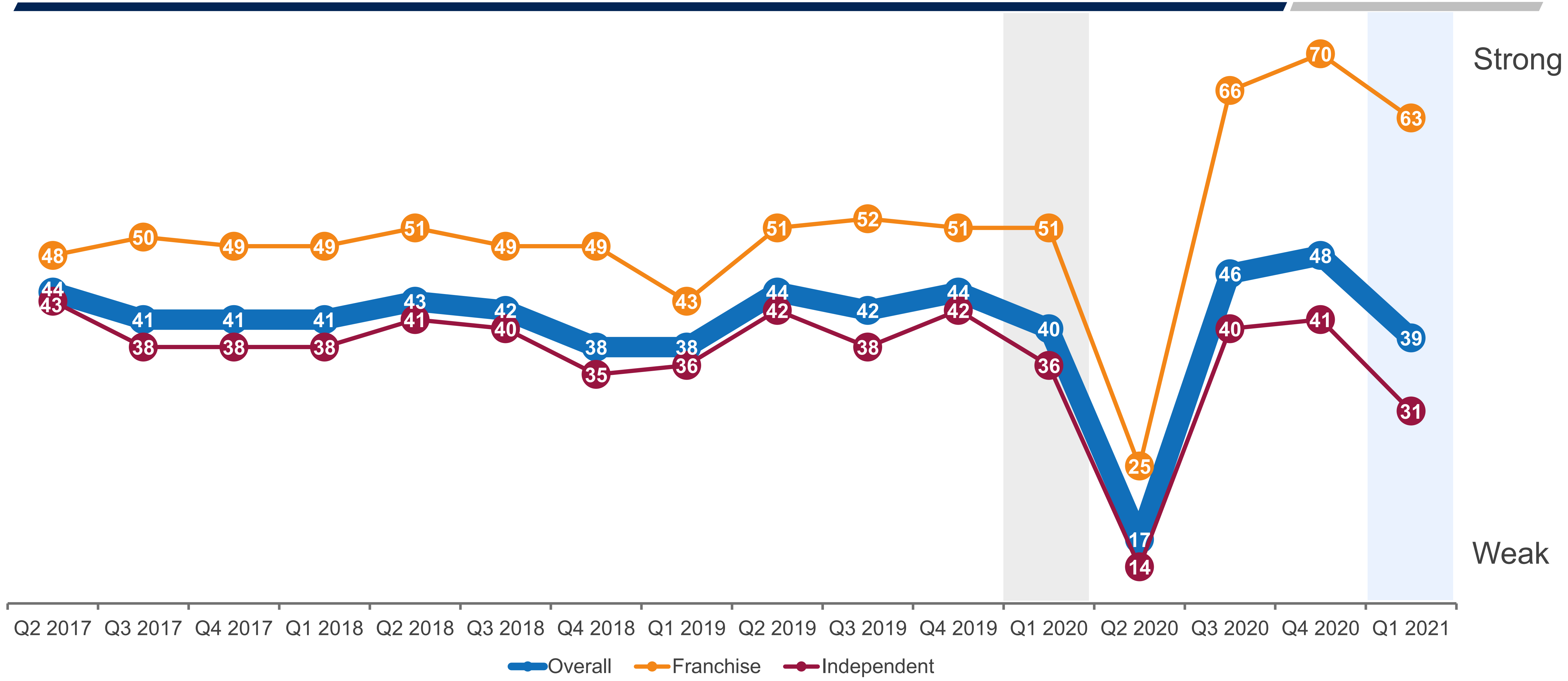


Note: Scale 1 - 100

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

Dealer Sentiment Index

FIRST QUARTER 2021



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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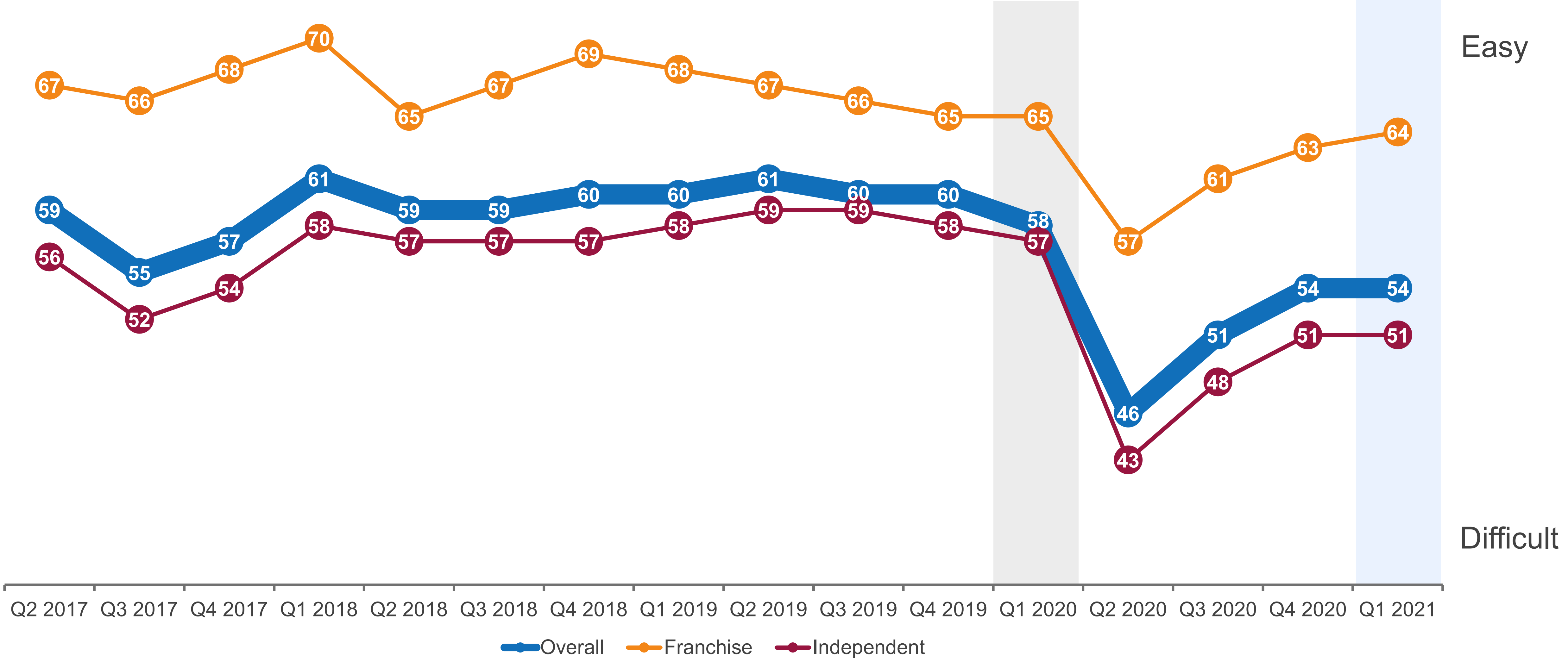
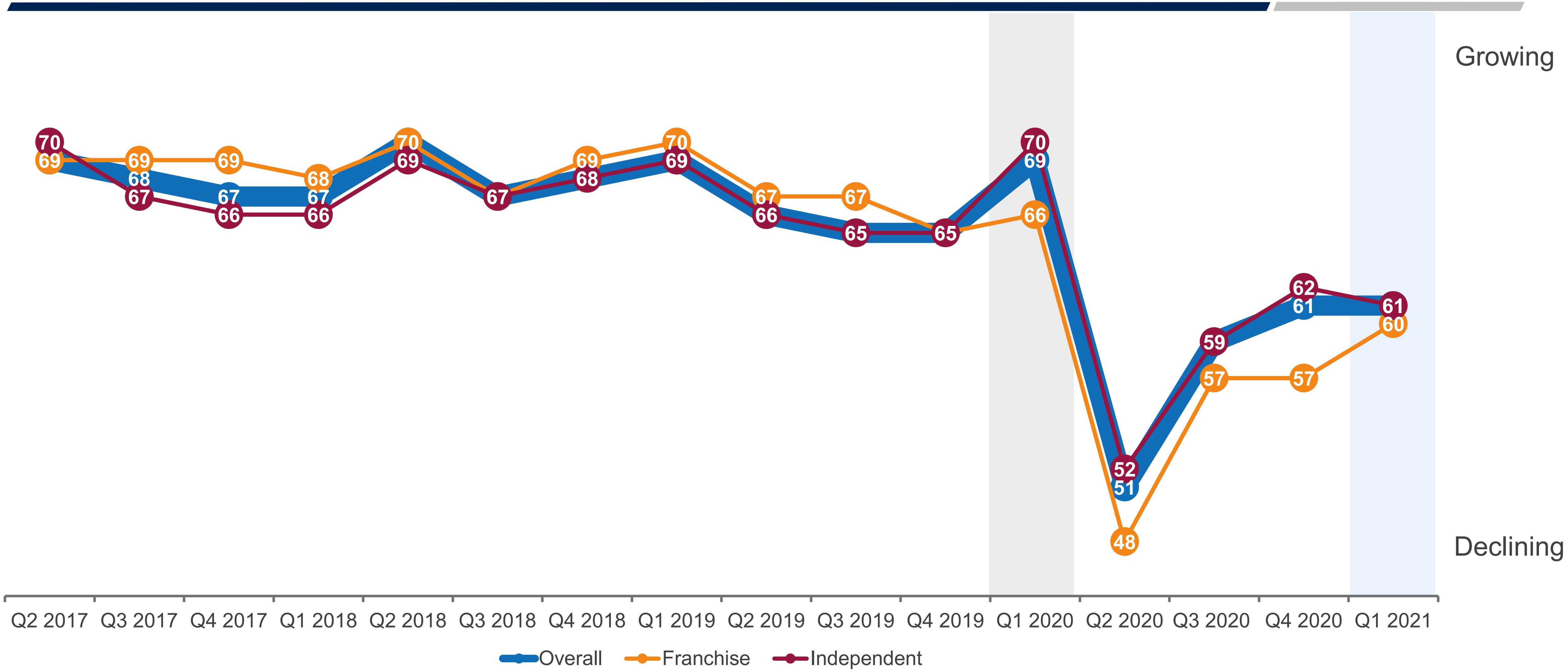
FIRST QUARTER 2021



