

DEALER SENTIMENT INDEX

THIRD QUARTER 2021

Cox
AUTOMOTIVE™

Research & Market Intelligence



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 Q3 2021 CADSI is based on 1,100 U.S. auto dealer respondents, comprising 576 franchised dealers and 524 independents. The survey was conducted from July 26 to Aug. 9, 2021.
- ✓ The next quarterly report will be released in December 2021. The CADSI was first published in Q2 2017.

Key Takeaways

As tight vehicle inventory continues to vex the auto industry, U.S. dealer sentiment in the third quarter softened but remains mostly positive and above levels recorded in Q3 2020 and Q3 2019.

The current market index reading of 62 in the most recent Cox Automotive Dealer Sentiment Index (CADSI) indicates that more dealers feel that the automotive market is strong compared to the number who feel that the market is weak.

The key drivers of sentiment saw varying shifts in Q3. The 3-month market outlook index saw a 3-point decrease from the prior quarter, meaning the outlook is waning, although, at 60, more dealers still see the future market as strong than see it as weak. The profits index saw a slight improvement compared to the prior quarter, hitting a record of 60. At the same time, the price pressure index increased modestly from Q2's record low – slightly more dealers are now feeling pressure to lower prices, although that group is still in the minority.

“Dealer sentiment has moderated from a record high in the spring,” said Cox Automotive Chief Economist Jonathan Smoke. “Dealers are still optimistic about the coming months, but the new-vehicle inventory situation is not improving, and sales are suffering.”

Consistent with current market trends, the new-vehicle inventory index was unchanged from last quarter's record low of 13 and down by a notable 16-points compared to Q3 2020. Not only is inventory tight, but the mix is poor as well and getting worse. The new-vehicle inventory mix index fell to a historically low reading of 18 in Q3.

While new-vehicle inventory remains challenged, there are signs used-vehicle inventories are improving. The used-vehicle inventory index saw substantial growth from Q2 to Q3, increasing by 10 points to 31. The used-inventory mix index also improved, although only modestly. Both indices remain below the threshold of 50 and are seen by dealers as declining, not growing.

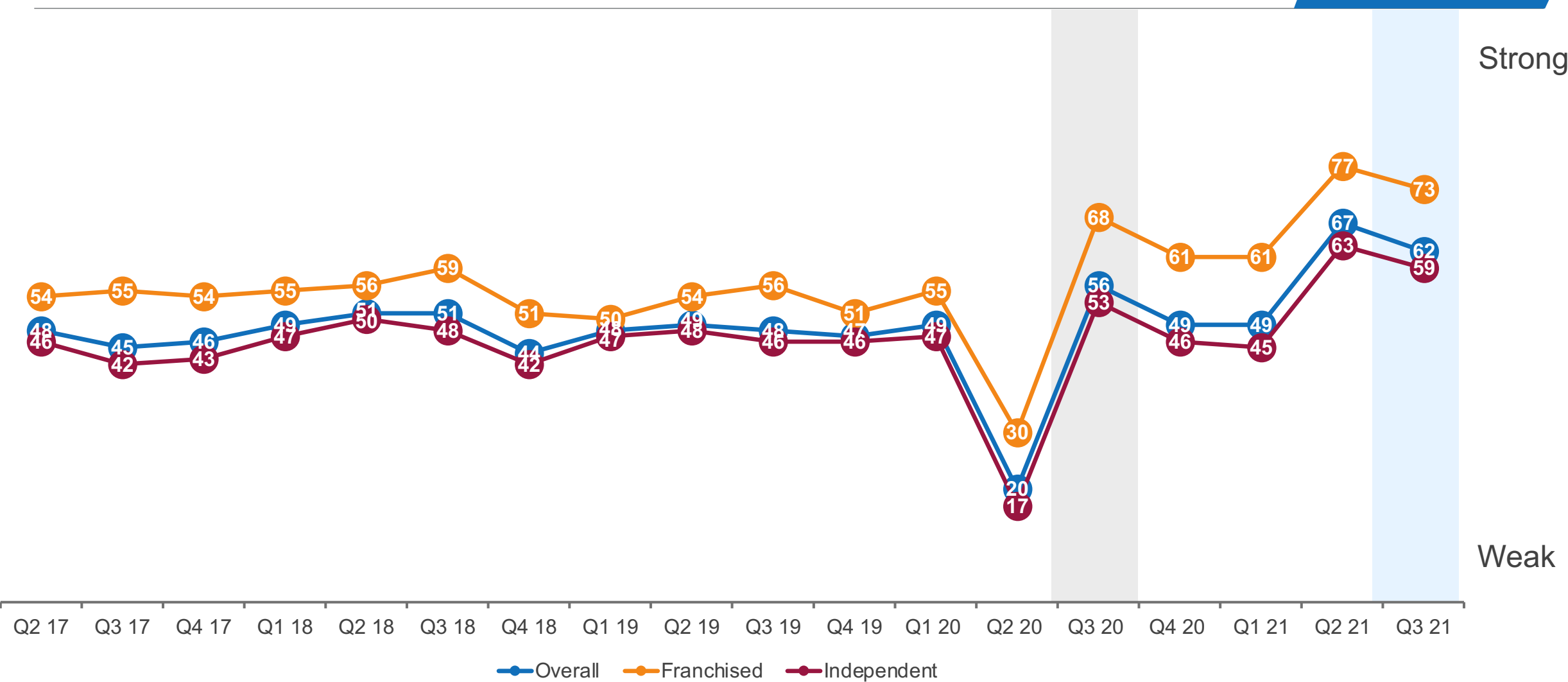
Tight inventory levels are now negatively impacting sales, according to dealer sentiment. The view of new-vehicle sales was down significantly from Q2 and compared to last year. The new-vehicle sales index fell to 51, the second-lowest reading on record. The used-vehicle sales index fell as well, although it remains historically high at 59, the second-best reading in the index's history and behind only the record set last quarter.

The top 5 factors holding back the business across all dealers were unchanged in Q3 from Q2, with Limited Inventory in the top spot with 62% of dealers citing it. Market Conditions in the second spot rose to 37% of dealers citing it, while Business Impacts from COVID-19 was in the third spot, down from No. 2 in Q3 2020. The Economy and Expenses rounded out the top 5 factors holding back dealer business this quarter.

