

A man in a dark blue suit, white shirt, and blue tie is sitting at a desk, looking down at a smartphone he is holding with both hands. The background is a blurred office environment with large windows and modern decor. The overall tone is professional and focused.

# DEALER SENTIMENT INDEX

SECOND QUARTER 2021

Cox  
AUTOMOTIVE™

Research & Market Intelligence

# Dealer Sentiment Index

SECOND QUARTER 2021

A Unique Market Drives Optimism

## 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 2021 CADSI is based on 1,139 U.S. auto dealer respondents, comprising 589 franchised dealers and 550 independents. The survey was conducted from April 26 to May 10, 2021.

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



# Key Takeaways

Dealer sentiment in the second quarter of 2021 saw substantial growth year over year and compared to Q2 2019 with the overall current market index increasing to 67, well above the positive threshold of 50 in the Cox Automotive Dealer Sentiment Index (CADSI). More dealers in the U.S. now feel that the current market is strong compared to those who feel it is weak, another indication of the overall market recovery from the depths of Q2 2020.

Dealers are also optimistic about the market ahead. The 3-month market outlook index reading of 63 is an increase from last quarter and, importantly, equal to Q1 2020, the final pre-COVID-19 reading. Profits in Q2 are strong, dealers are reporting. The profit index in Q2 hit a record 59, while the price pressure index dropped to a record low 33, meaning a majority of dealers are feeling little pressure to lower prices.

“Driven by the unique circumstances of strong demand and low inventory, dealer sentiment

climbed to a record high in the spring,” said Cox Automotive Chief Economist Jonathan Smoke. “The first two quarters of 2021 are showing a strongly recovering market, balancing on a perfect mix of pent-up demand, rising prices, and low inventory.”

Consistent with current market trends, the new-vehicle inventory index decreased significantly to 13 in Q2, a substantial 31-point drop from last quarter and a record low. The used-vehicle inventory index saw similar movement from Q1 to Q2, falling to 21, also a record low, although equal to Q3 2020. Tight inventory was ranked as the top factor holding back business in Q2, and, when asked, 53% of dealers noted that Finding/Buying Inventory was their top priority in the quarter.

Unlike inventory, customer traffic showed a significant improvement in Q2, with the index increasing 28 points from the prior quarter and reaching a record-high 57. This reading indicates more dealers feel their customer

traffic is strong than feel it is weak, likely due to pent-up demand.

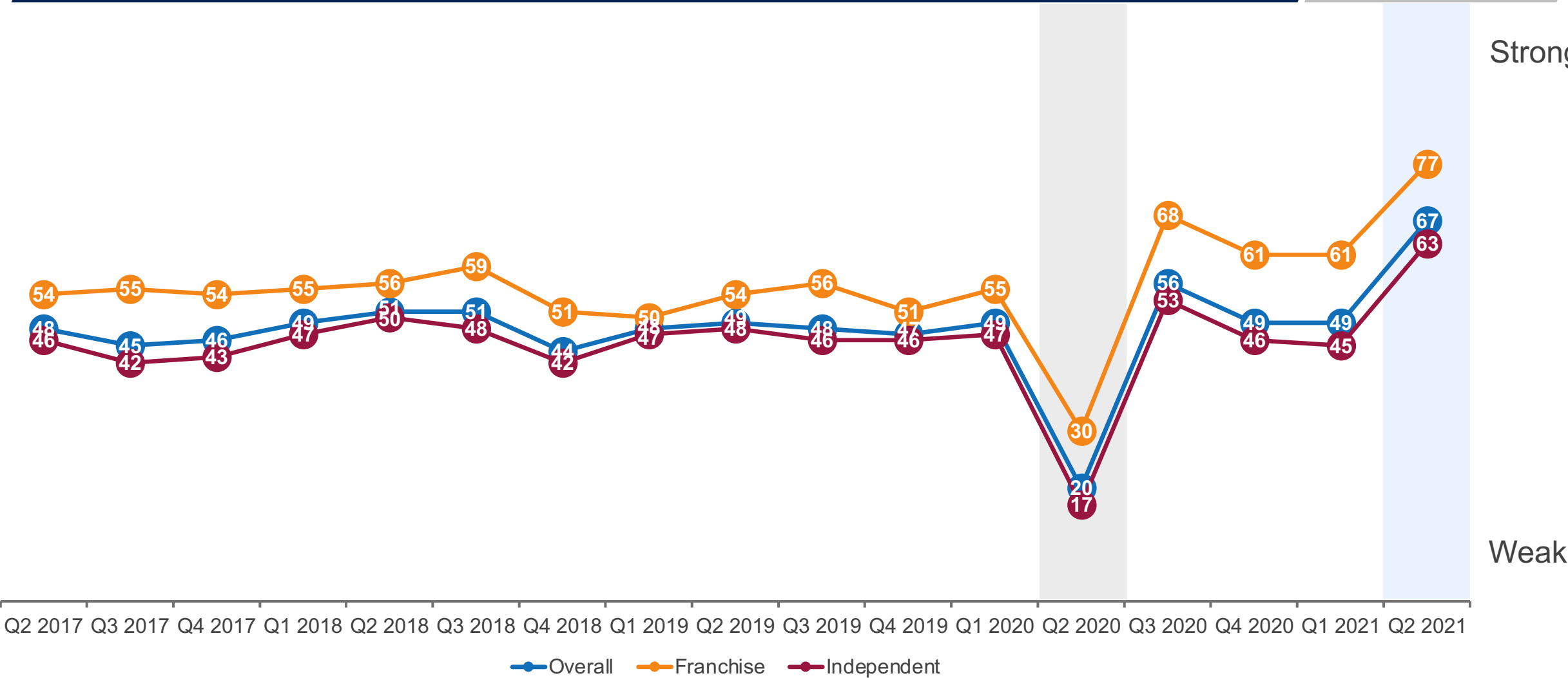
Despite tight inventory, vehicle sales have been healthy in 2021. The Q2 new-vehicle sales index of 65 was a record for Q2 and near the all-time high of 66. The used-vehicle sales index in Q2 reached 62, an all-time record high and the first time the overall used-vehicle sales index moved above 60.

The top 5 factors holding back business shifted notably in Q2 from Q1, with Limited Inventory jumping to the top spot with 64% of dealers citing it. Market Conditions rose to No. 2 at 34%. Business Impacts from COVID-19, meanwhile, fell to the No. 3 spot from No. 1. The Economy moved down to No. 4 while Expenses rose from No. 7 to No. 5, with 19% of dealers citing it as a factor holding back business. Notably, Political Climate fell to No. 6 from No. 5 in top factors list, a level equal to Q2 2020. Political Climate as a factor holding back business peaked at No. 3 in Q4 2020.