Note: Scale 1 - 100

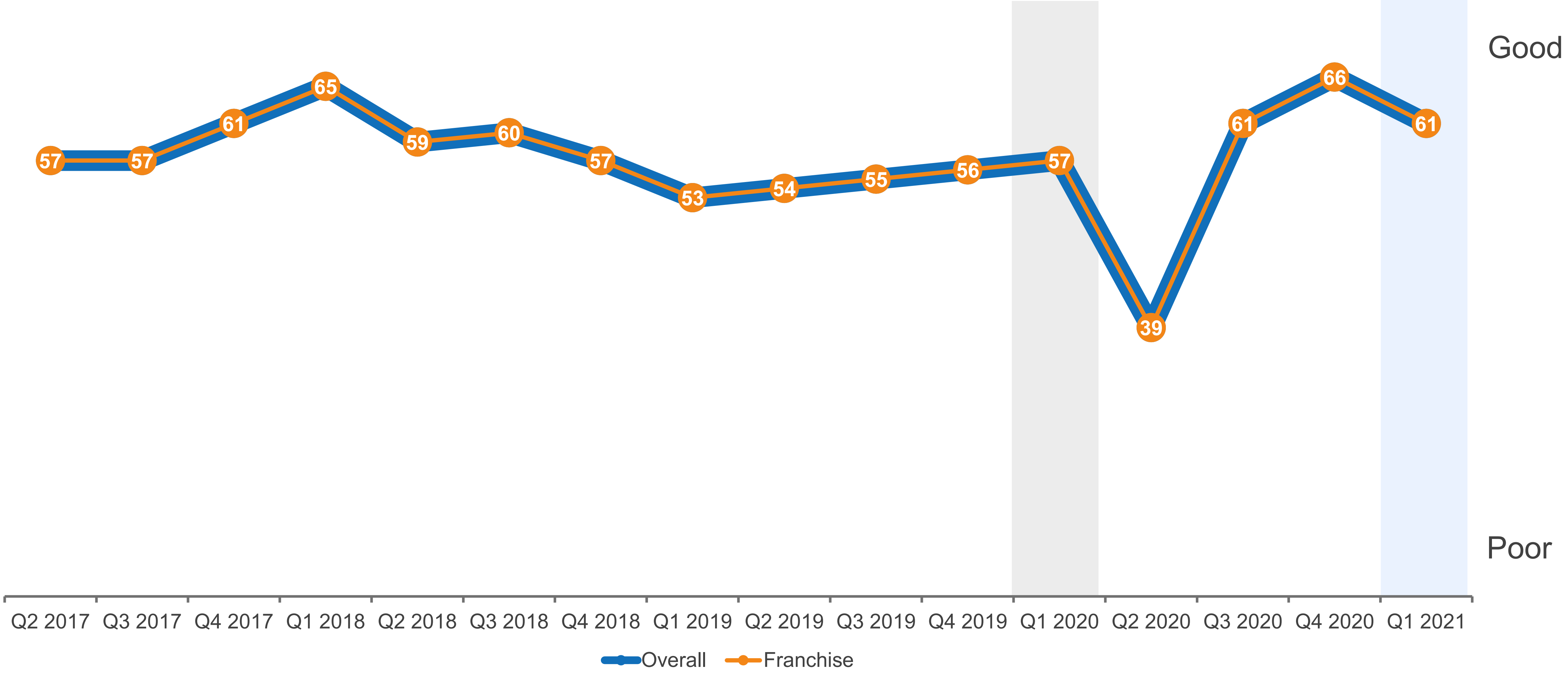
Q6: How would you describe the cost of running your dealership over the past 3 months?



Note: Scale 1 - 100

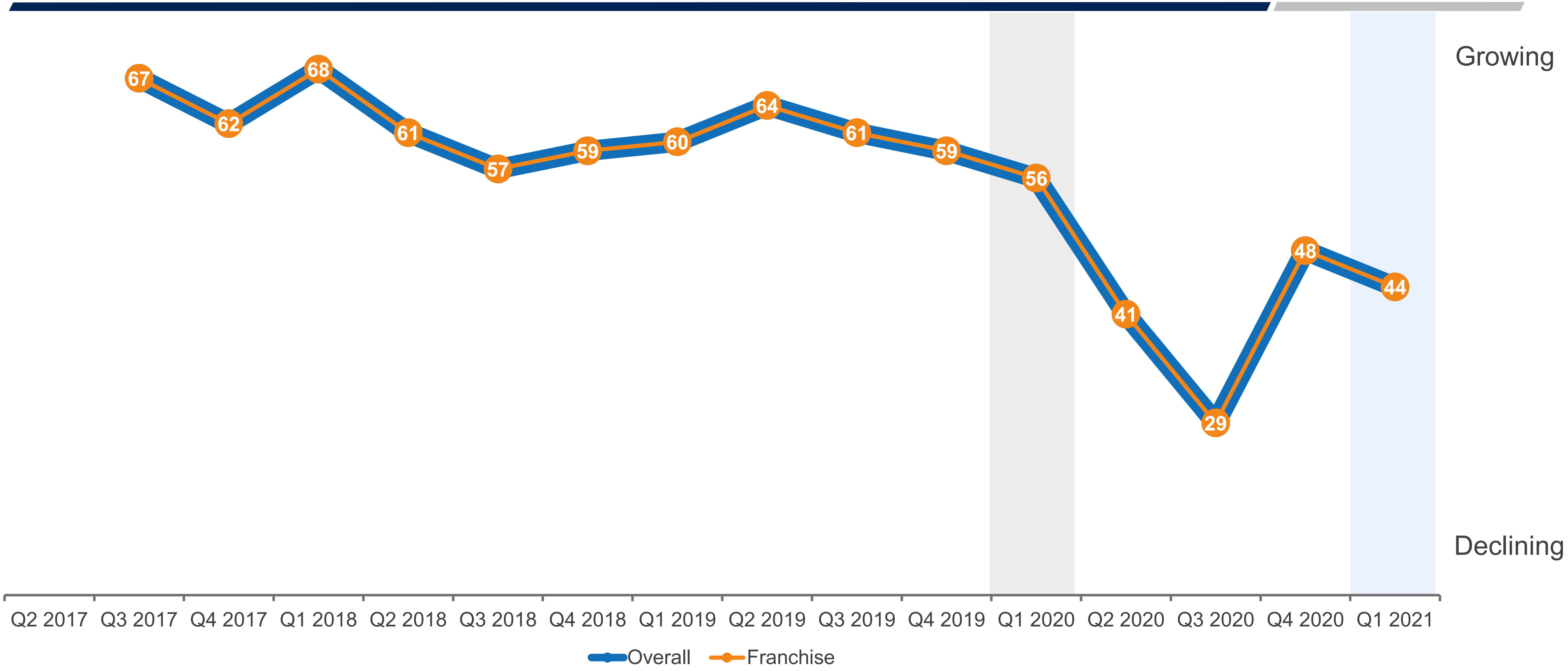
Q7: How would you describe the current new-vehicle sales environment?