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

Dealer Sentiment Index

THIRD QUARTER 2021

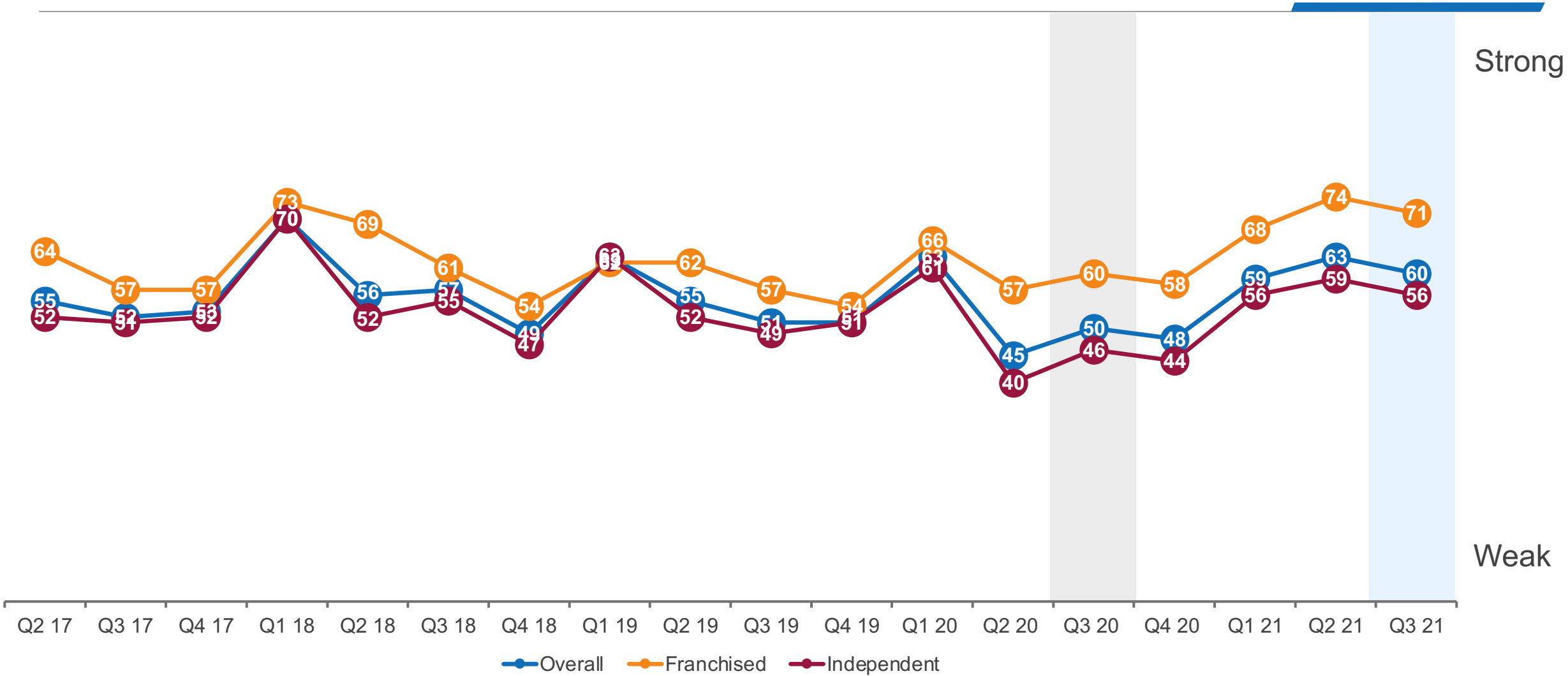


Note: Scale 1 - 100

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

Dealer Sentiment Index

THIRD QUARTER 2021

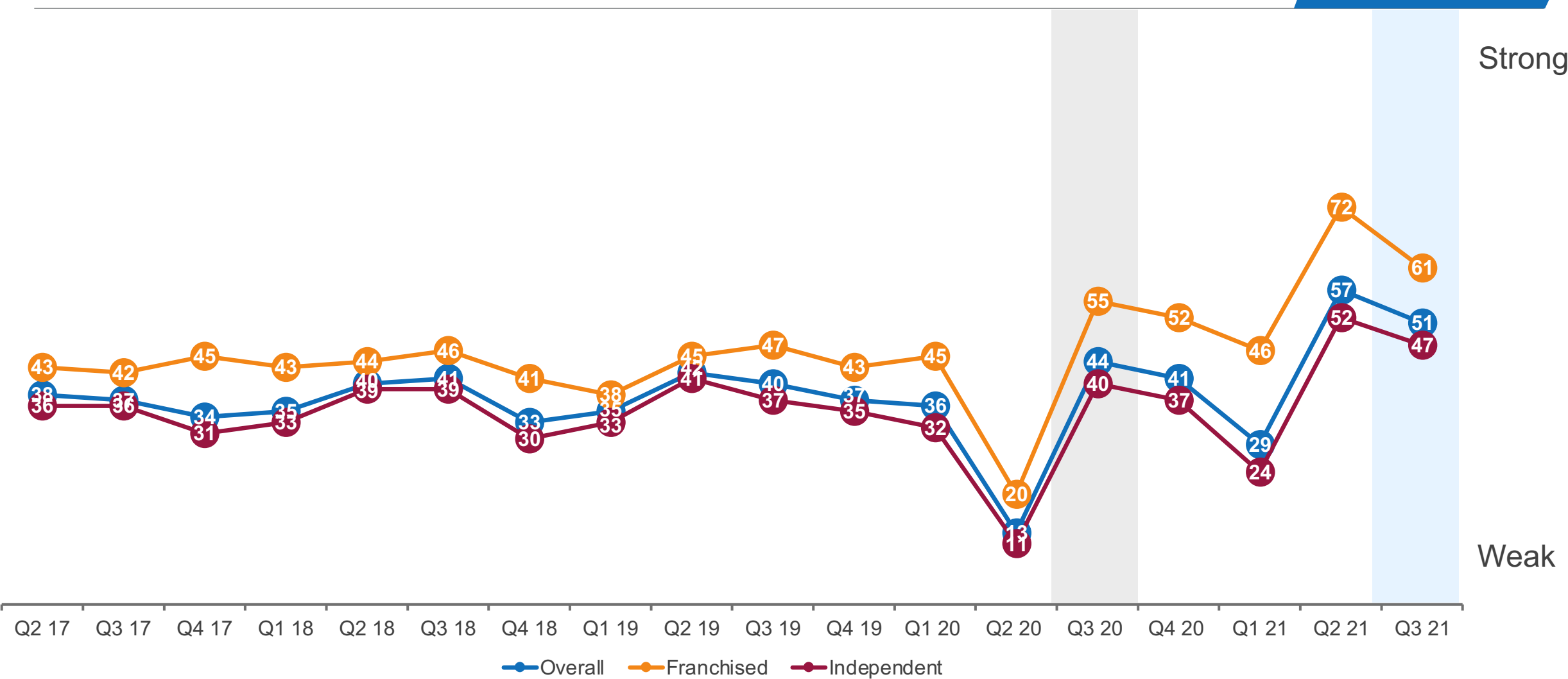