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

# Dealer Sentiment Index

SECOND QUARTER 2021

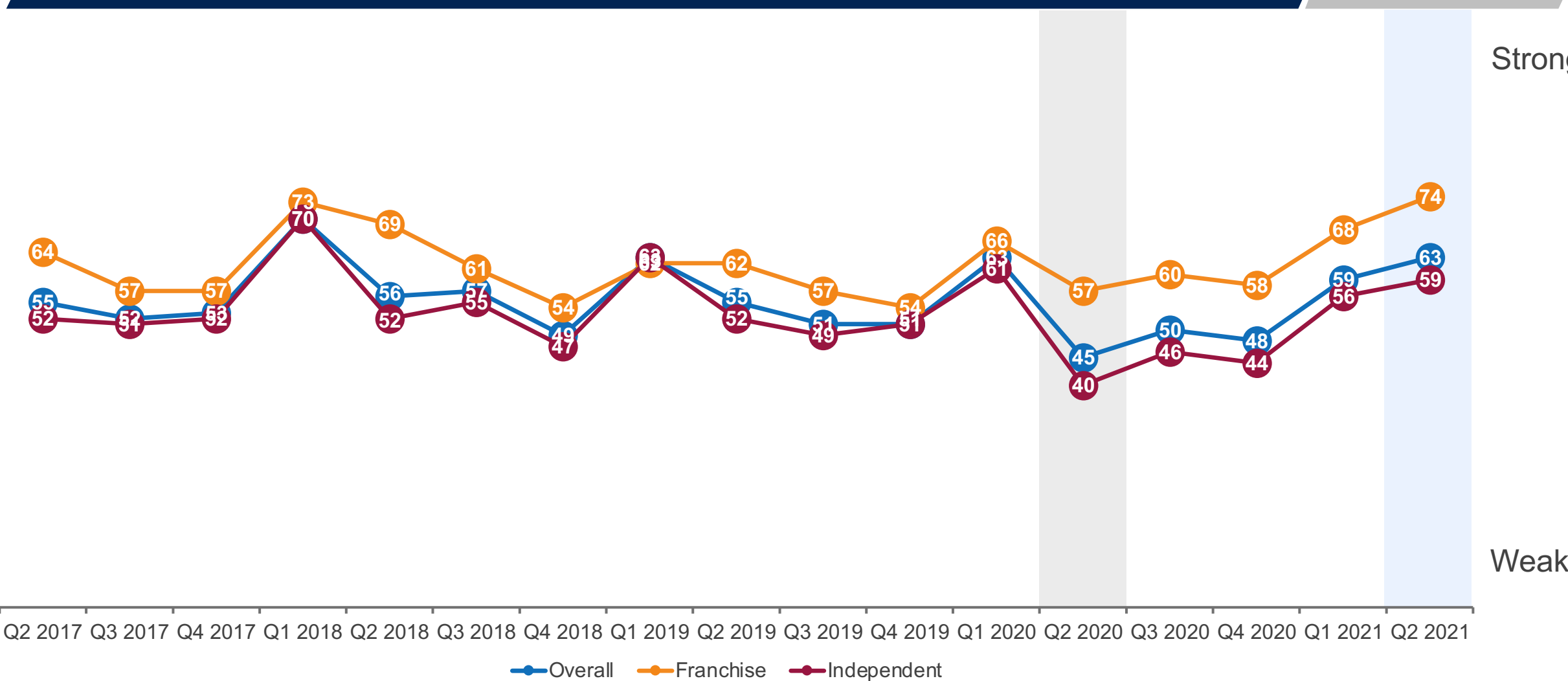


Note: Scale 1 - 100

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

# Dealer Sentiment Index

SECOND QUARTER 2021

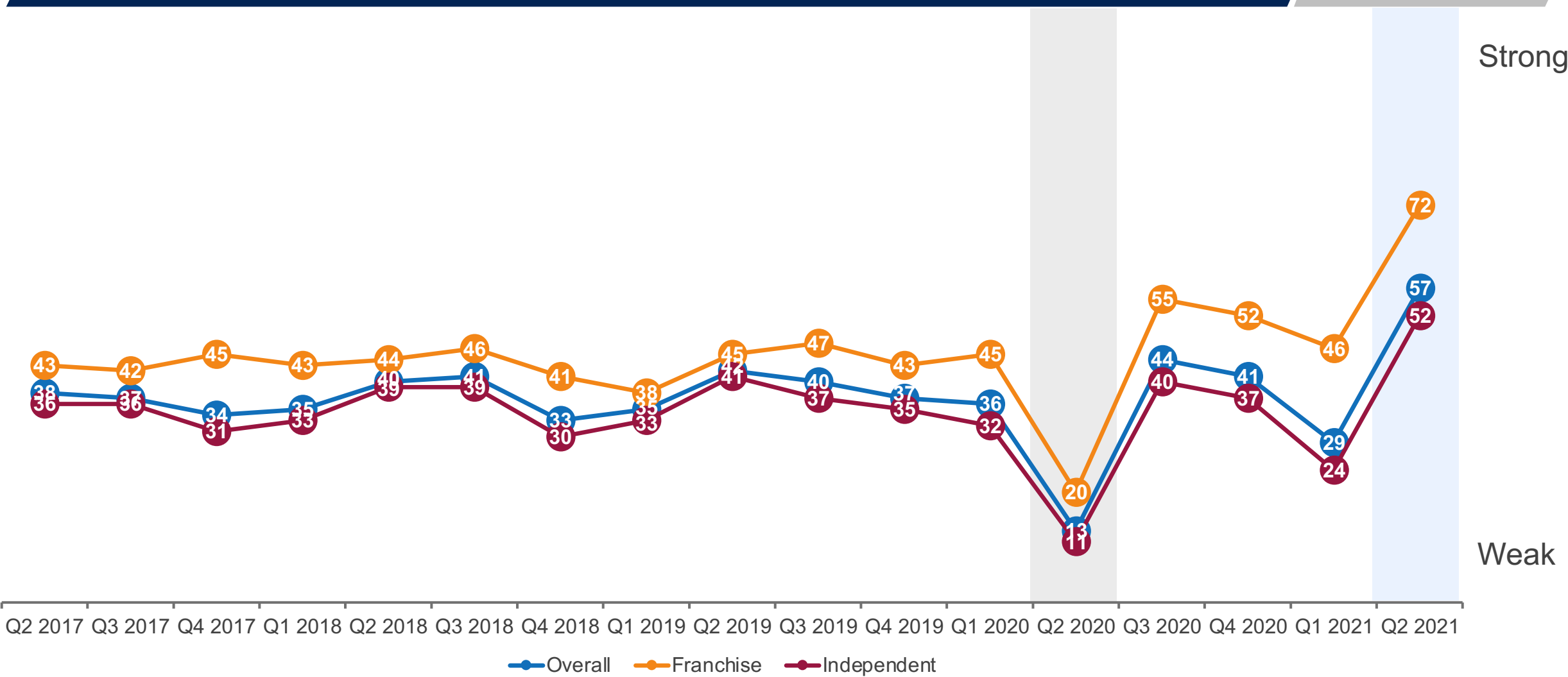


Note: Scale 1 - 100

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

# Dealer Sentiment Index

SECOND QUARTER 2021

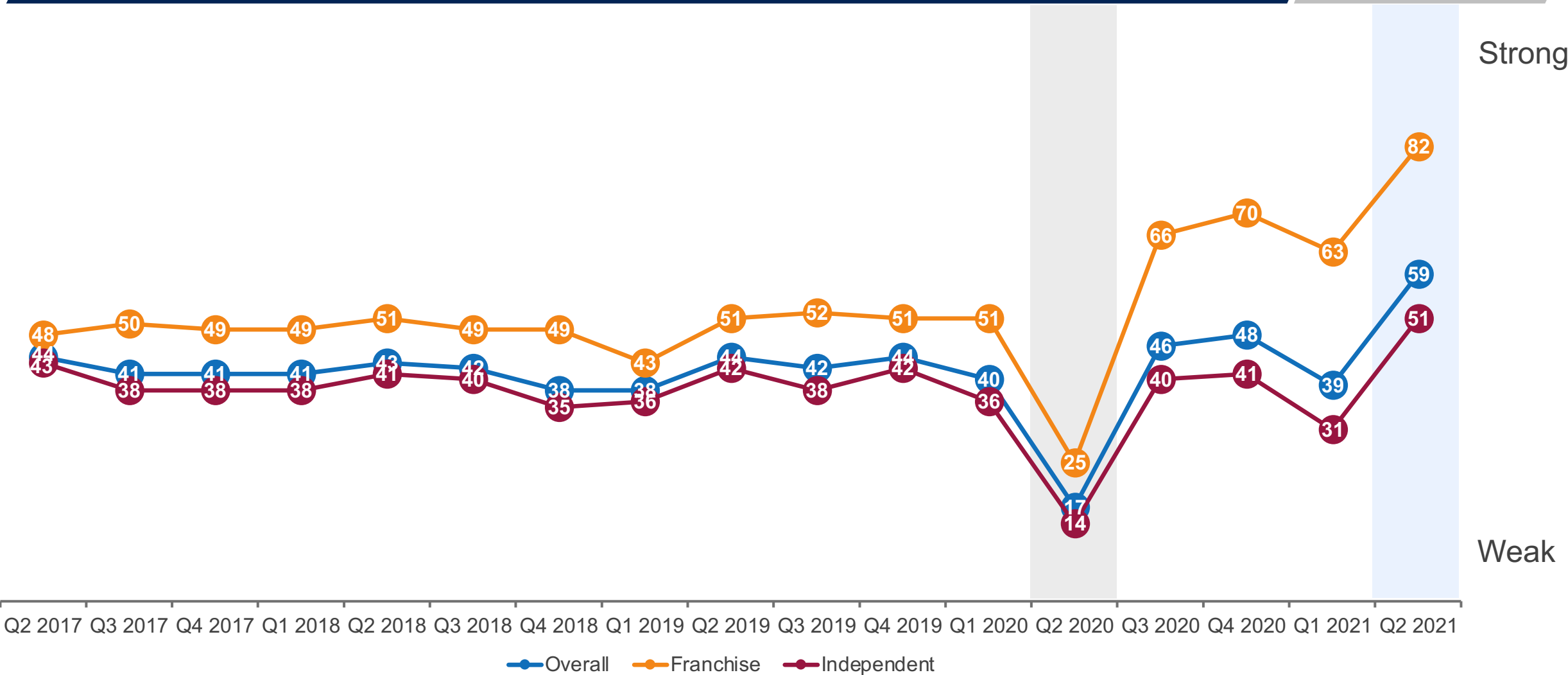


Note: Scale 1 - 100

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

# Dealer Sentiment Index

SECOND QUARTER 2021

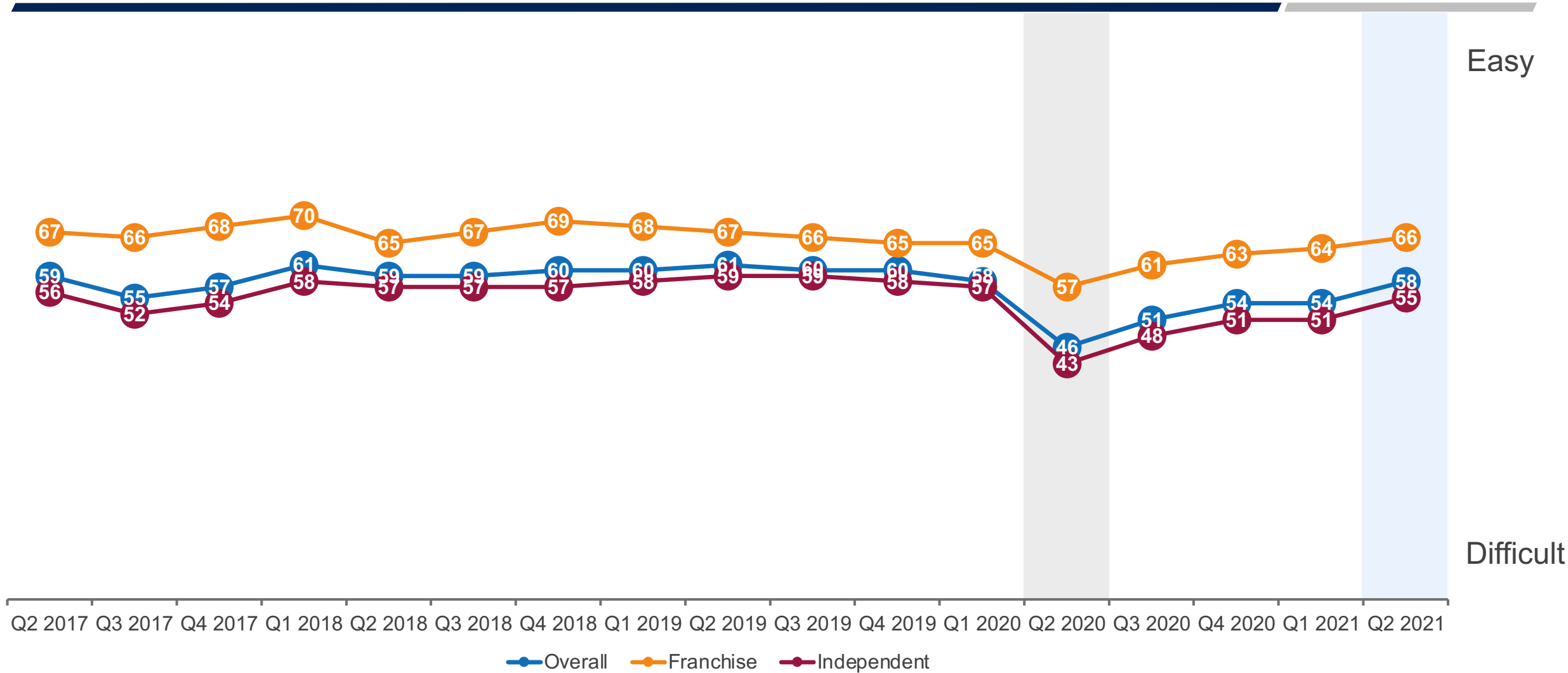


Note: Scale 1 - 100

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