Dealer Sentiment Index
FIRST QUARTER 2021



Note: Scale 1 - 100

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

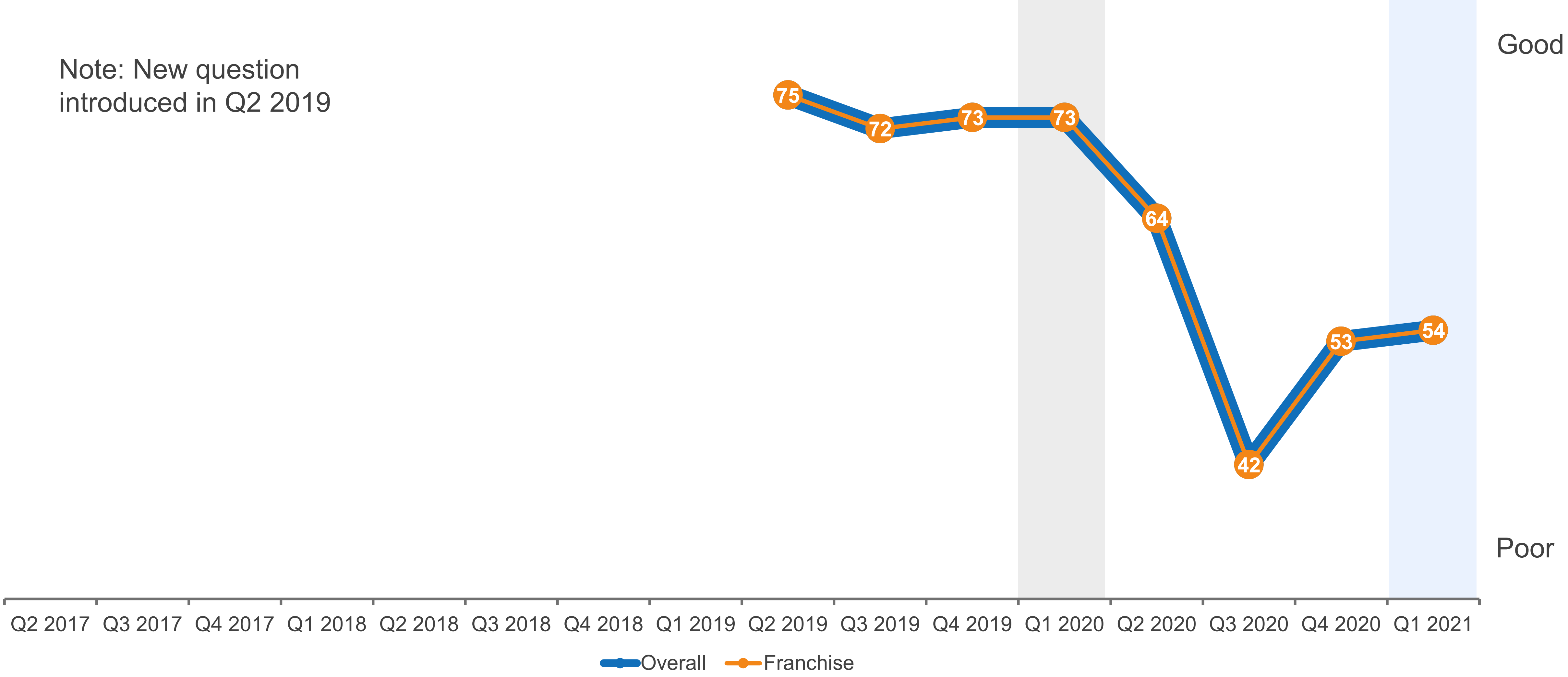


Note: Scale 1 - 100

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

Dealer Sentiment Index

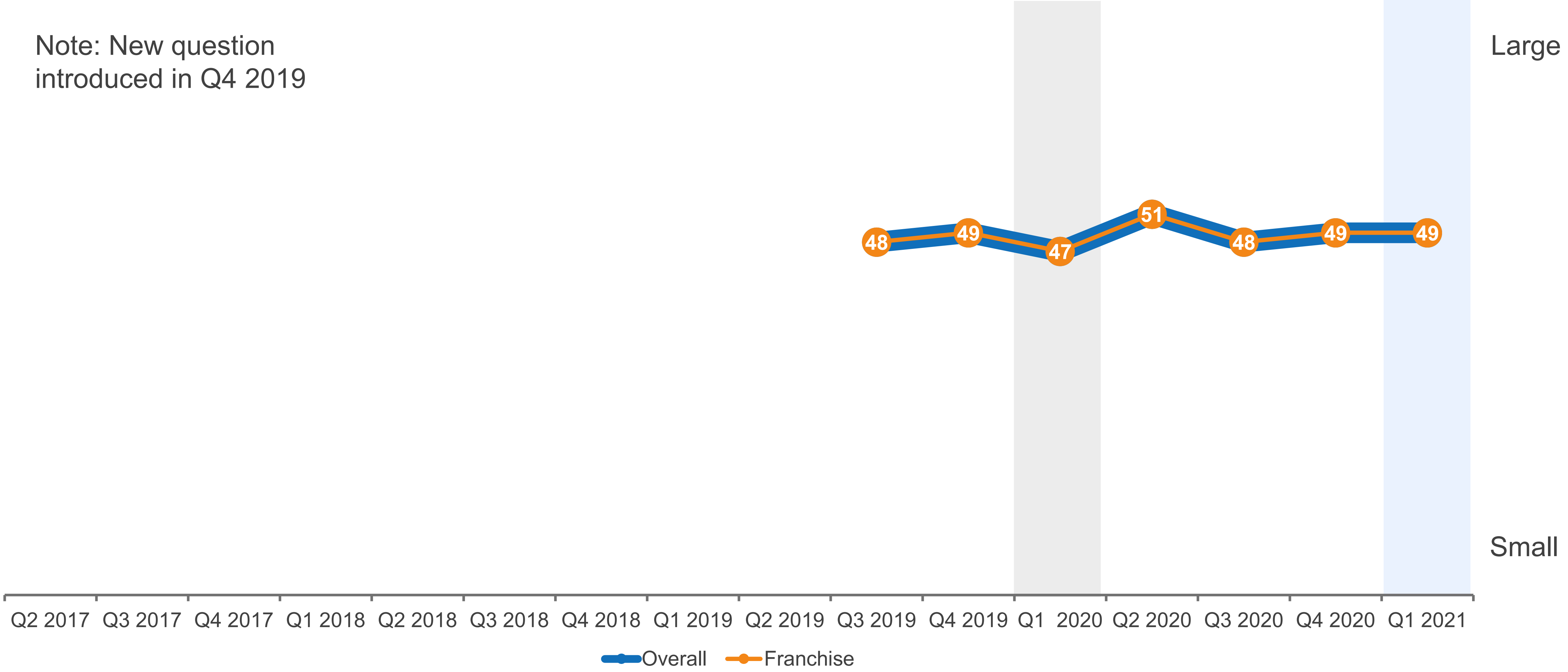
FIRST QUARTER 2021



Note: Scale 1 - 100

Q10: How would you describe the current level of OEM new-vehicle incentives?