Note: Scale 1 - 100

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

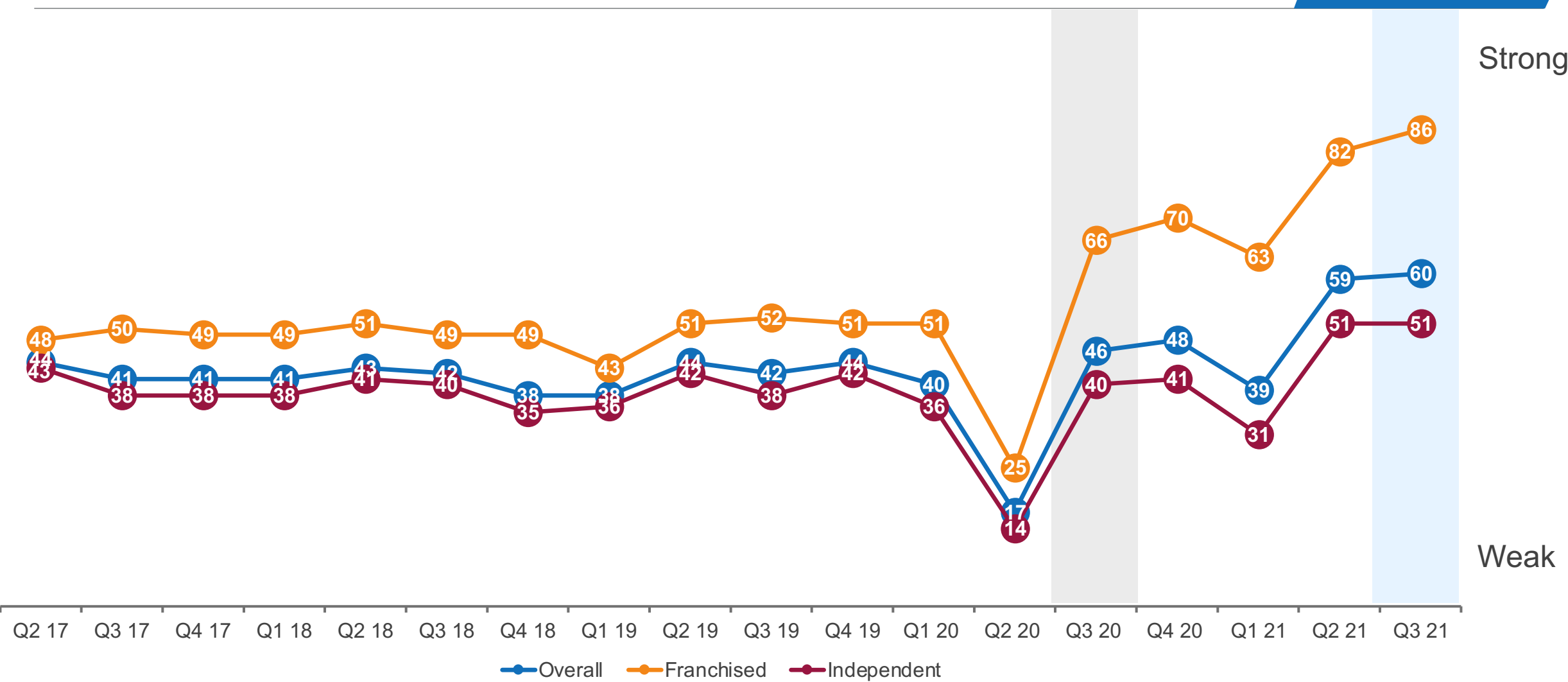
Dealer Sentiment Index

THIRD QUARTER 2021



Note: Scale 1 - 100

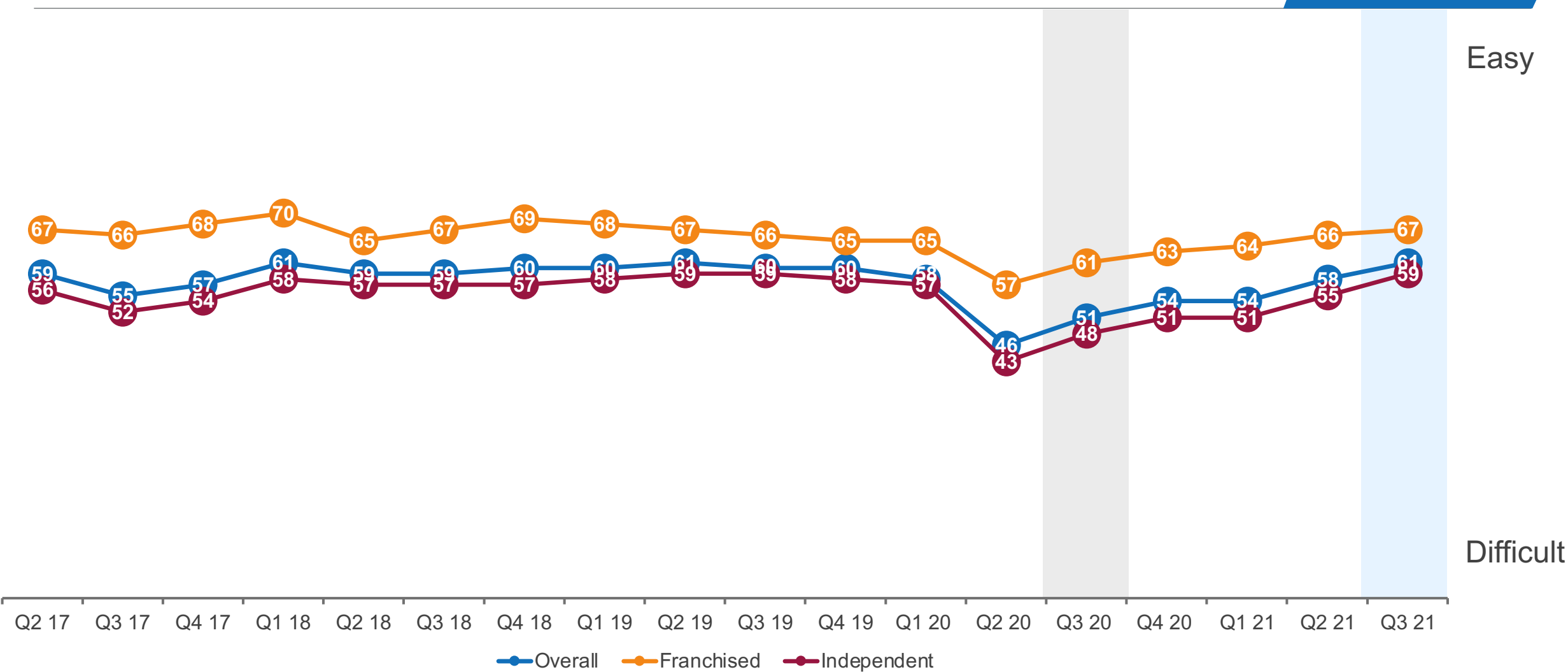
Q4: How would you describe your profits over the past 3 months?