# Dealer Sentiment Index

SECOND QUARTER 2021



Note: Scale 1 - 100



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

# Dealer Sentiment Index

SECOND QUARTER 2021

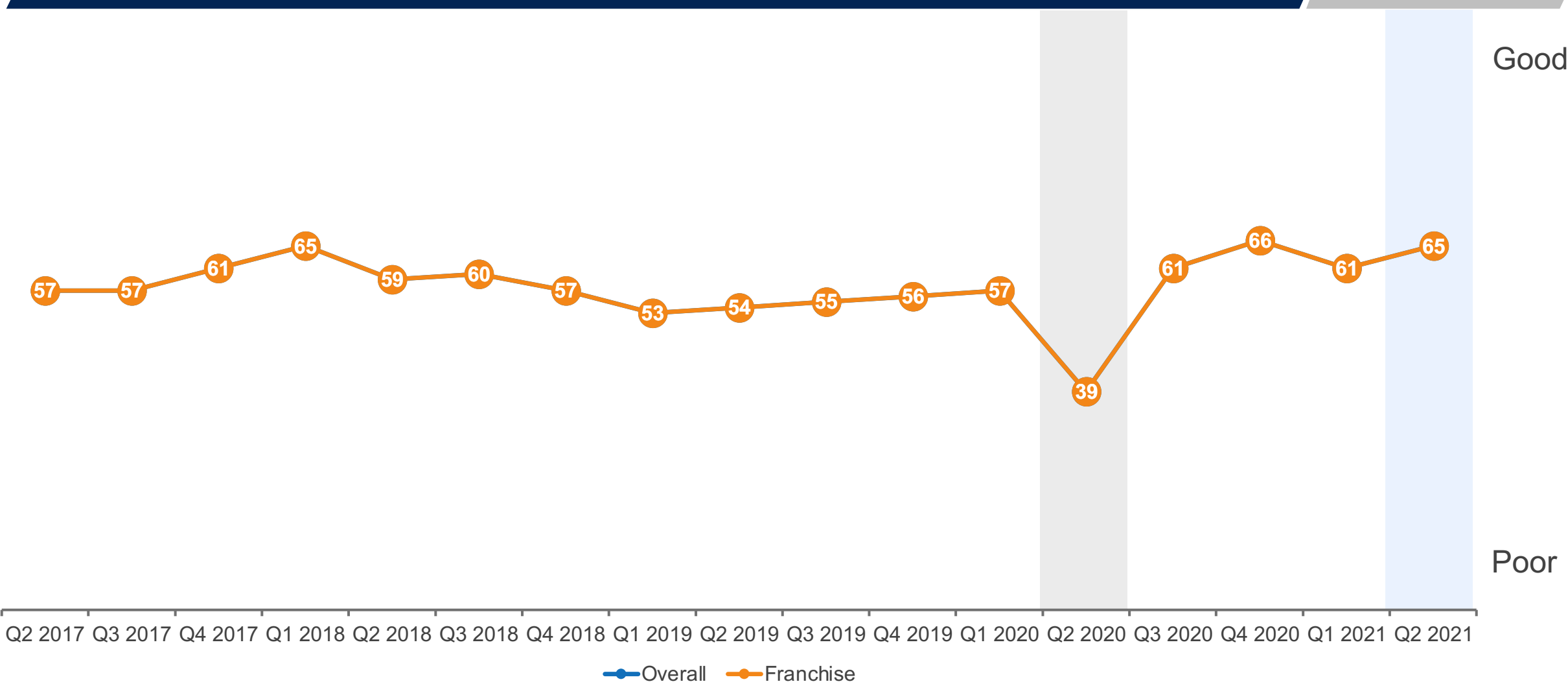


Note: Scale 1 - 100

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

# Dealer Sentiment Index

SECOND QUARTER 2021

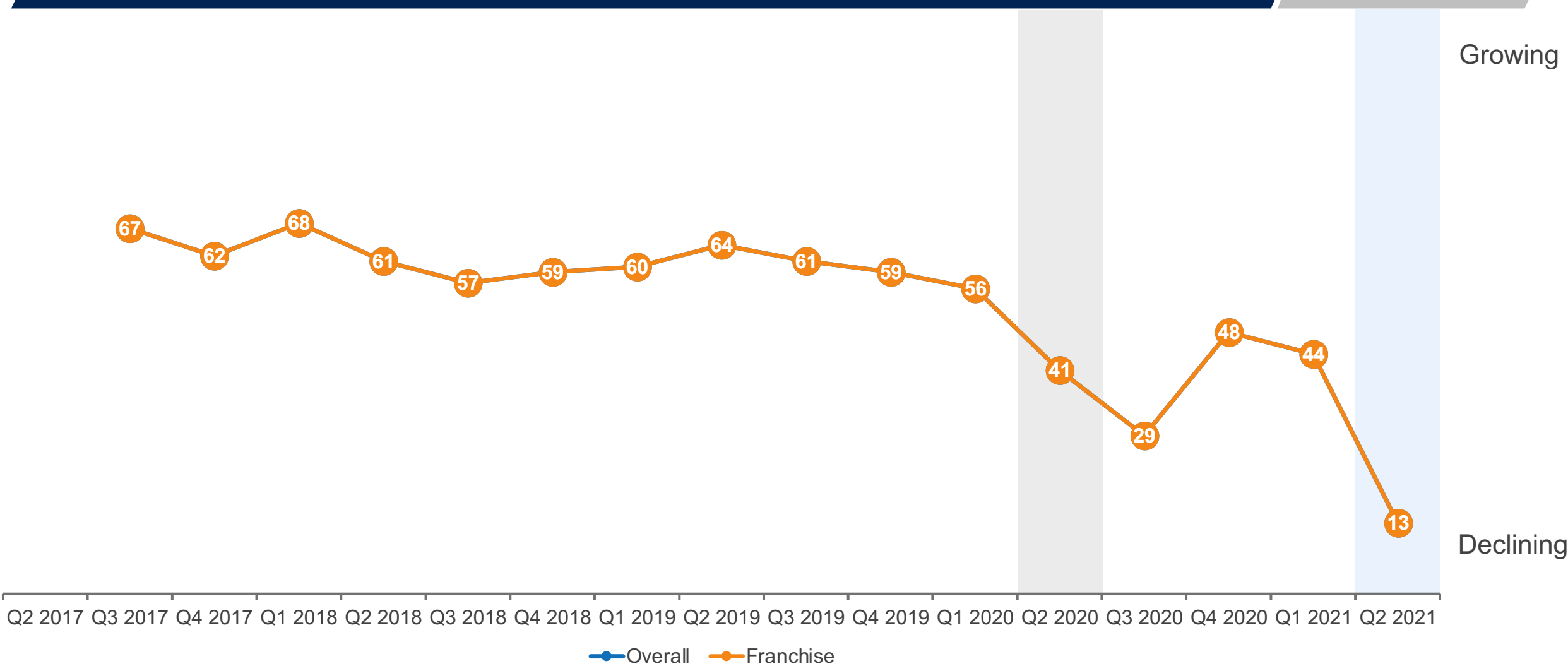


Note: Scale 1 - 100

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

# Dealer Sentiment Index

SECOND QUARTER 2021



Note: Scale 1 - 100

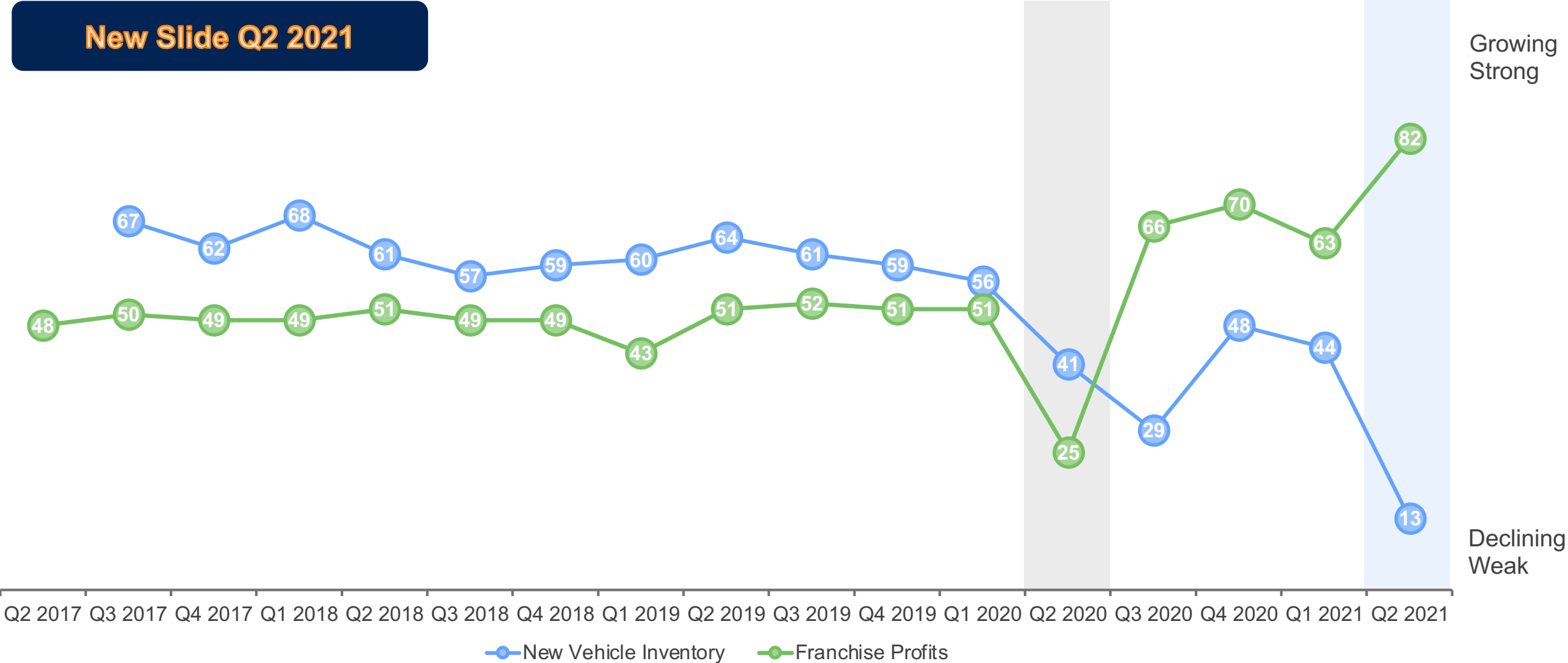
# Inventory/Profits

Q4: How would you describe your profits over the past 3 months?  
Q8: How would you describe the current new-vehicle inventory levels?