Note: New question introduced in Q4 2019

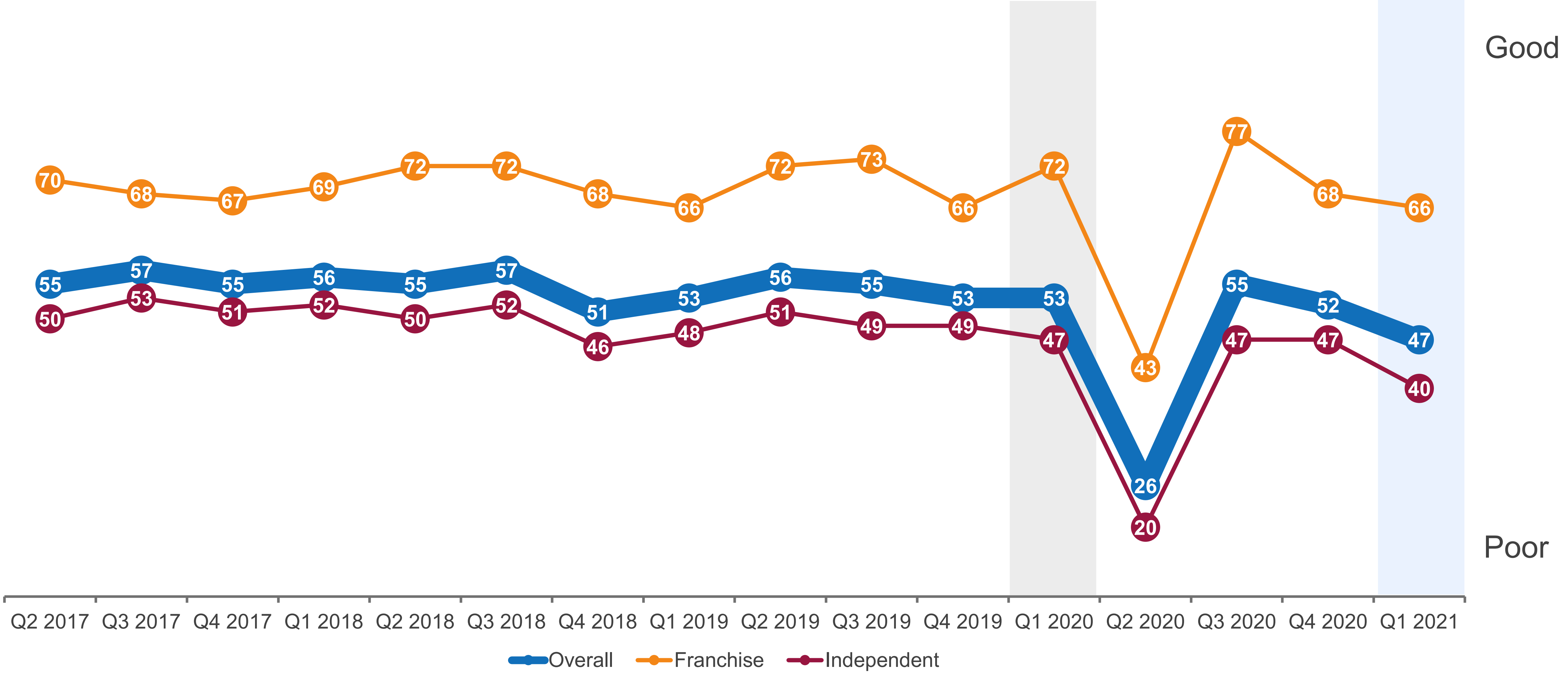


Note: Scale 1 - 100

Q11: How would you describe the current used-vehicle sales environment?

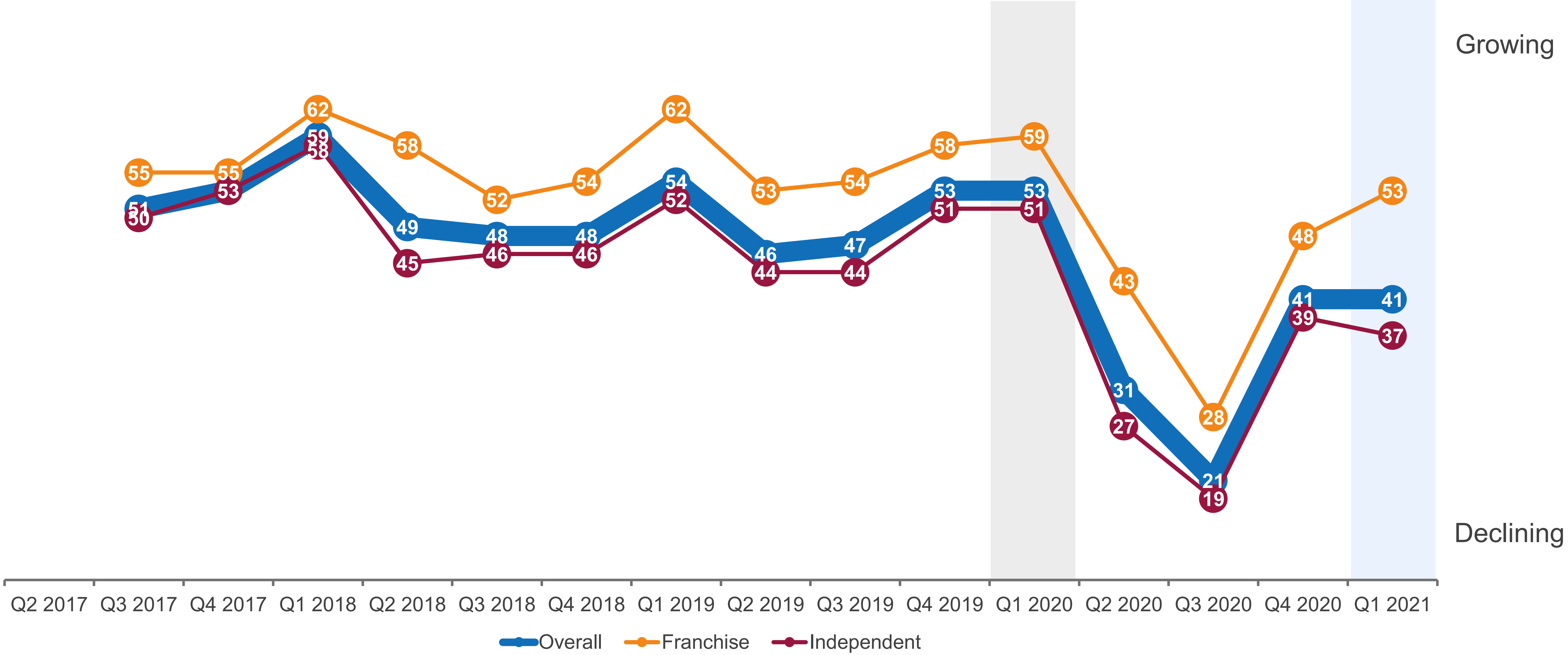
Dealer Sentiment Index

FIRST QUARTER 2021



Note: Scale 1 - 100

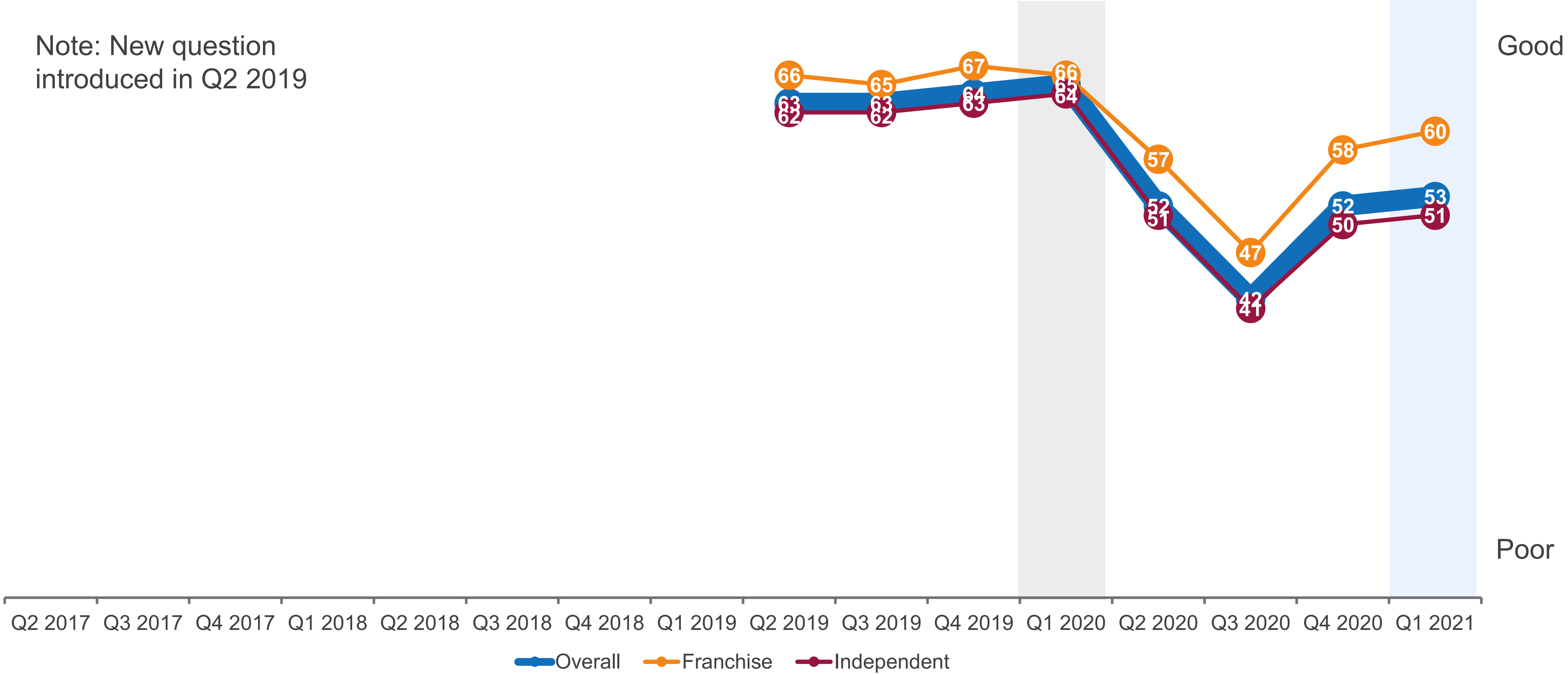
Q12: How would you describe the current used-vehicle inventory levels?