Note: Scale 1 - 100

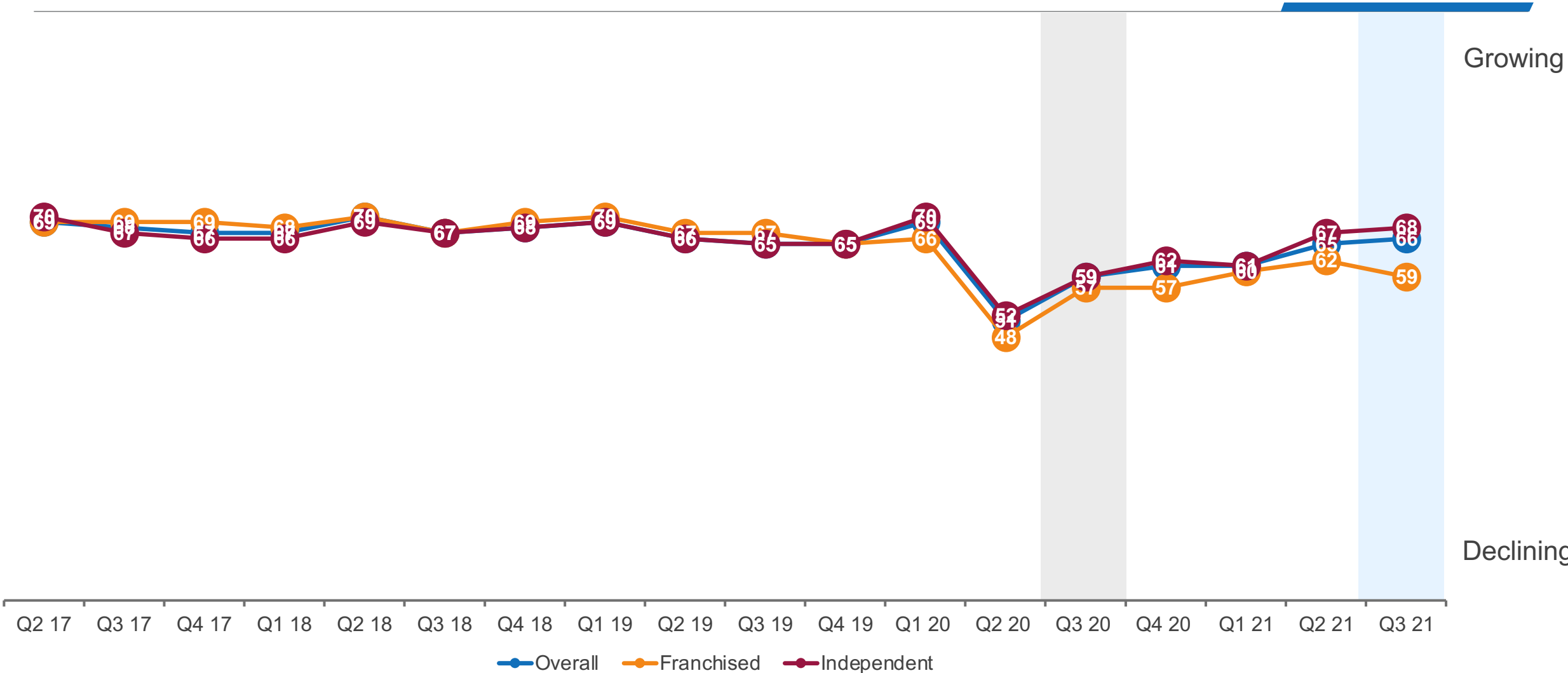
Q5: How would you describe your ability to get credit to operate your business over the past 3 months?