# Dealer Sentiment Index

SECOND QUARTER 2021

New Slide Q2 2021

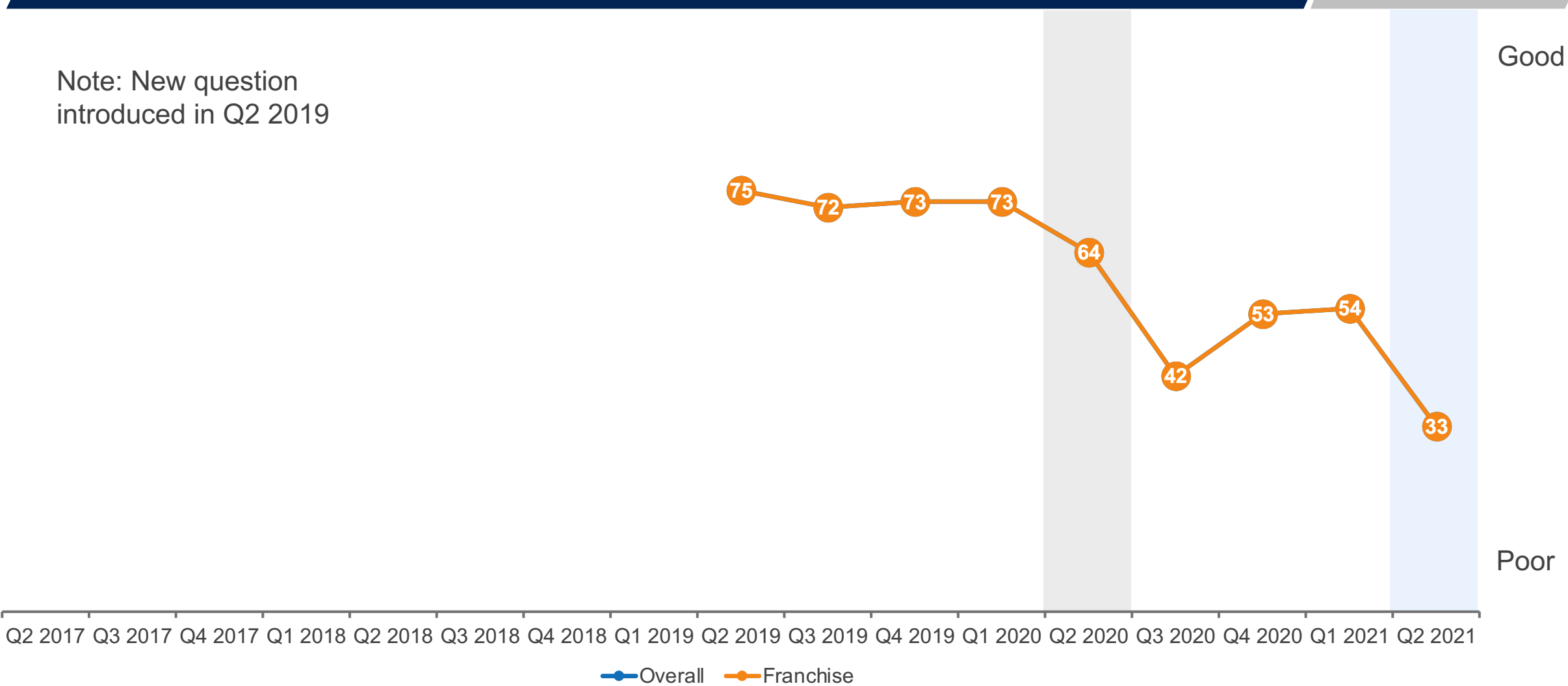


Note: Scale 1 - 100

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

Dealer Sentiment Index  
SECOND QUARTER 2021

Note: New question introduced in Q2 2019

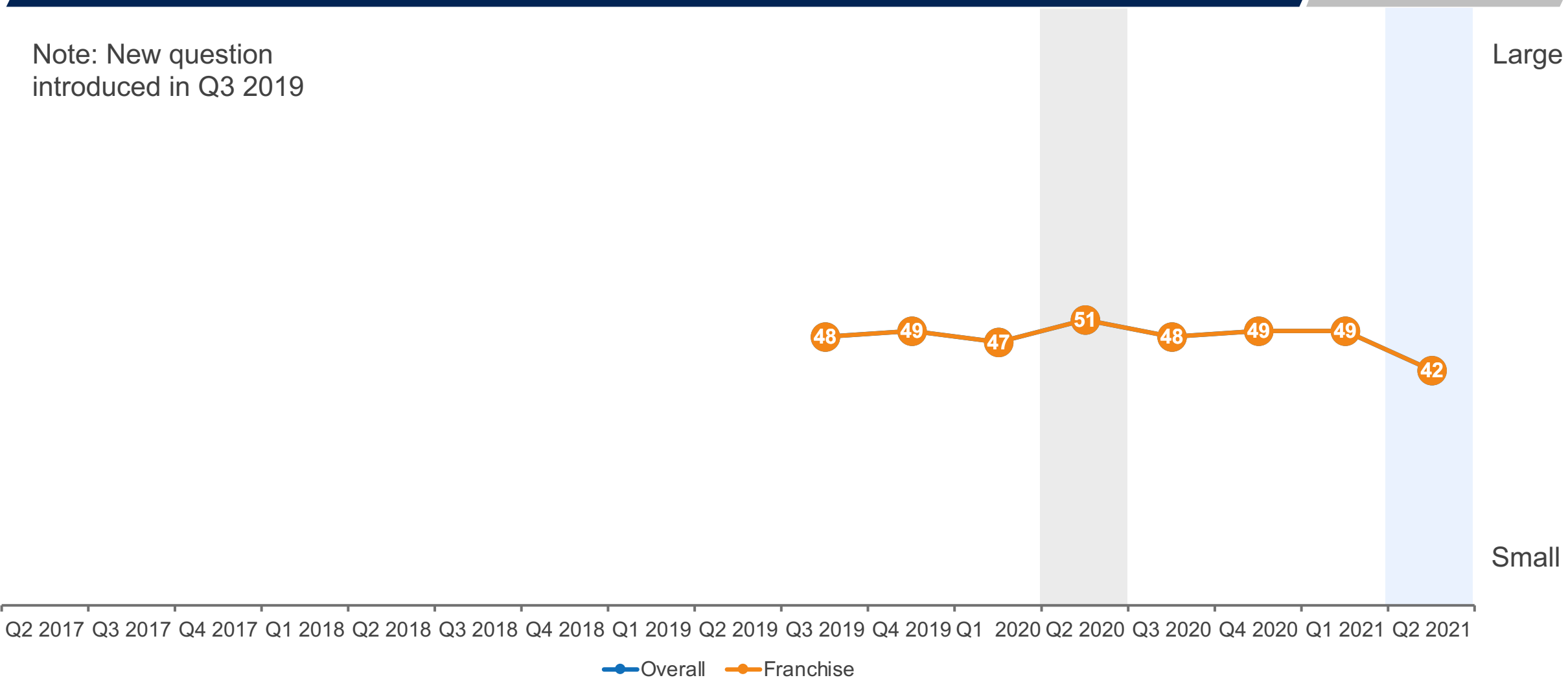


Note: Scale 1 - 100

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

Dealer Sentiment Index  
SECOND QUARTER 2021

Note: New question introduced in Q3 2019

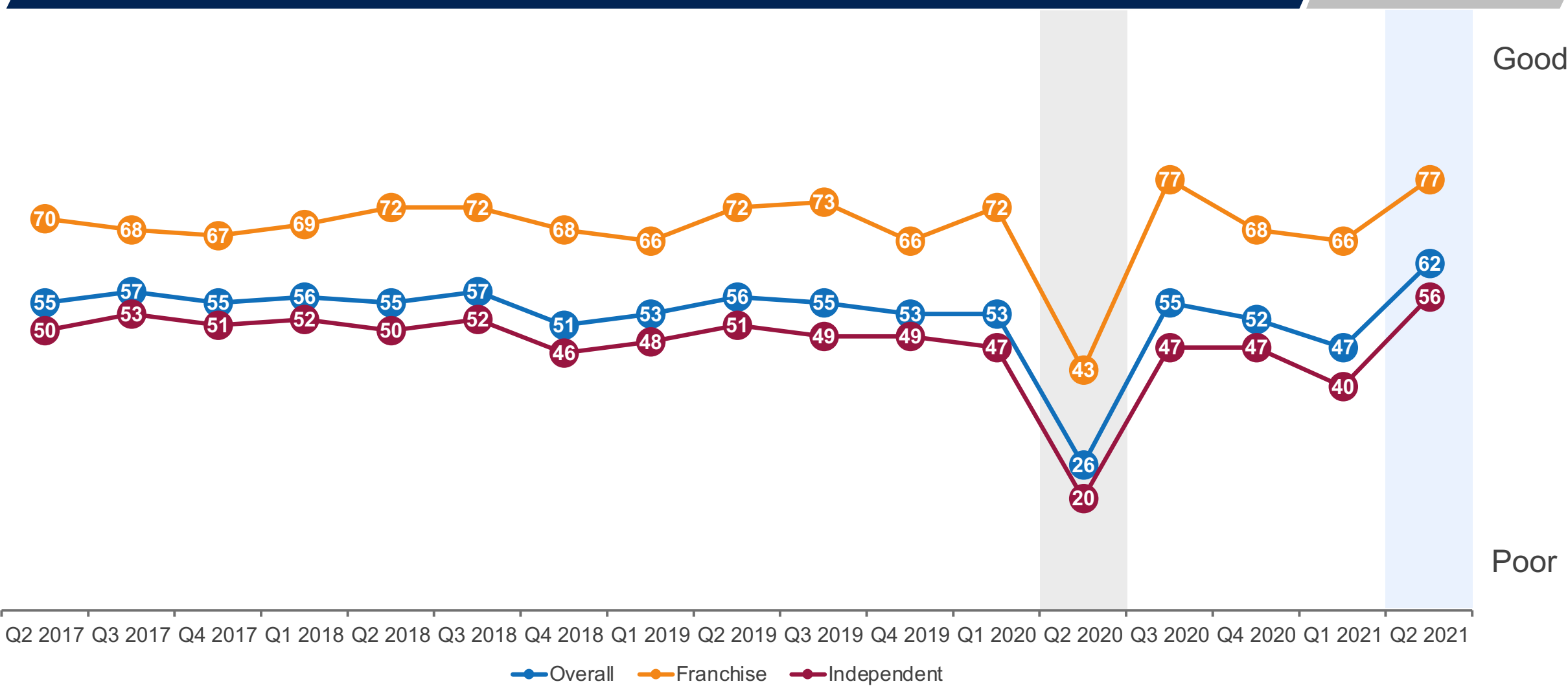


Note: Scale 1 - 100

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

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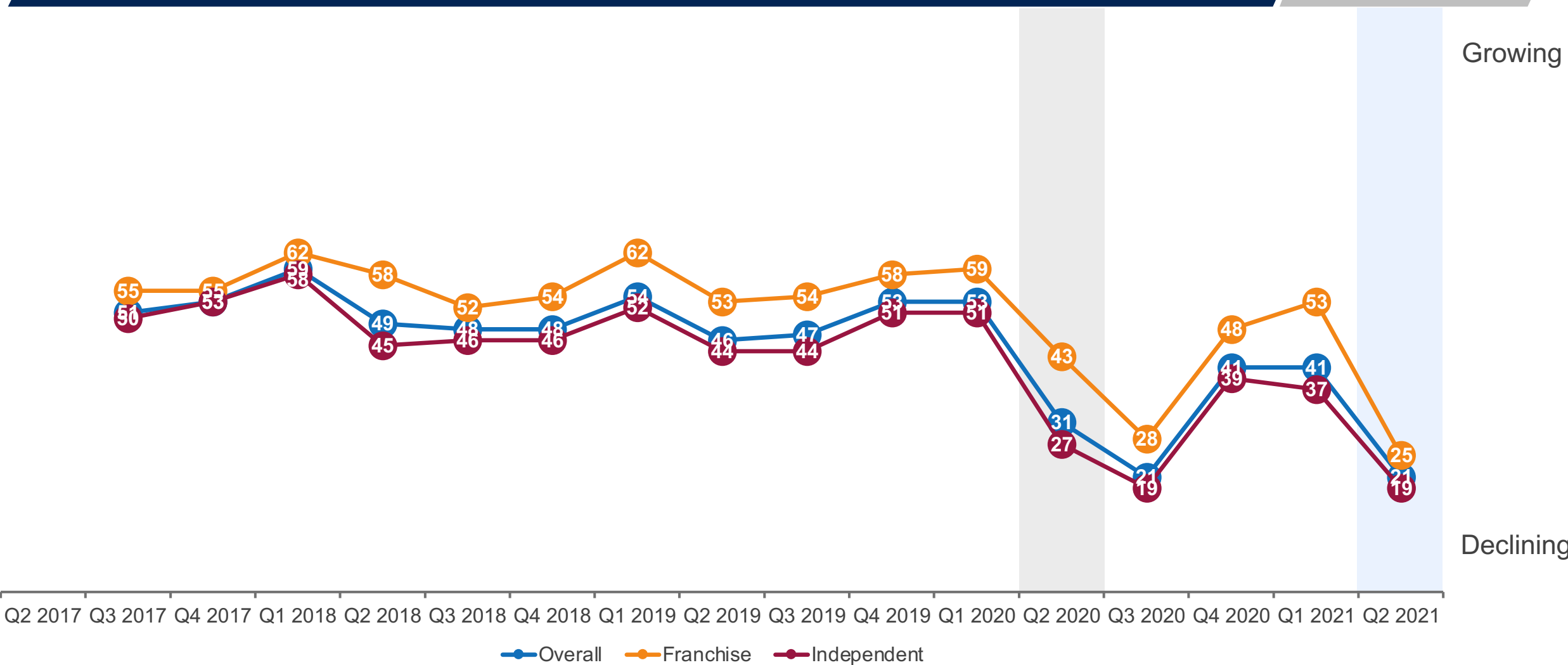