Note: Scale 1 - 100

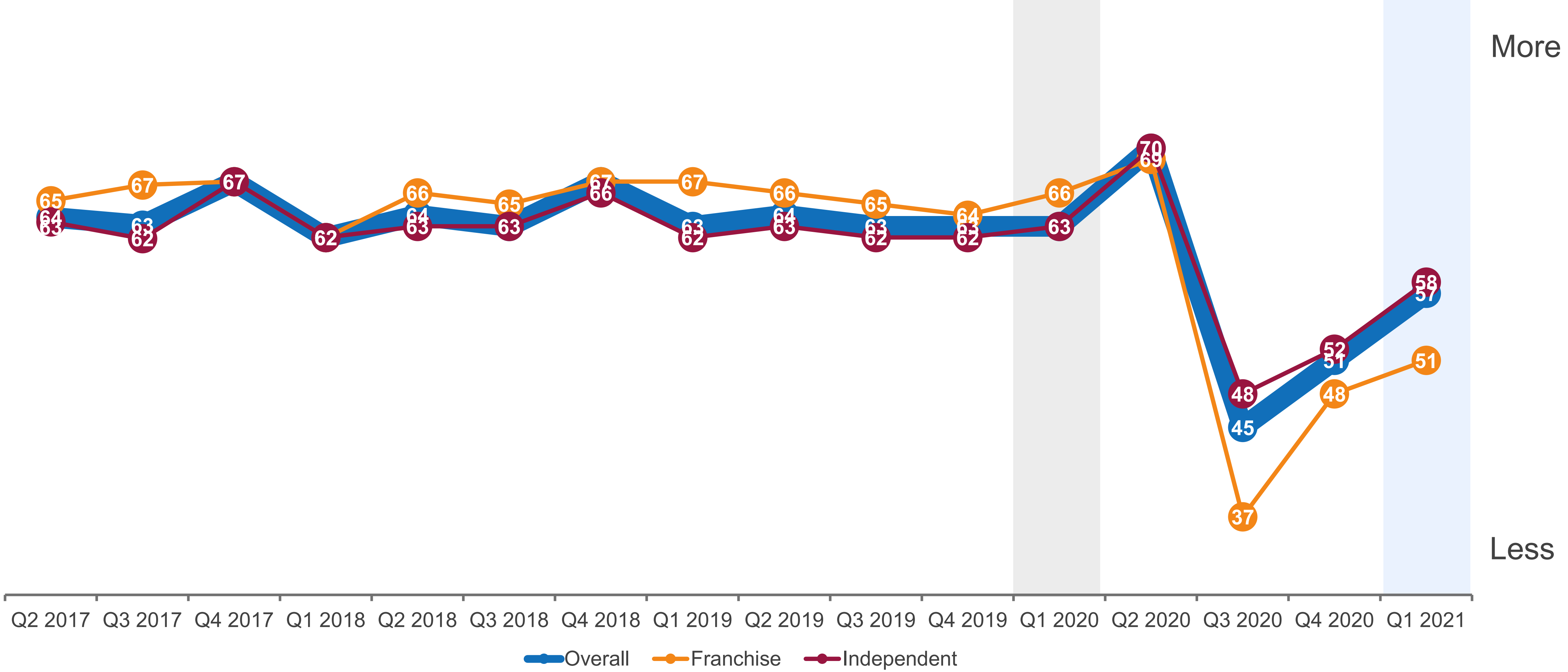
Q13: How would you describe the current used-vehicle inventory mix?

Dealer Sentiment Index
FIRST QUARTER 2021



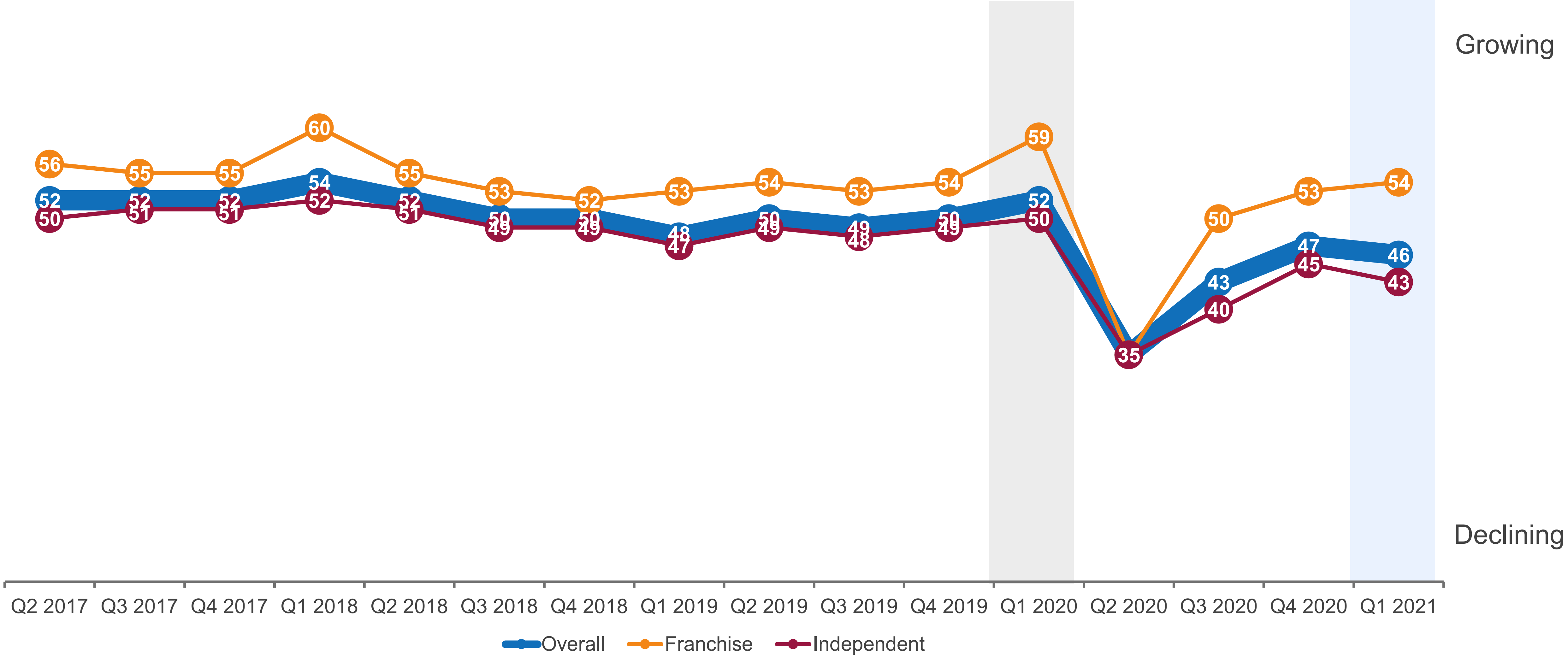
Note: Scale 1 - 100

Q14: How much pressure do you feel to lower your prices?



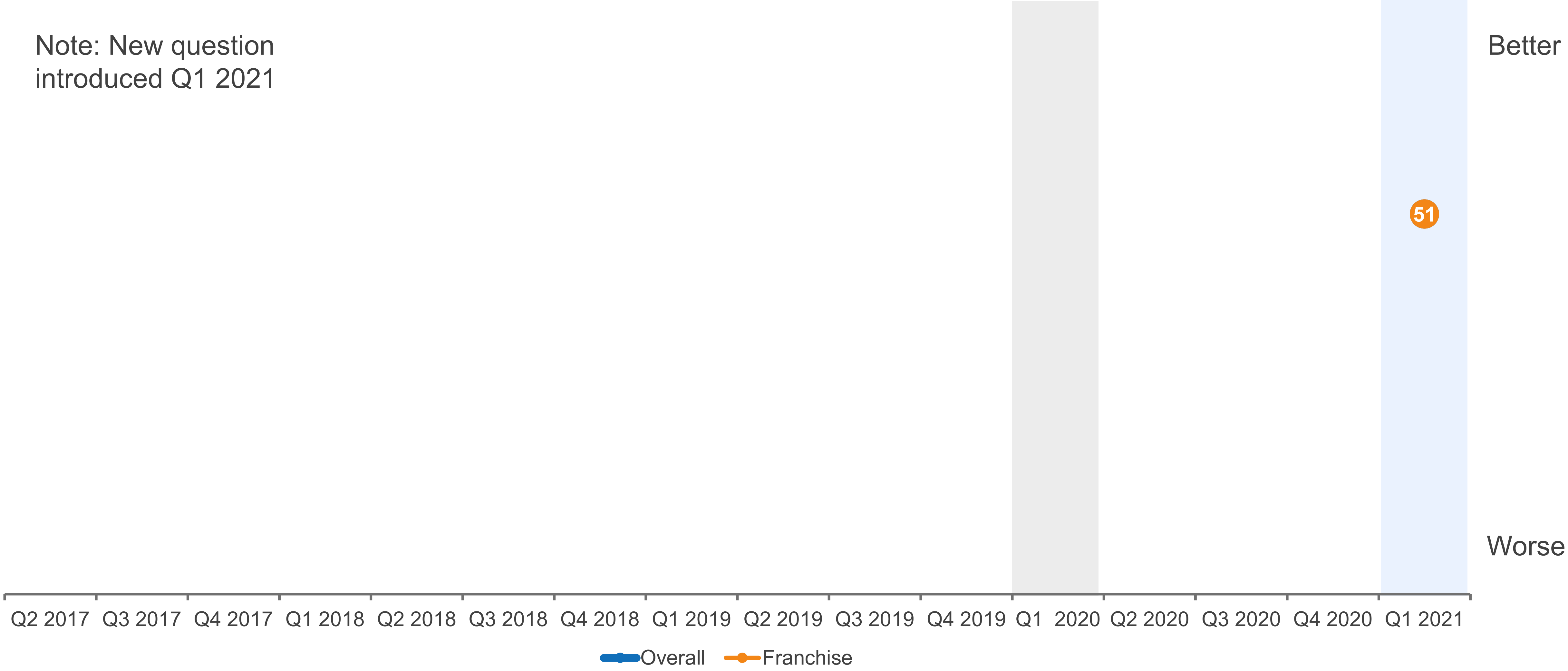
Note: Scale 1 - 100

Q15: How would you describe your dealership's current staffing levels?