Dealer Sentiment Index
THIRD QUARTER 2021



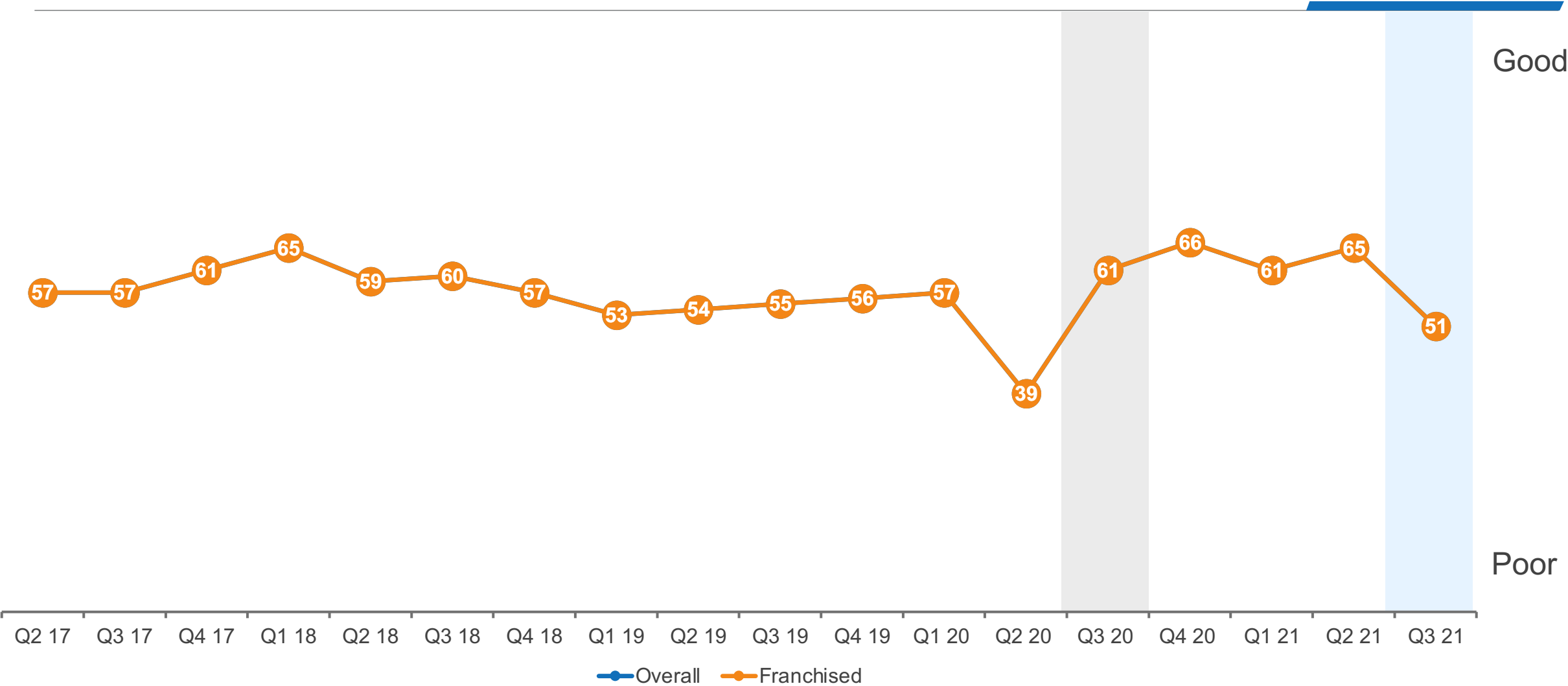
Note: Scale 1 - 100

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



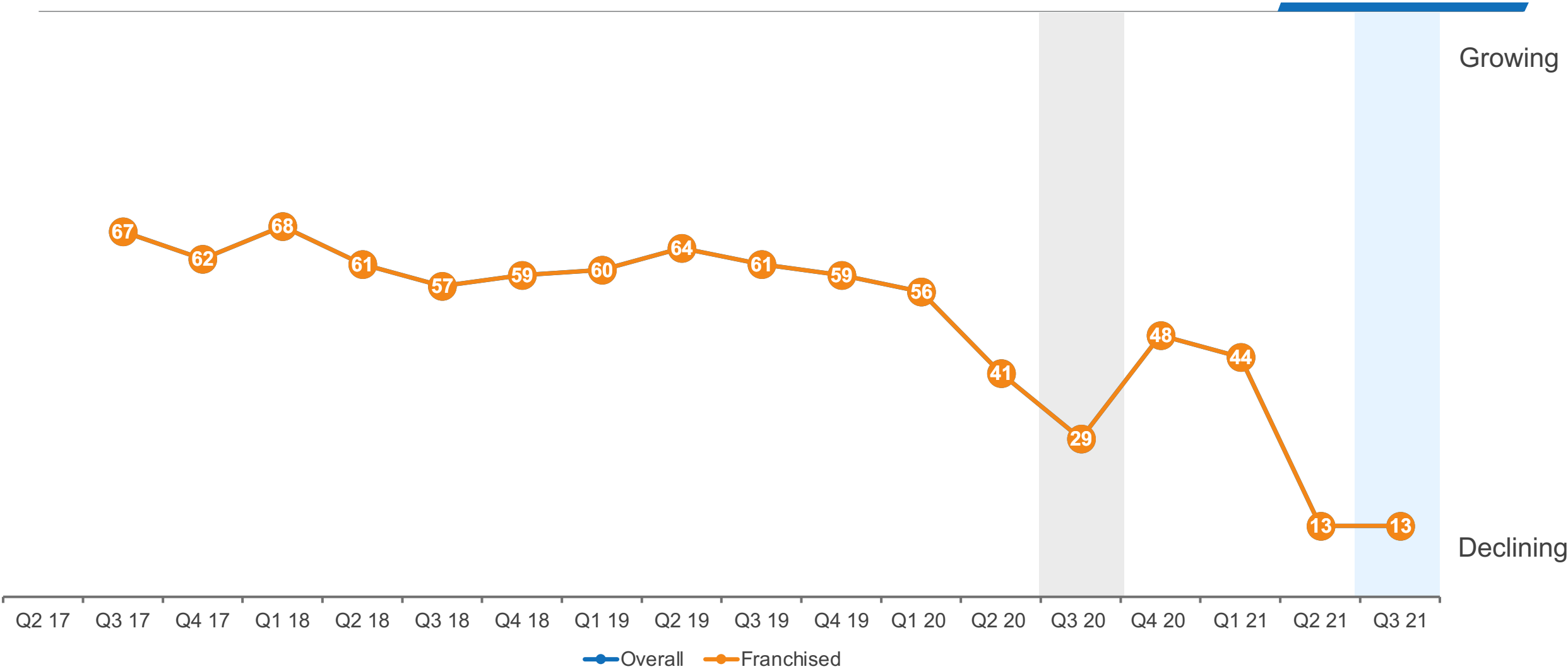
Note: Scale 1 - 100

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



Note: Scale 1 - 100