Note: Scale 1 - 100

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

# Dealer Sentiment Index

SECOND QUARTER 2021



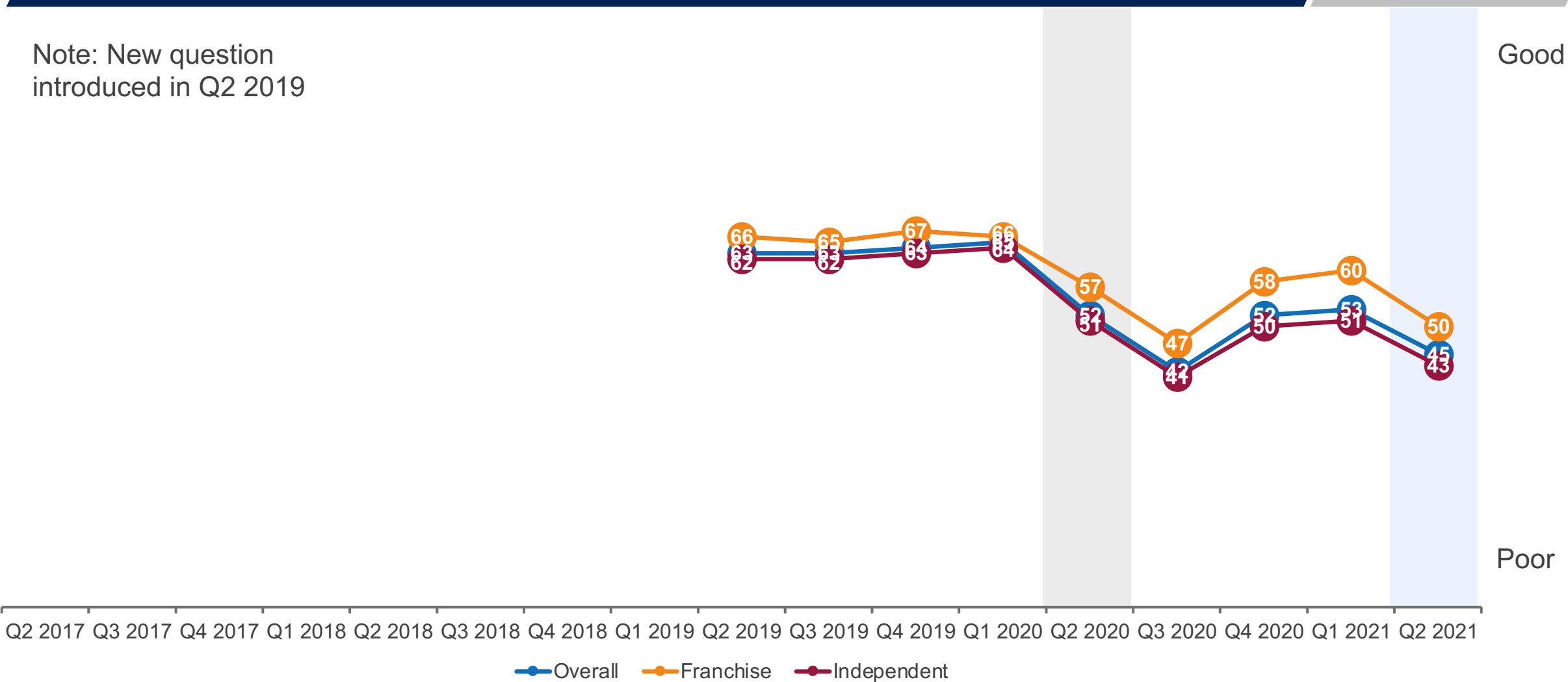
Note: Scale 1 - 100



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

Dealer Sentiment Index  
SECOND QUARTER 2021

Note: New question introduced in Q2 2019

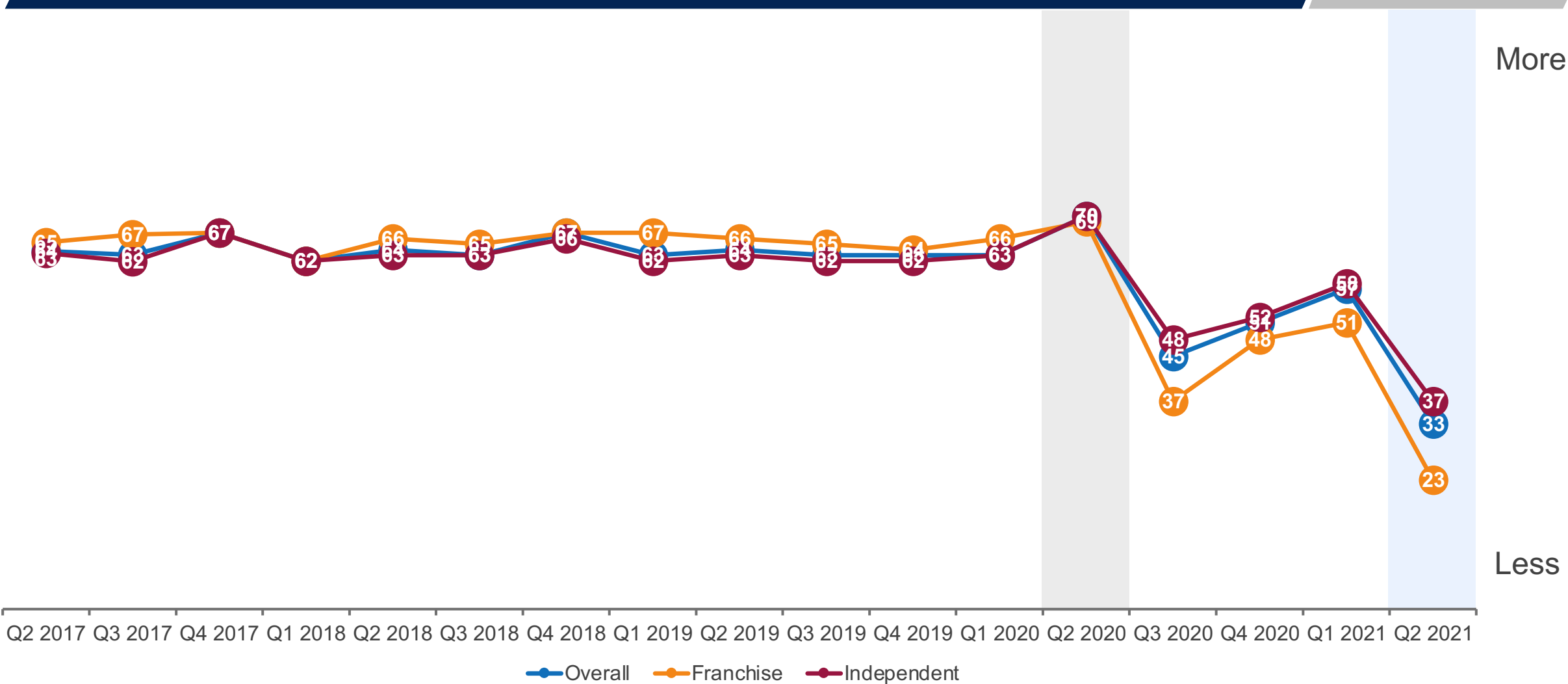


Note: Scale 1 - 100

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

# Dealer Sentiment Index

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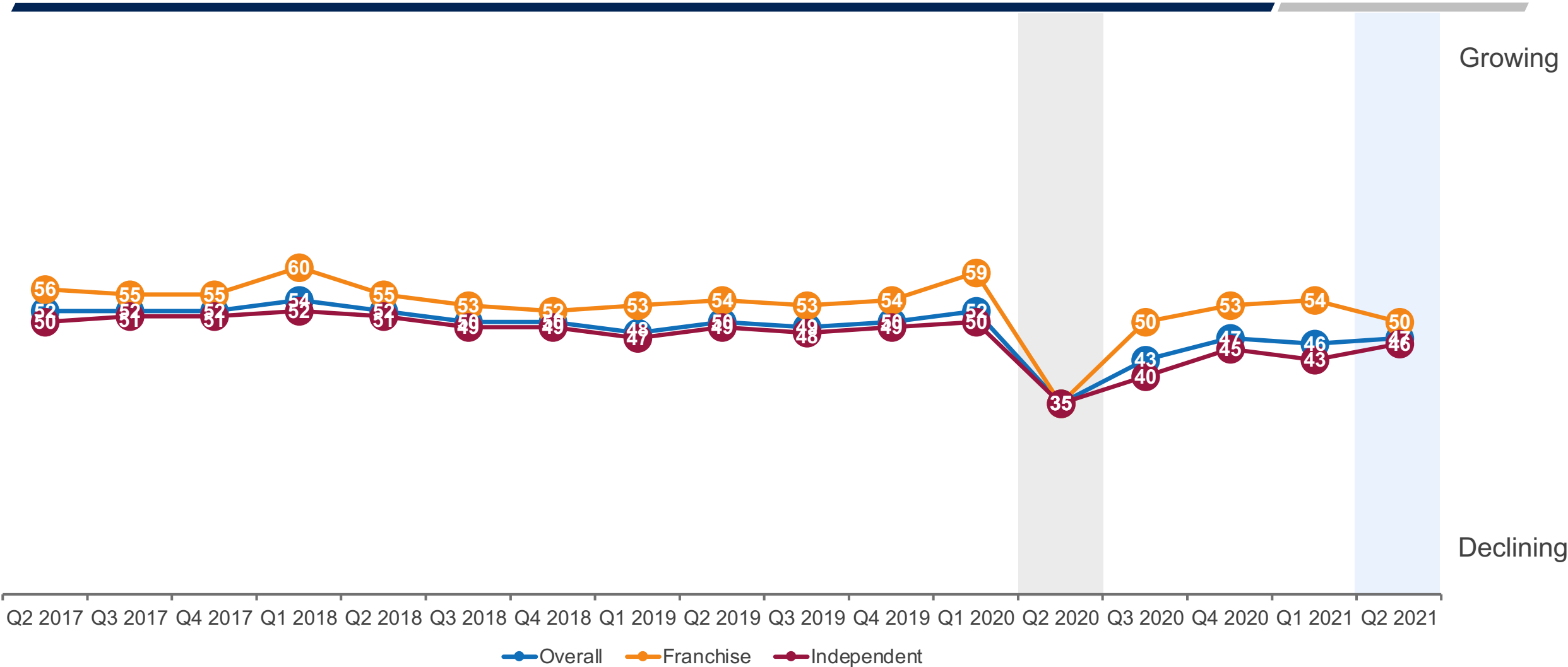


Note: Scale 1 - 100

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