Note: Scale 1 - 100

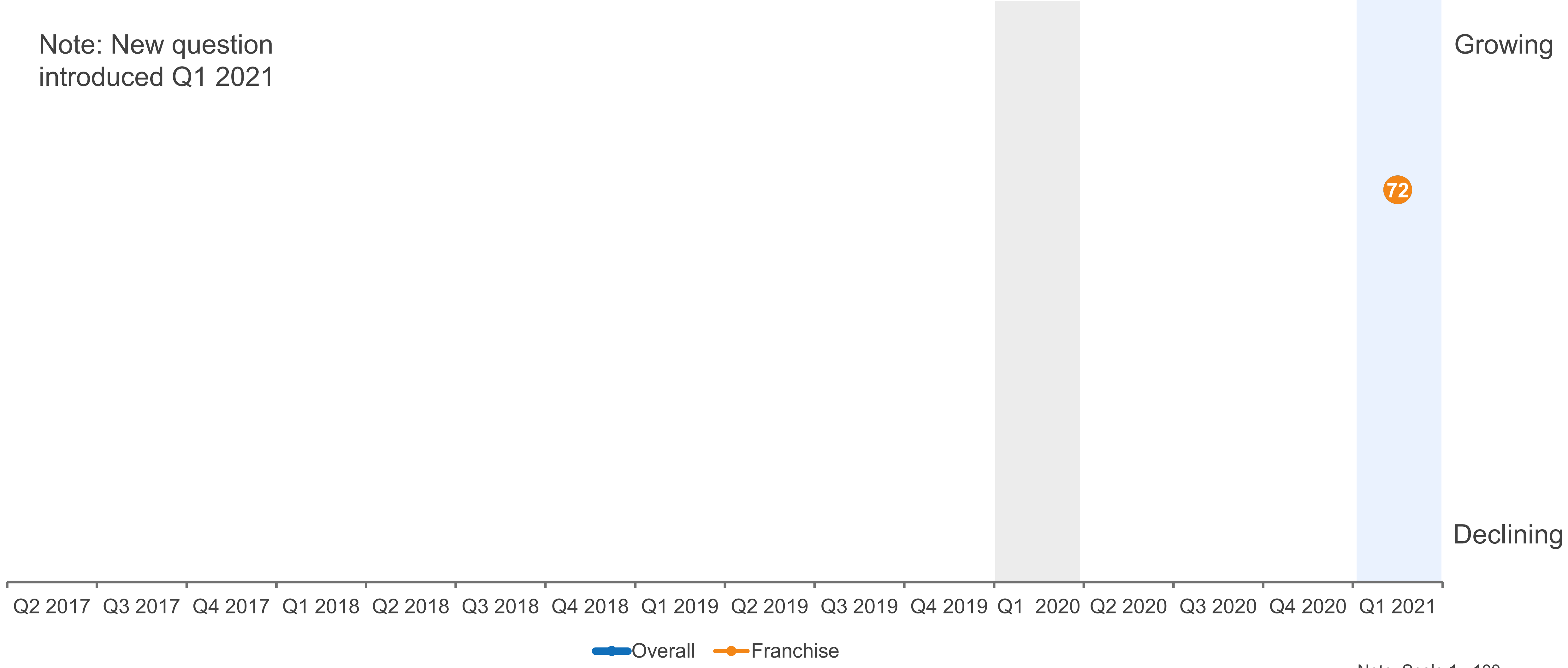
Q16: How would you describe the current level of business in your fixed operation?



Note: Scale 1 - 100

Q17: How would you describe the future opportunity with your fixed operations business?

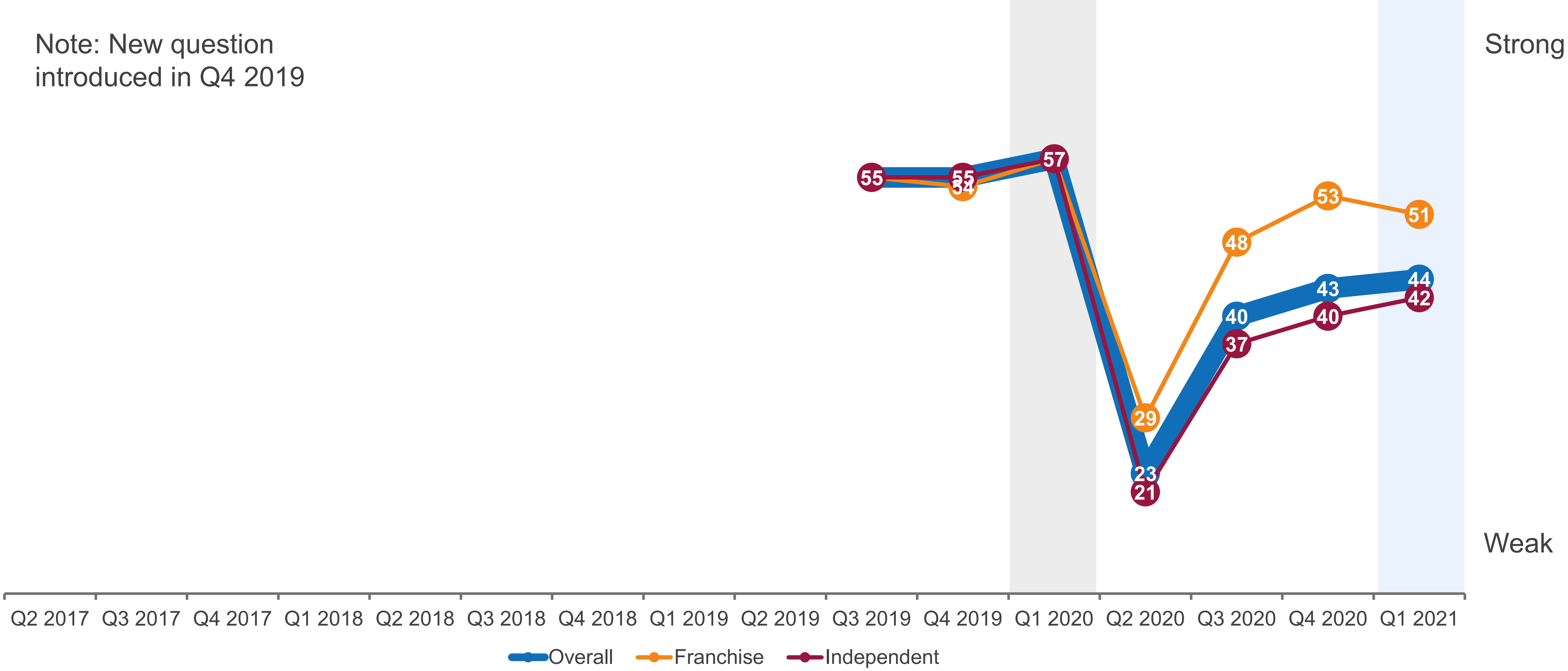
Dealer Sentiment Index
FIRST QUARTER 2021