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



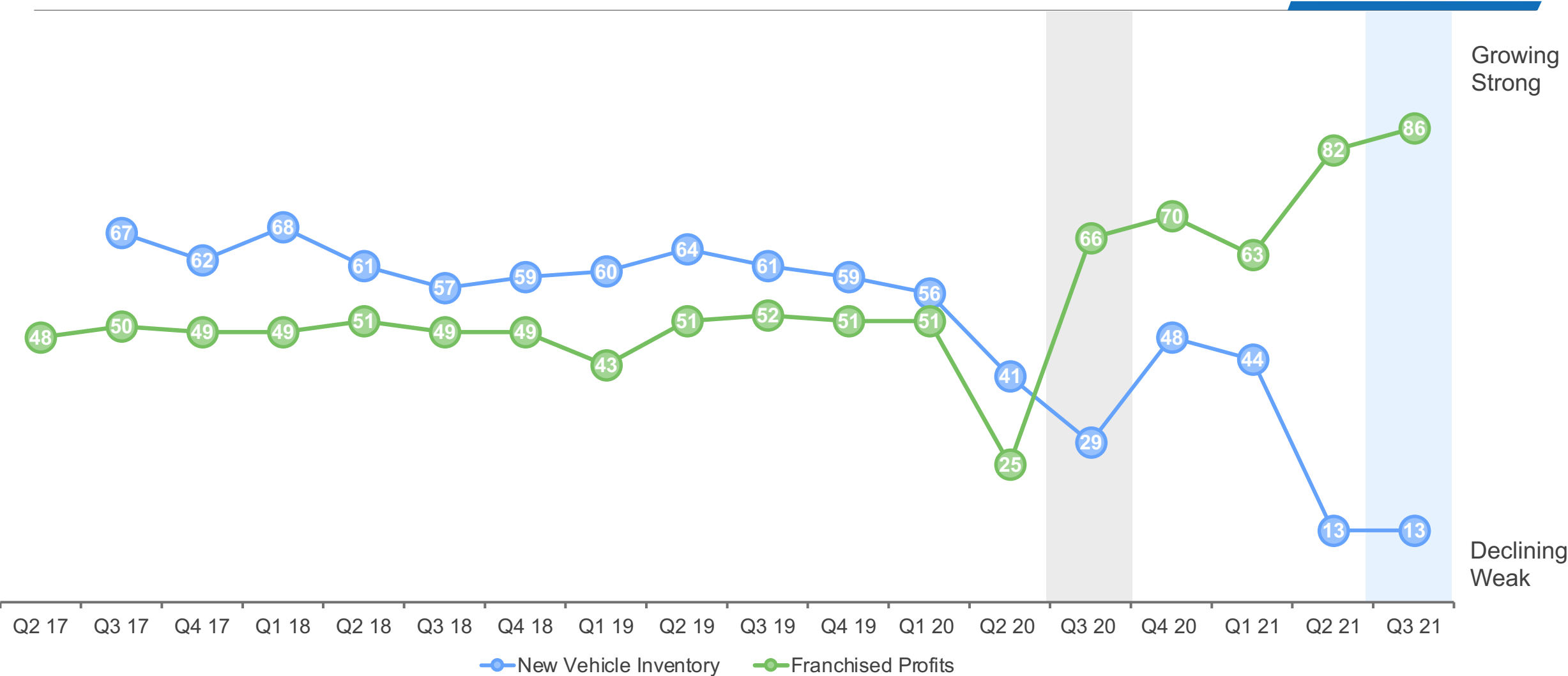
Note: Scale 1 - 100

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

THIRD QUARTER 2021

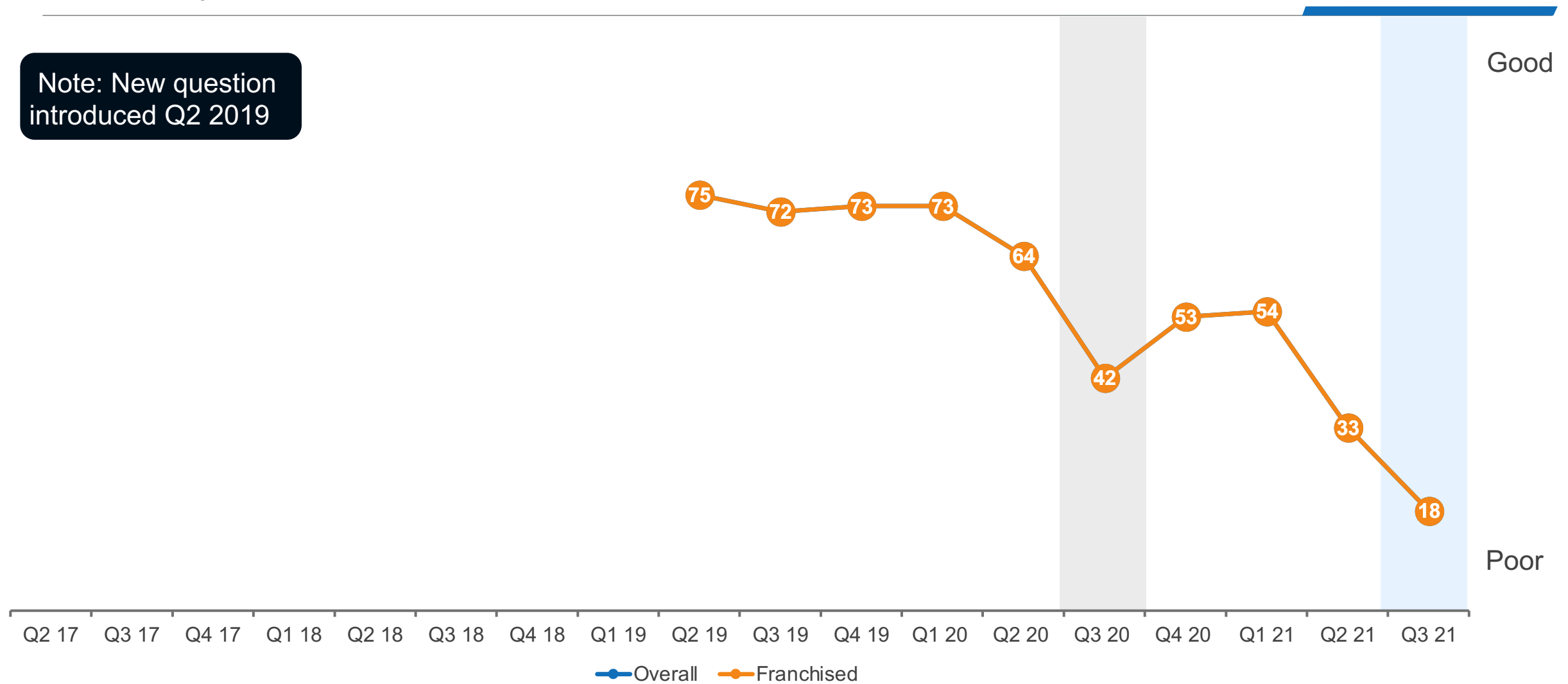


Note: Scale 1 - 100