# Dealer Sentiment Index

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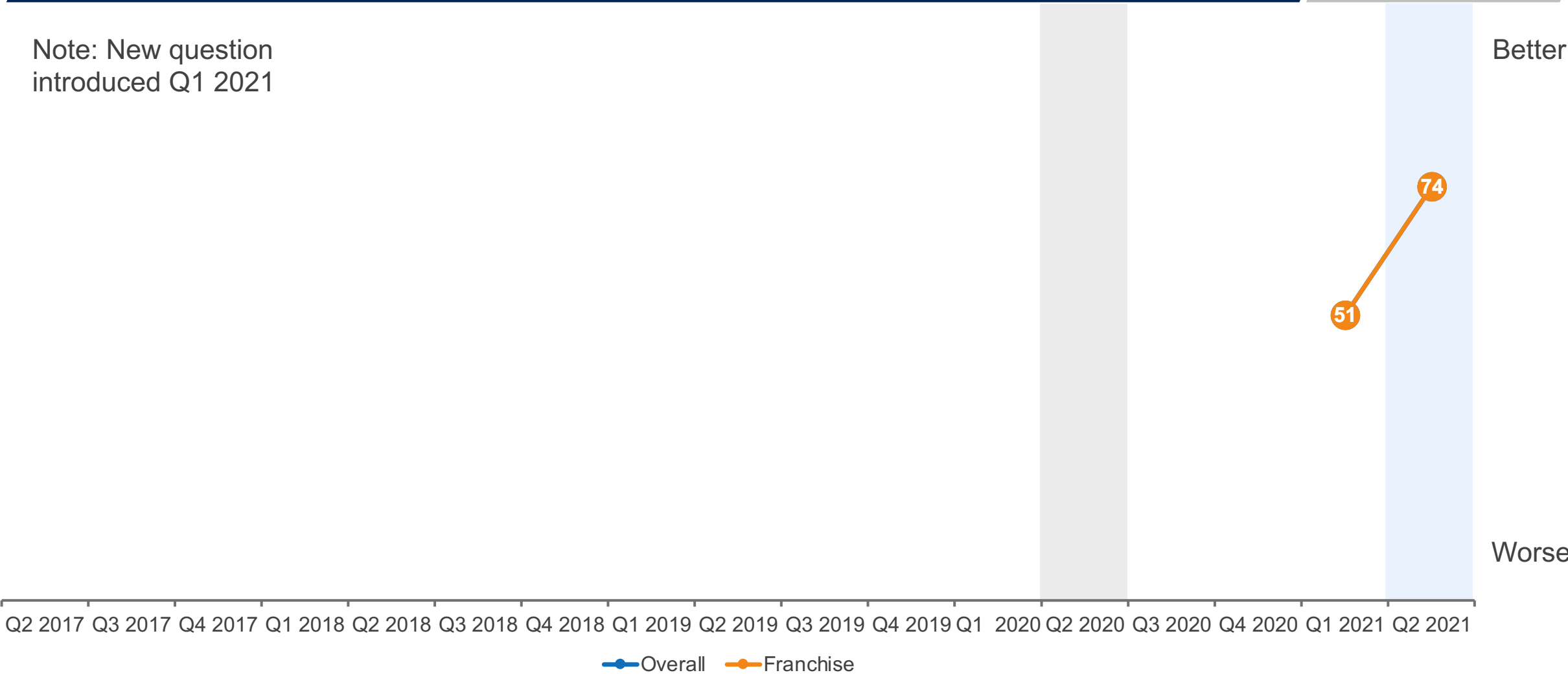


Note: Scale 1 - 100

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

Dealer Sentiment Index  
SECOND QUARTER 2021

Note: New question introduced Q1 2021

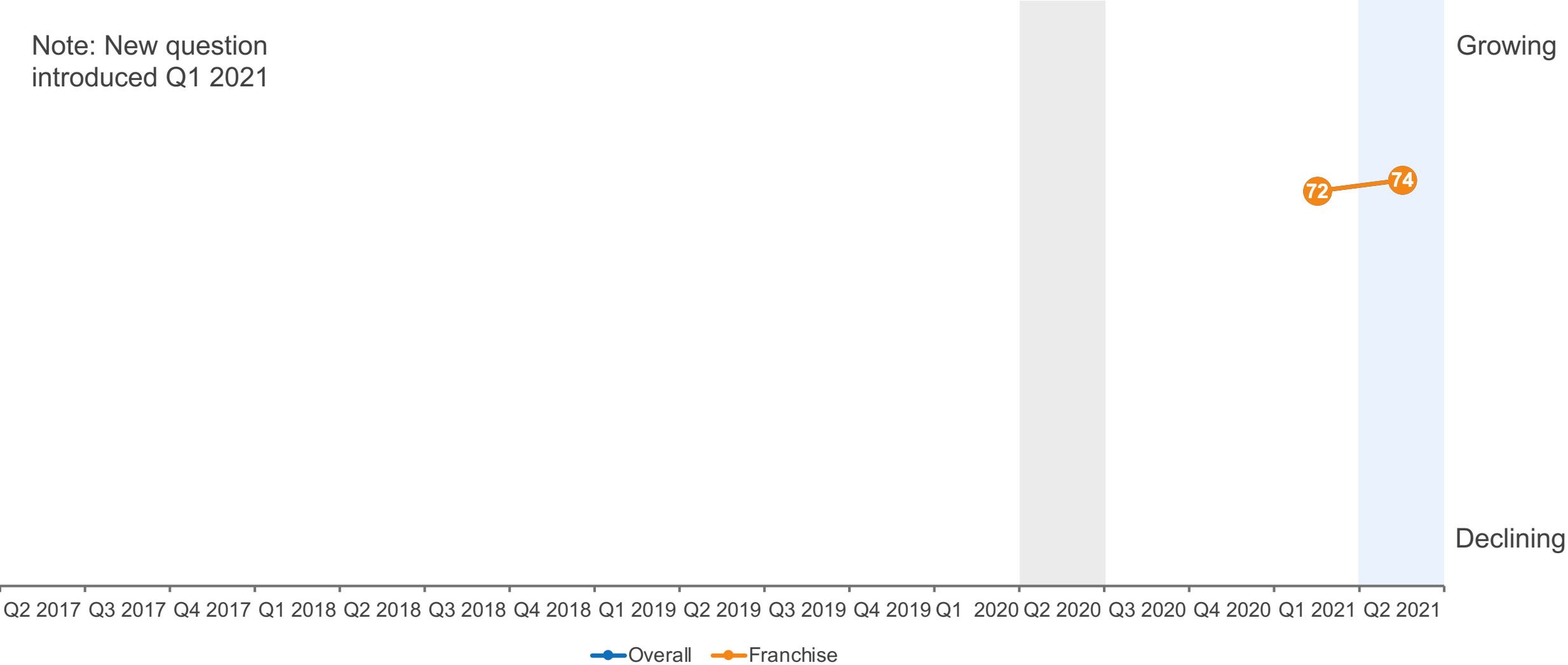


Note: Scale 1 - 100

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

Dealer Sentiment Index  
SECOND QUARTER 2021

Note: New question introduced Q1 2021



Note: Scale 1 - 100

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

Dealer Sentiment Index  
SECOND QUARTER 2021

Note: New question introduced in Q3 2019



Note: Scale 1 - 100

Q19: Compared to last year, how would you describe your EV sales?