Note: Scale 1 - 100

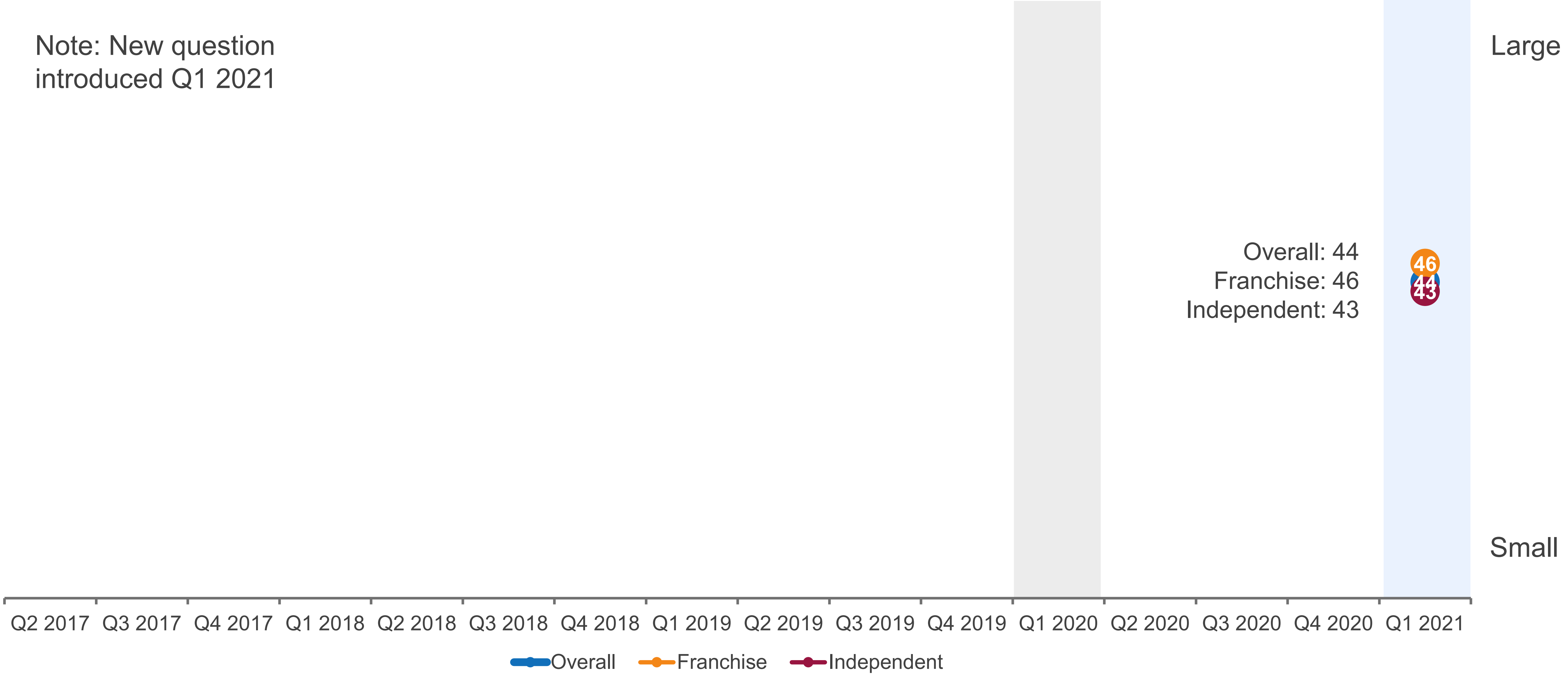
Q18: How would you describe the current U.S. economy?

Note: New question introduced in Q4 2019



Note: Scale 1 - 100

Q19: Describe the Potential Impact of Consumer Stimulus Checks



Note: Scale 1 - 100

Factors Holding Back Your Business?

OVERALL RANK

		Q1 '21	Q4 '20	Q1 '20
1	Business Impacts From COVID-19/Coronavirus	**46%**	47%	N/A
2	Limited Inventory	**43%**	45%	29%
3	Economy	**42%**	38%	19%
4	Market Conditions	**38%**	37%	34%
5	Political Climate	**36%**	40%	19%
6	Consumer Confidence	**25%**	25%	17%
7	Expenses	**21%** ↑	17%	21%
8	Competition	**20%**	17%	34%
9	Credit Availability for Consumers	**18%**	19%	30%
10	Weather	**17%** ↑	9%	19%
11	Regulations	**9%** ↑	7%	6%
12	Staff Turnover	**7%**	5%	8%
13	Credit Availability for Business	**6%**	8%	7%
14	Consumer Transparency in Pricing	**5%**	7%	9%
15	Lack of Consumer Incentives From My OEM	**3%**	2%	5%
16	Interest Rates	**3%**	4%	8%
17	Dealership Systems/Tools	**2%**	4%	5%

Significant decrease vs previous quarter ↓

Significant increase vs previous quarter ↑

Factors Holding Back Your Business?

OVERALL RANK

		Q1 ’21	Q4 ’20	Q1 ’20
18	Too Much Retail Inventory	2%	2%	5%
19	Technology to Support Operations	2%	3%	N/A
20	Technology to Support Sales	2%	3%	N/A
21	Tariffs on Imported Vehicles and Parts	2%	2%	3%
22	OEM Mandates/Restrictions	2%	1%	3%
23	OEM Priorities	2%	2%	N/A

Significant decrease vs previous quarter

Significant increase vs previous quarter

Factors Holding Back Your Business?

Dealer Sentiment Index

FIRST QUARTER 2021

FRANCHISED DEALERS

		Q1 '21	Q4 '20	Q1 '20
1	Business Impacts From COVID-19/Coronavirus	**42%**	39%	N/A
2	Limited Inventory	**41%**	44%	18%
3	Political Climate	**38%** ↓	48%	23%
4	Economy	**36%**	33%	20%
5	Market Conditions	**31%**	29%	34%
6	Consumer Confidence	**25%**	24%	18%
7	Weather	**20%** ↑	8%	23%
8	Competition	**18%**	12%	32%
9	Lack of Consumer Incentives From My OEM	**13%**	10%	21%
10	Expenses	**10%**	10%	17%
11	Staff Turnover	**10%**	8%	19%
12	Credit Availability for Consumers	**9%**	9%	18%
13	Regulations	**7%**	6%	2%
14	OEM Mandates/Restrictions	**7%**	6%	10%
15	OEM Priorities	**7%**	7%	N/A
16	Consumer Transparency in Pricing	**4%**	5%	9%
17	Tariffs on Imported Vehicles and Parts	**3%**	2%	4%

Significant decrease vs previous quarter ↓

Significant increase vs previous quarter ↑

Factors Holding Back Your Business?

FRANCHISED DEALERS

		Q1 ’21	Q4 ’20	Q1 ’20
18	Interest Rates	**2%**	2%	11%
19	Dealership Systems/Tools	**2%**	3%	8%
20	Technology to Support Sales	**2%**	2%	N/A
21	Technology to Support Operations	**1%**	2%	N/A
22	Credit Availability for Business	**1%**	1%	2%
23	Too Much Retail Inventory	**0%**	0%	4%

Significant decrease vs previous quarter

Significant increase vs previous quarter

Factors Holding Back Your Business?

INDEPENDENT DEALERS

		Q1 ’21	Q4 ’20	Q1 ’20
1	Business Impacts From COVID-19/Coronavirus	**48%**	49%	N/A
2	Economy	**44%**	40%	19%
3	Limited Inventory	**43%**	46%	33%
4	Market Conditions	**40%**	39%	34%
5	Political Climate	**36%**	37%	18%
6	Consumer Confidence	**26%**	25%	17%
7	Expenses	**25%** ⬆	20%	22%
8	Credit Availability for Consumers	**21%**	23%	35%
9	Competition	**21%**	18%	35%
10	Weather	**16%** ⬆	9%	17%
11	Regulations	**10%**	7%	7%
12	Credit Availability for Business	**7%**	10%	8%
13	Staff Turnover	**6%**	5%	4%
14	Consumer Transparency in Pricing	**6%**	8%	9%

Significant decrease vs previous quarter ⬇

Significant increase vs previous quarter ⬆

Factors Holding Back Your Business?

Dealer Sentiment Index

FIRST QUARTER 2021

INDEPENDENT DEALERS

		Q1 ’21	Q4 ’20	Q1 ’20
15	Too Much Retail Inventory	**3%**	3%	6%
16	Interest Rates	**3%**	4%	7%
17	Technology to Support Operations	**3%**	4%	N/A
18	Dealership Systems/Tools	**2%**	4%	4%
19	Technology to Support Sales	**2%**	4%	N/A
20	Tariffs on Imported Vehicles and Parts	**1%**	1%	3%