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

Dealer Sentiment Index THIRD QUARTER 2021

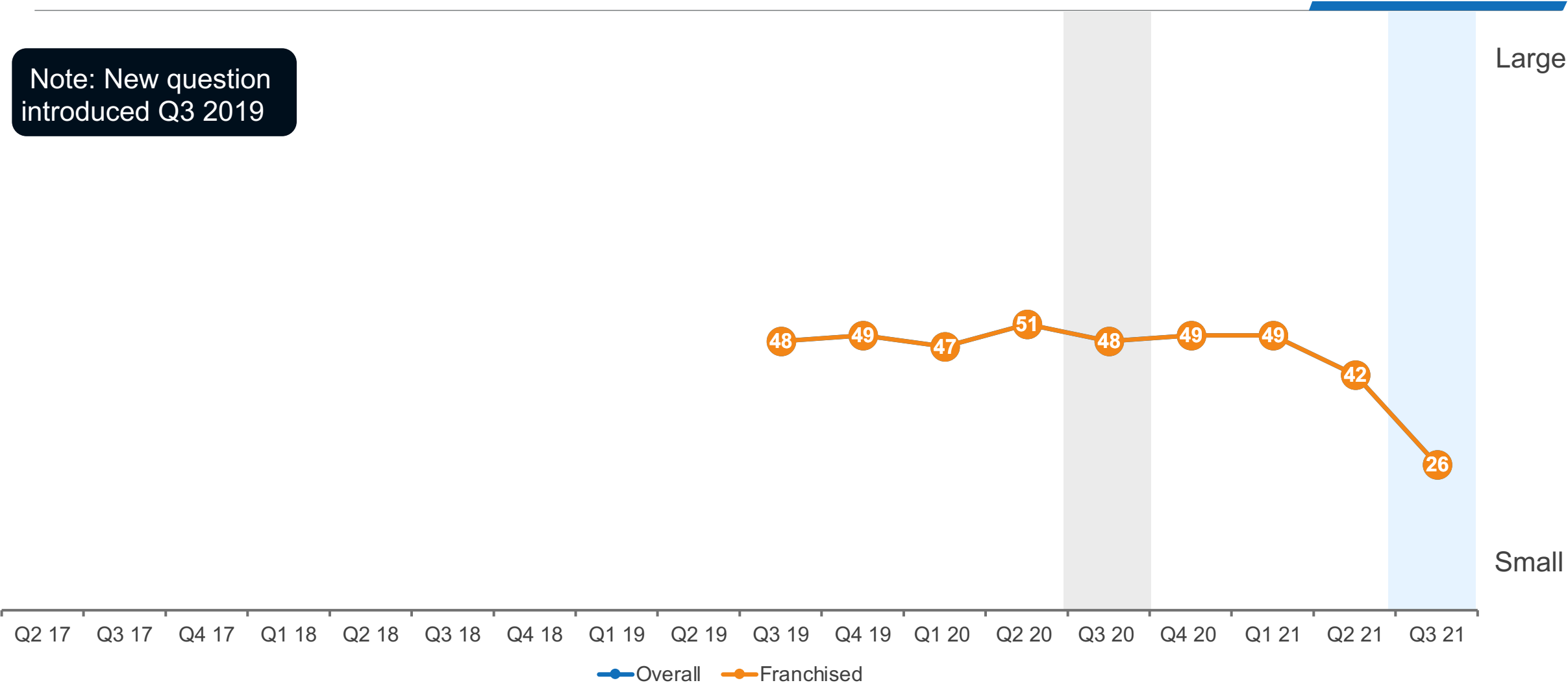
Note: New question introduced Q2 2019



Note: Scale 1 - 100

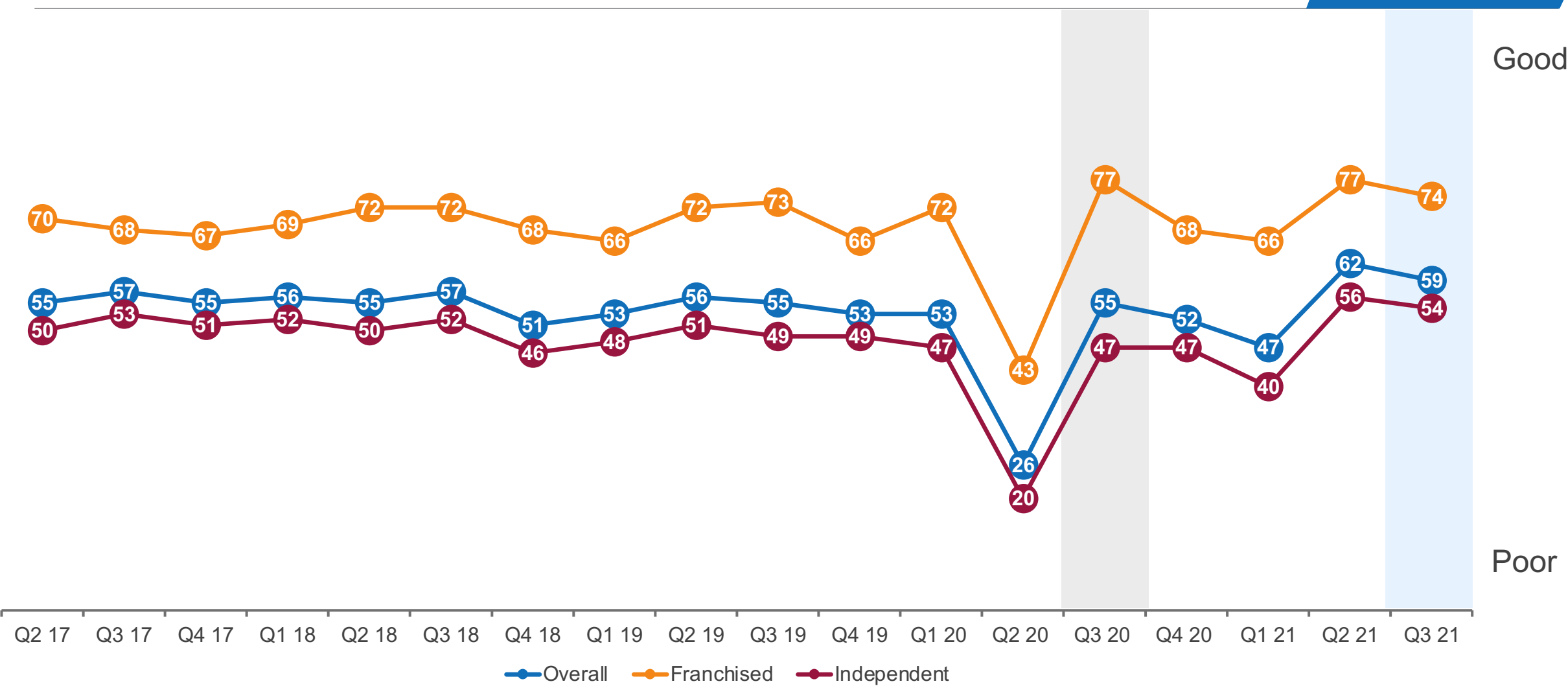
Q10: How would you describe the current level of OEM new-vehicle incentives?