# Dealer Sentiment Index

SECOND QUARTER 2021

Note: New question introduced Q2 2021

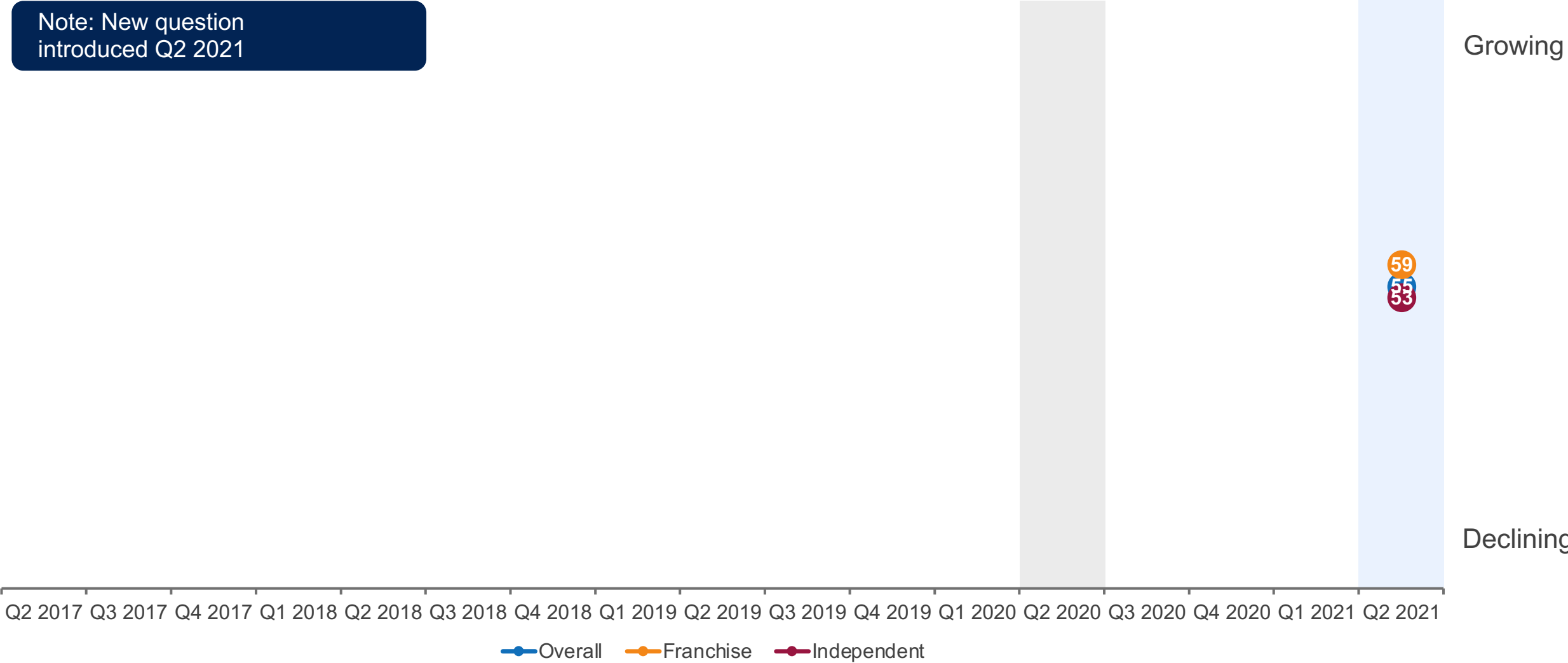


Q20: What do you expect the EV market in your area to look like 3 months from now?

# Dealer Sentiment Index

SECOND QUARTER 2021

Note: New question introduced Q2 2021



Note: Scale 1 - 100













# Factors Holding Back Your Business?

## Dealer Sentiment Index

SECOND QUARTER 2021

OVERALL RANK

		Q2 '21	Q1 '21	Q2 '20	Q2 '19
1	Limited Inventory	64% 	43%	26%	33%
2	Market Conditions	34%	38%	49%	40%
3	Business Impacts From COVID-19/Coronavirus	28% 	46%	75%	N/A
4	Economy	24% 	42%	60%	N/A
5	Expenses	19%	21%	18%	29%
6	Political Climate	18% 	36%	22%	N/A
7	Competition	15% 	20%	12%	35%
8	Credit Availability for Consumers	14% 	18%	22%	31%
9	Consumer Confidence	8% 	25%	42%	13%
10	Staff Turnover	8%	7%	5%	12%
11	Regulations	6% 	9%	12%	7%
12	Consumer Transparency in Pricing	4%	5%	5%	12%
13	Tariffs on Imported Vehicles and Parts	4% 	2%	2%	4%
14	Credit Availability for Business	4%	6%	9%	6%
15	Weather	3% 	17%	5%	N/A
16	Interest Rates	3%	3%	2%	16%
17	OEM Mandates/Restrictions	3%	2%	2%	4%

Significant decrease vs previous quarter



Significant increase vs previous quarter



# Factors Holding Back Your Business?

## Dealer Sentiment Index

SECOND QUARTER 2021

OVERALL RANK

		Q2 '21	Q1 '21	Q2 '20	Q2 '19
18	Dealership Systems/Tools	3%	2%	2%	5%
19	Lack of Consumer Incentives From My OEM	2%	3%	3%	N/A
20	Technology to Support Sales	2%	2%	3%	N/A
21	Technology to Support Operations	2%	2%	1%	N/A
22	OEM Priorities	2%	2%	2%	N/A
23	Too Much Retail Inventory	1%	2%	6%	7%

Significant decrease vs  
previous quarter



Significant increase vs  
previous quarter










# Factors Holding Back Your Business?

## Dealer Sentiment Index

SECOND QUARTER 2021

FRANCHISED DEALERS

		Q2 '21	Q1 '21	Q2 '20	Q2 '19
1	Limited Inventory	67% 	41%	15%	19%
2	Business Impacts From COVID-19/Coronavirus	25% 	42%	72%	N/A
3	Market Conditions	24%	31%	45%	39%
4	Political Climate	19% 	38%	23%	N/A
5	Economy	19% 	36%	53%	N/A
6	Staff Turnover	14%	10%	9%	25%
7	Expenses	11%	10%	13%	21%
8	OEM Mandates/Restrictions	10%	7%	8%	17%
9	Lack of Consumer Incentives From My OEM	10%	13%	12%	N/A
10	Competition	8% 	18%	10%	37%
11	OEM Priorities	8%	7%	7%	N/A
12	Consumer Confidence	8% 	25%	38%	22%
13	Credit Availability for Consumers	6%	9%	8%	23%
14	Regulations	6%	7%	14%	4%
15	Weather	4% 	20%	6%	N/A
16	Tariffs on Imported Vehicles and Parts	4%	3%	2%	6%
17	Dealership Systems/Tools	3%	2%	1%	7%

Significant decrease vs previous quarter



Significant increase vs previous quarter



## Factors Holding Back Your Business?

## Dealer Sentiment Index

SECOND QUARTER 2021

FRANCHISED DEALERS

		Q2 '21	Q1 '21	Q2 '20	Q2 '19
18	Interest Rates	3%	2%	2%	26%
19	Consumer Transparency in Pricing	2%	4%	3%	12%
20	Technology to Support Operations	2%	1%	1%	N/A
21	Credit Availability for Business	2%	1%	2%	1%
22	Technology to Support Sales	1%	2%	2%	N/A
23	Too Much Retail Inventory	1%	0%	4%	6%

Significant decrease vs  
previous quarter



Significant increase vs  
previous quarter












# Factors Holding Back Your Business?

## Dealer Sentiment Index

SECOND QUARTER 2021

INDEPENDENT DEALERS

		Q2 '21	Q1 '21	Q2 '20	Q2 '19
1	Limited Inventory	63% 	43%	29%	38%
2	Market Conditions	38%	40%	50%	40%
3	Business Impacts From COVID-19/Coronavirus	29% 	48%	76%	N/A
4	Economy	25% 	44%	62%	N/A
5	Expenses	21%	25%	20%	31%
6	Political Climate	17% 	36%	22%	N/A
7	Competition	17% 	21%	13%	34%
8	Credit Availability for Consumers	16% 	21%	27%	33%
9	Consumer Confidence	9% 	26%	43%	11%
10	Staff Turnover	7%	6%	4%	7%
11	Regulations	6% 	10%	11%	8%
12	Credit Availability for Business	5%	7%	11%	7%
13	Consumer Transparency in Pricing	5%	6%	6%	13%
14	Tariffs on Imported Vehicles and Parts	4% 	1%	3%	4%

Significant decrease vs previous quarter



Significant increase vs previous quarter




# Factors Holding Back Your Business?

## Dealer Sentiment Index

SECOND QUARTER 2021

INDEPENDENT DEALERS

		Q2 '21	Q1 '21	Q2 '20	Q2 '19
15	Weather	3% 	16%	5%	N/A
16	Interest Rates	3%	3%	1%	13%
17	Dealership Systems/Tools	3%	2%	2%	5%
18	Technology to Support Sales	2%	2%	3%	N/A
19	Technology to Support Operations	2%	3%	1%	N/A
20	Too Much Retail Inventory	1%	3%	6%	7%