Significant decrease vs previous quarter

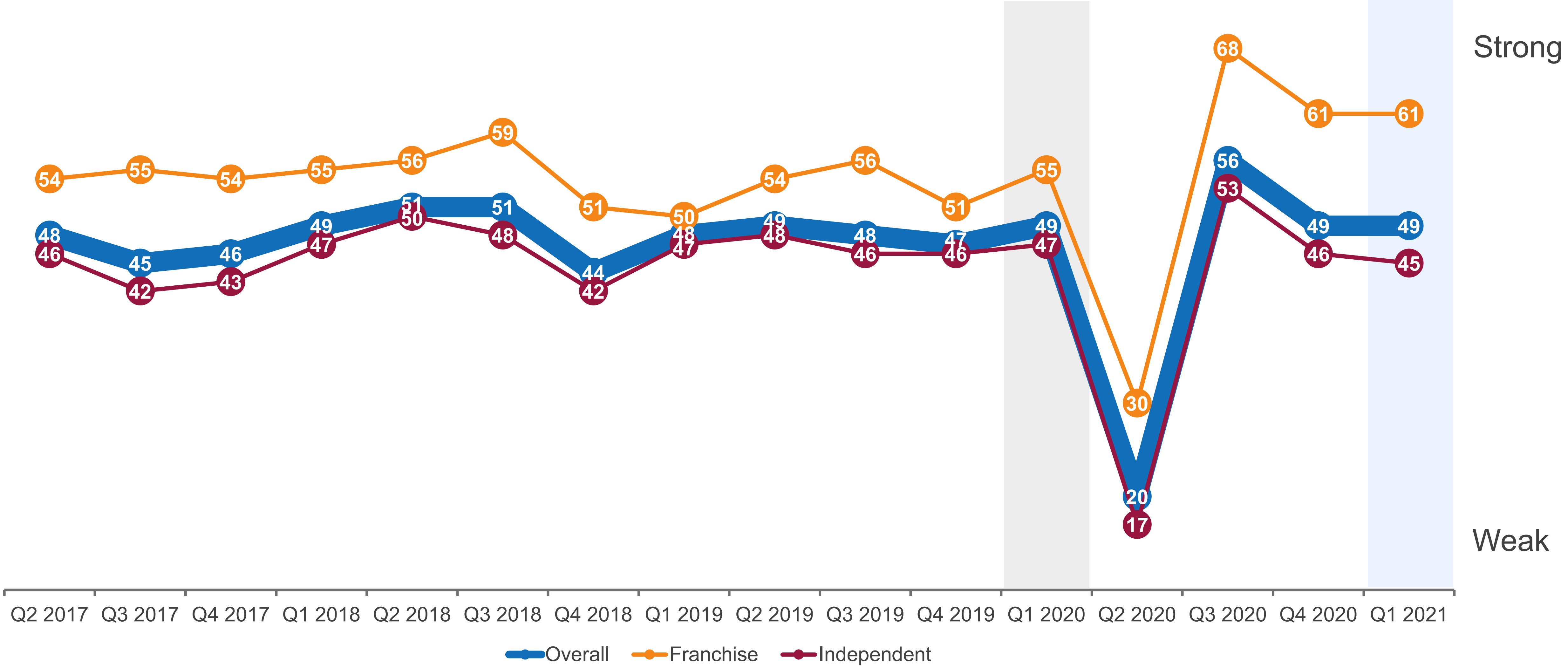
Significant increase vs previous quarter

The Business Impact of COVID-19

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

Dealer Sentiment Index

FIRST QUARTER 2021

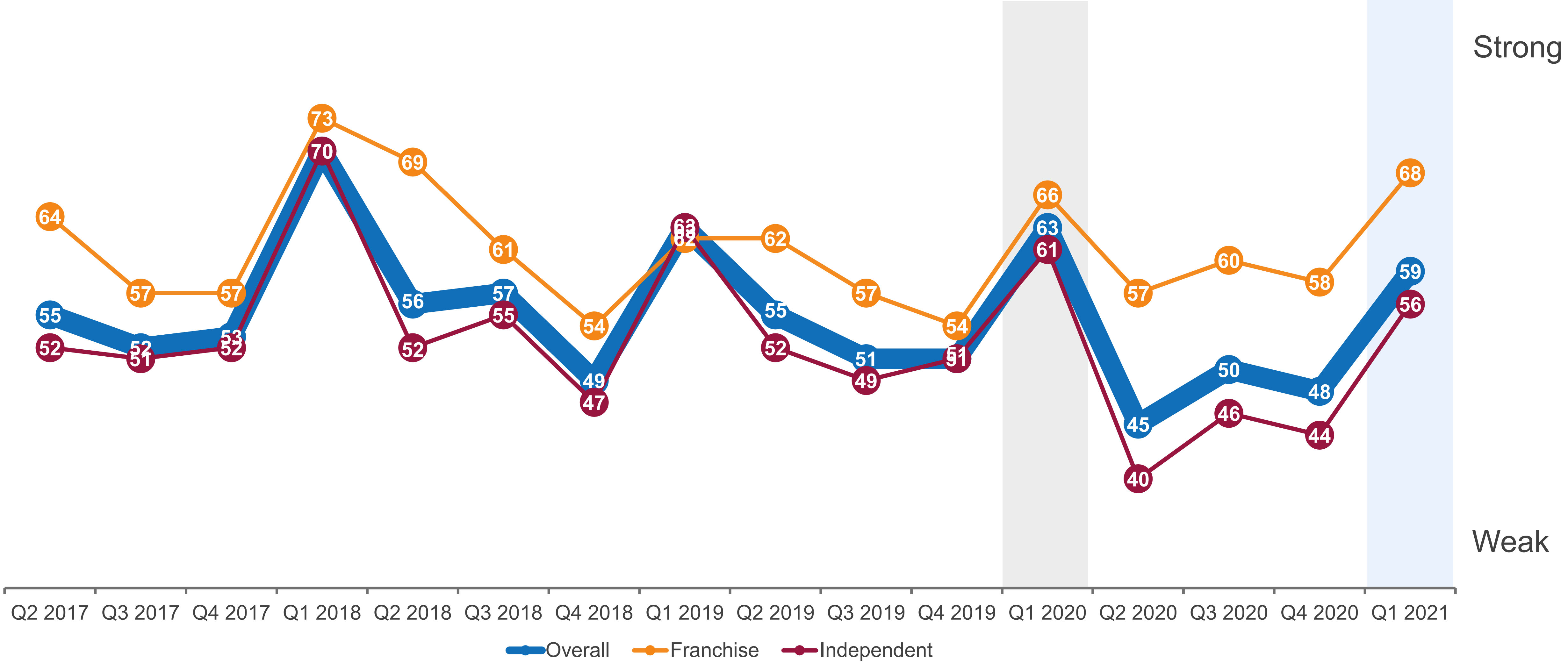


Note: Scale 1 - 100

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

Dealer Sentiment Index

FIRST QUARTER 2021



Note: Scale 1 - 100

Top Priorities at This Time

	Overall Q4 / Q1	Franchised Q4 / Q1	Independent Q4 / Q1	High Tax States Q4 / Q1	All Other States Q4 / Q1
Finding/Buying inventory	34% / 34%	24% / 20%	37% / 38% A	27% / 27%	36% / 35% A
Staying in business in general	22% / 23%	8% / 9%	26% / 28% A	23% / 29% B	21% / 22%
Improving efficiency in general	11% / 10%	15% / 18% B	9% / 7%	9% / 8%	11% / 10%
Improving Sales and Service solutions	9% / 9%	12% / 10%	8% / 8%	12% / 10%	8% / 8%
Retaining customers	8% / 8%	14% / 16% B	6% / 5%	6% / 7%	8% / 8%
Gaining market share	7% / 7%	16% / 16% B	4% / 4%	8% / 5%	7% / 8%
Reducing expenses by cutting unnecessary costs	6% / 6%	4% / 5%	7% / 6%	11% / 10% B	5% / 5%
Retaining employees	2% / 3%	5% / 5% B	1% / 2%	3% / 3%	2% / 3%
Other	1% / 1%	2% / 1%	2% / 1%	1% / 1%	2% / 1%

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

Regional View – Index Scores (Franchised Dealers)

Question	Answer	North-east	Mid-west	South	West
Current Market	Strong/Weak	56	62	66	58
Market Next 3 Months	Strong/Weak	69	**68**	71	64
Customer Traffic	Strong/Weak	**40**	43	55	42
Profits	Strong/Weak	**57**	**60**	68	69
Dealer Credit	Easy/Difficult	64	61	66	64
Costs	Growing/Declining	60	63	58	62
New Vehicle Sales	Good/Poor	61	57	66	59
New Vehicle Inventory	Growing/Declining	52	**34**	47	45
New Vehicle Inventory Mix	Good/Poor	59	47	57	53

Note: Scale 1 – 100
GREEN: Significant increase from prior quarter
RED: Significant decrease from prior quarter

Regional View – Index Scores (Franchised Dealers)

Question	Answer	North-east	Mid-west	South	West
Used Vehicle Sales	Good/Poor	66	65	68	65
Used Vehicle Inventory	Growing/Declining	52	56	52	48
Used Vehicle Inventory Mix	Good/Poor	59	56	65	59
Price Pressure	More/Less	**54**	52	47	52
Staffing	Growing/Declining	54	53	56	49
OEM incentives	Large/Small	51	48	51	46
Economy	Strong/Weak	47	48	56	50
Current Fixed Operations	Better/Worse	48	51	57	47
Future Fixed Operations	Growing/Declining	69	71	74	72
Consumer Stimulus Check Impact (1Q21)	Large/Small	53	51	39	42

Note: Scale 1 – 100
GREEN: Significant increase from prior quarter
RED: Significant decrease from prior quarter

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