Significant decrease vs  
previous quarter



Significant increase vs  
previous quarter



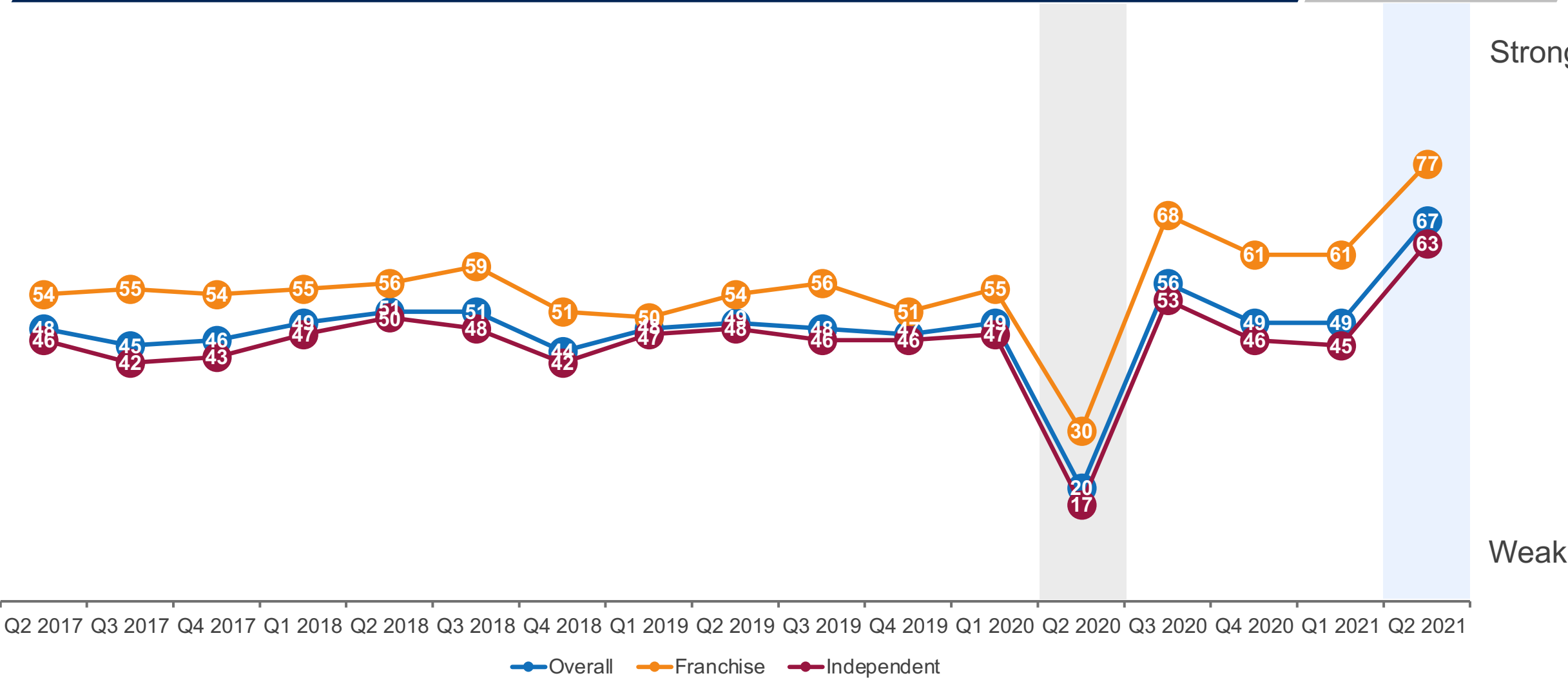
# The Business Impact of COVID-19



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

# Dealer Sentiment Index

SECOND QUARTER 2021



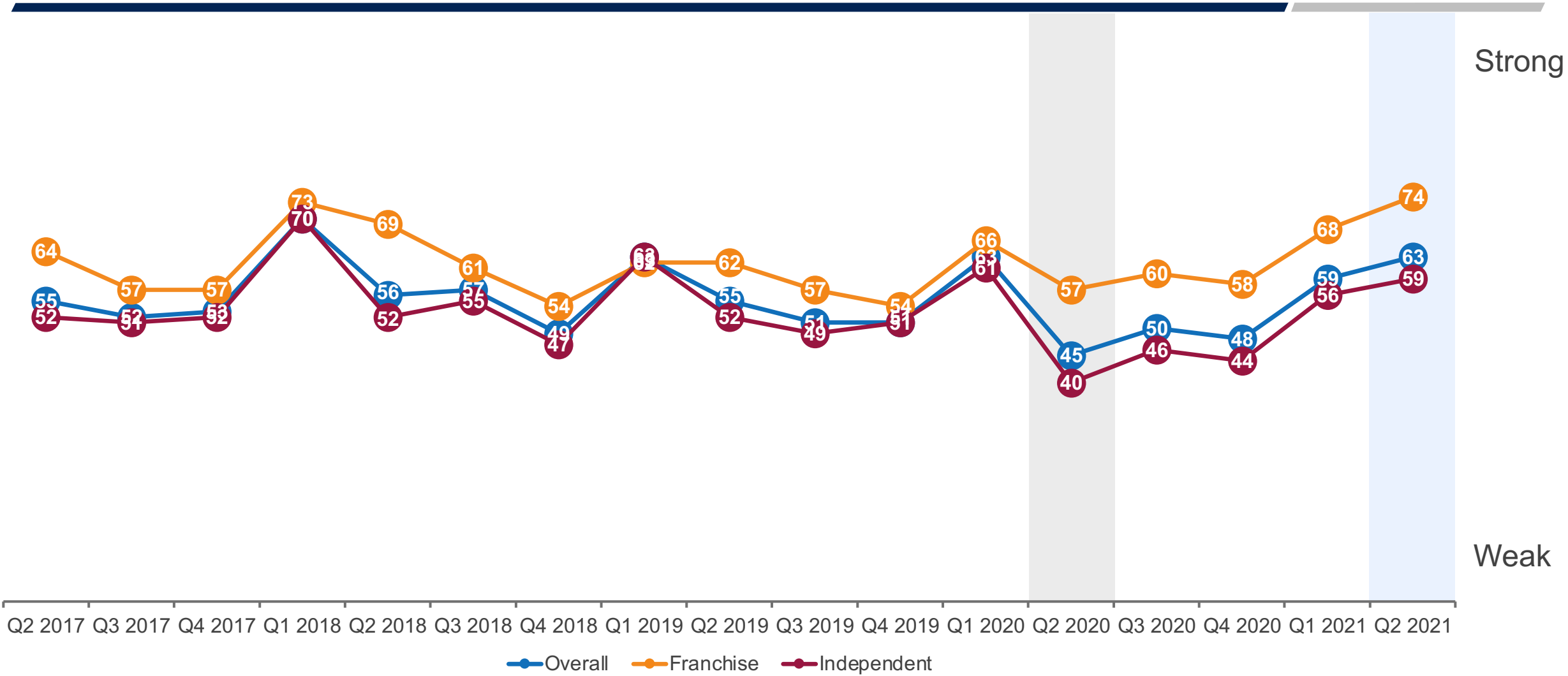
Note: Scale 1 - 100



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

# Dealer Sentiment Index

SECOND QUARTER 2021



Note: Scale 1 - 100

# Dealer Sentiment Index

SECOND QUARTER 2021

## Top Priorities at This Time

	Overall		Franchised (A)		Independent (B)		High Tax States (A)		All Other States (B)	
	Q2 2021	Q1 2021	Q2 2021	Q1 2021	Q2 2021	Q1 2021	Q2 2021	Q1 2021	Q2 2021	Q1 2021
Finding/Buying inventory	53%	34%	44%	20%	55% A	38% A	46%	27%	54%	35% A
Staying in business in general	14%	23%	5%	9%	17% A	28% A	16%	29% B	13%	22%
Retaining customers	7%	8%	13% B	16% B	5%	5%	3%	7%	8% A	8%
Improving efficiency in general	6%	10%	10% B	18% B	5%	7%	6%	8%	6%	10%
Improving Sales and Service solutions	5%	9%	8% B	10%	4%	8%	12% B	10%	4%	8%
Reducing expenses by cutting unnecessary costs	4%	6%	3%	5%	5%	6%	4%	10% B	4%	5%
Gaining market share	4%	7%	9% B	16% B	2%	4%	2%	5%	4%	8%
Retaining employees	3%	3%	5% B	5% B	2%	2%	3%	3%	3%	3%
Selling the dealership*	1%	N/A	0%	N/A	2%	N/A	1%	N/A	1%	N/A
Acquiring other storefronts*	1%	N/A	0%	N/A	1%	N/A	1%	N/A	1%	N/A
Other	2%	1%	3%	1%	2%	1%	6% B	1%	2%	1%

**GREEN:** Significant *increase* from prior quarter

**RED:** Significant *decrease* from prior quarter

\*option added in Q2 2021

# Dealer Sentiment Index

SECOND QUARTER 2021

## Regional View – Index Scores (Franchised Dealers)

Question	Answer	North-east	Mid-west	South	West
Current Market	Strong/Weak	76	78	78	74
Market Next 3 Months	Strong/Weak	71	72	77	77
Customer Traffic	Strong/Weak	69	77	73	67
Profits	Strong/Weak	79	86	84	76
Dealer Credit	Easy/Difficult	62	65	68	67
Costs	Growing/Declining	61	62	59	66
New Vehicle Sales	Good/Poor	67	61	69	64
New Vehicle Inventory	Growing/Declining	14	10	14	16
New Vehicle Inventory Mix	Good/Poor	38	28	34	35



Note: Scale 1 – 100

**GREEN:** Significant *increase* from prior quarter

**RED:** Significant *decrease* from prior quarter

# Dealer Sentiment Index

SECOND QUARTER 2021

## Regional View – Index Scores (Franchised Dealers)

Question	Answer	North-east	Mid-west	South	West
Used Vehicle Sales	Good/Poor	78	77	77	75
Used Vehicle Inventory	Growing/Declining	29	21	27	24
Used Vehicle Inventory Mix	Good/Poor	55	48	48	46
Price Pressure	More/Less	24	20	23	26
Staffing	Growing/Declining	53	51	49	51
OEM incentives	Large/Small	42	43	43	41
Economy	Strong/Weak	60	61	59	62
Current Fixed Operations	Better/Worse	71	75	74	75
Future Fixed Operations	Growing/Declining	74	70	79	73
Current BEV Sales	Better/Worse	58	56	49	59
Future BEV Sales	Growing/Declining	64	59	53	63



Note: Scale 1 – 100

**GREEN:** Significant increase from prior quarter

**RED:** Significant decrease from prior quarter



# Dealer Sentiment Index

SECOND QUARTER 2021

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The image shows a large, modern glass skyscraper with a curved facade, reflecting the sky and surrounding environment. In the foreground, there is a blue signpost with the word "COX" in large, white, sans-serif capital letters. Below the signpost, there are two directional arrows with phone numbers: a left-pointing arrow with "6205 6305" and an upward-pointing arrow with "6325". The background is a clear blue sky.

◀ (P) 6205 6305

▲ (P) 6325



COX AUTOMOTIVE™

Dealer Sentiment Index Q2 2021