Note: New question introduced Q3 2019



Note: Scale 1 - 100

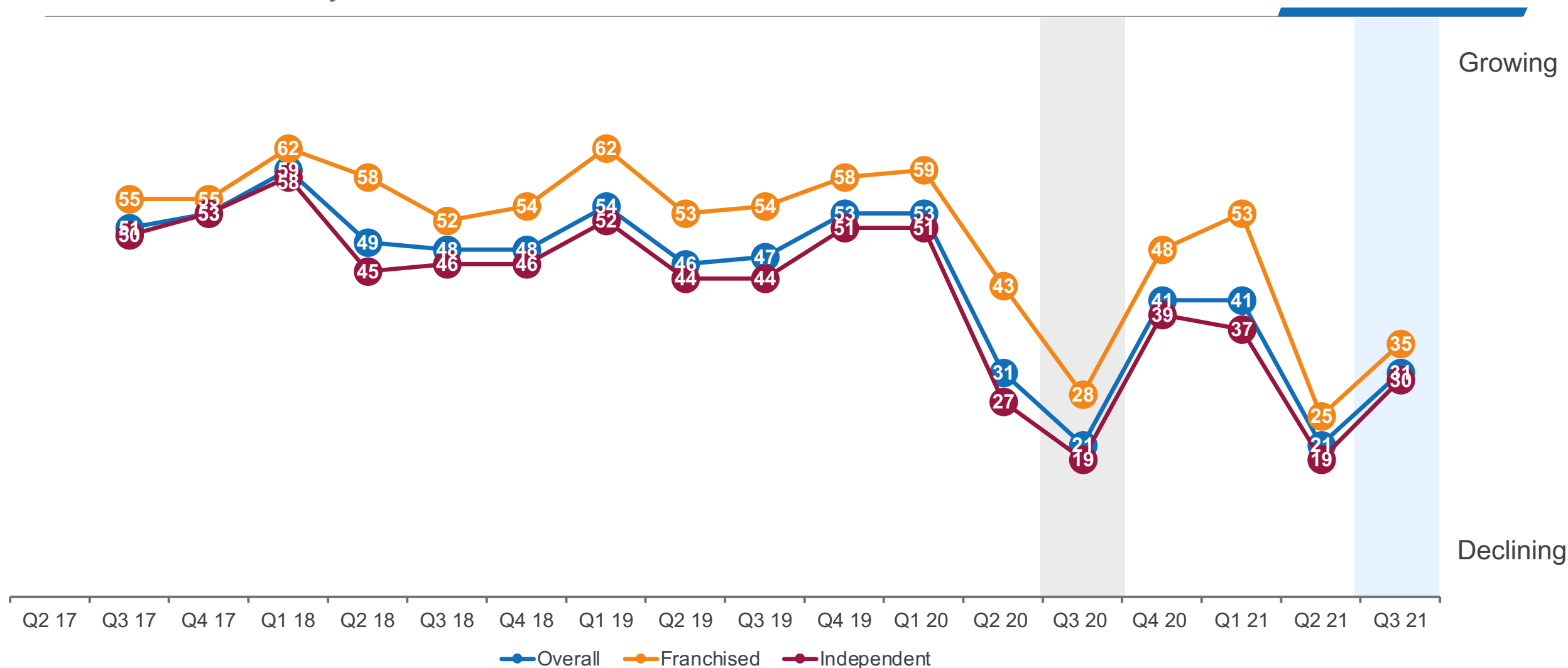
Q11: How would you describe the current used-vehicle sales environment?



Note: Scale 1 - 100

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

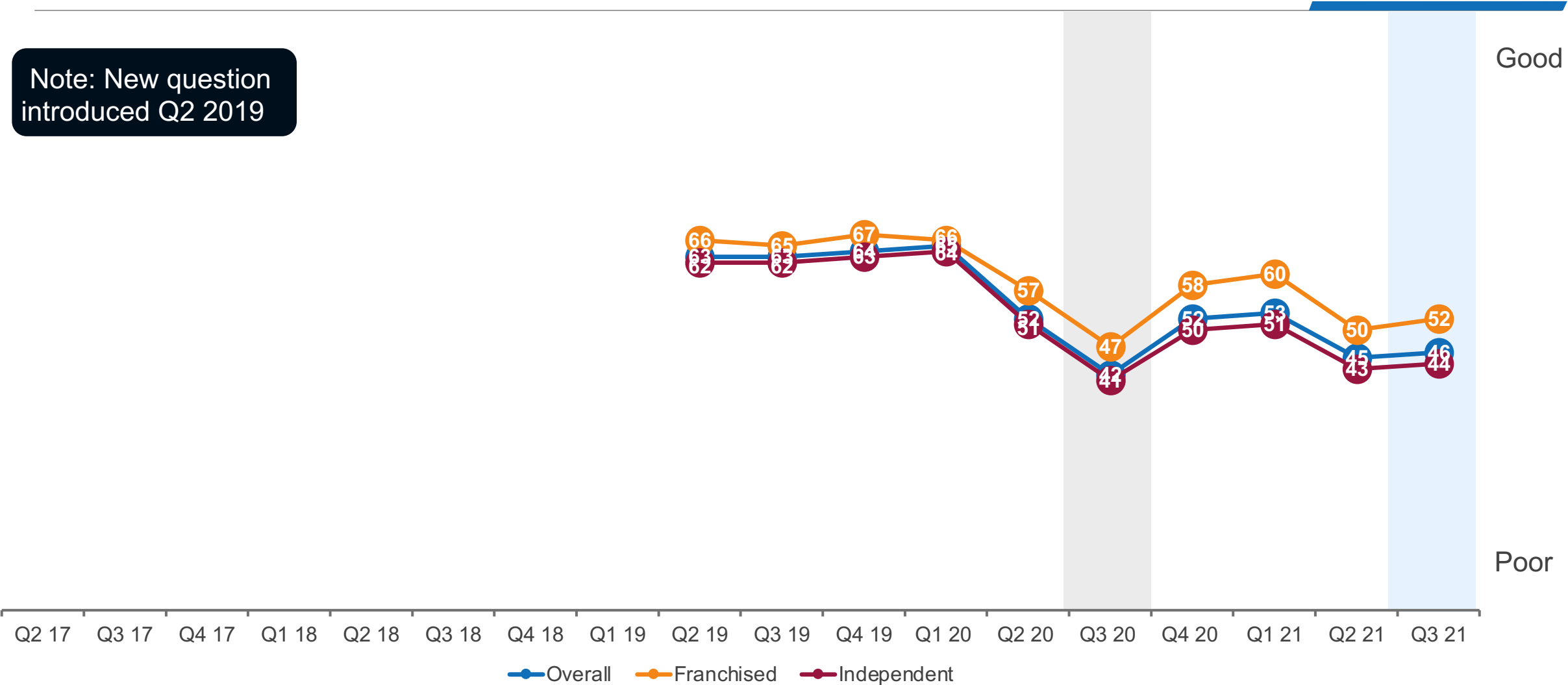
Dealer Sentiment Index THIRD QUARTER 2021



Note: Scale 1 - 75

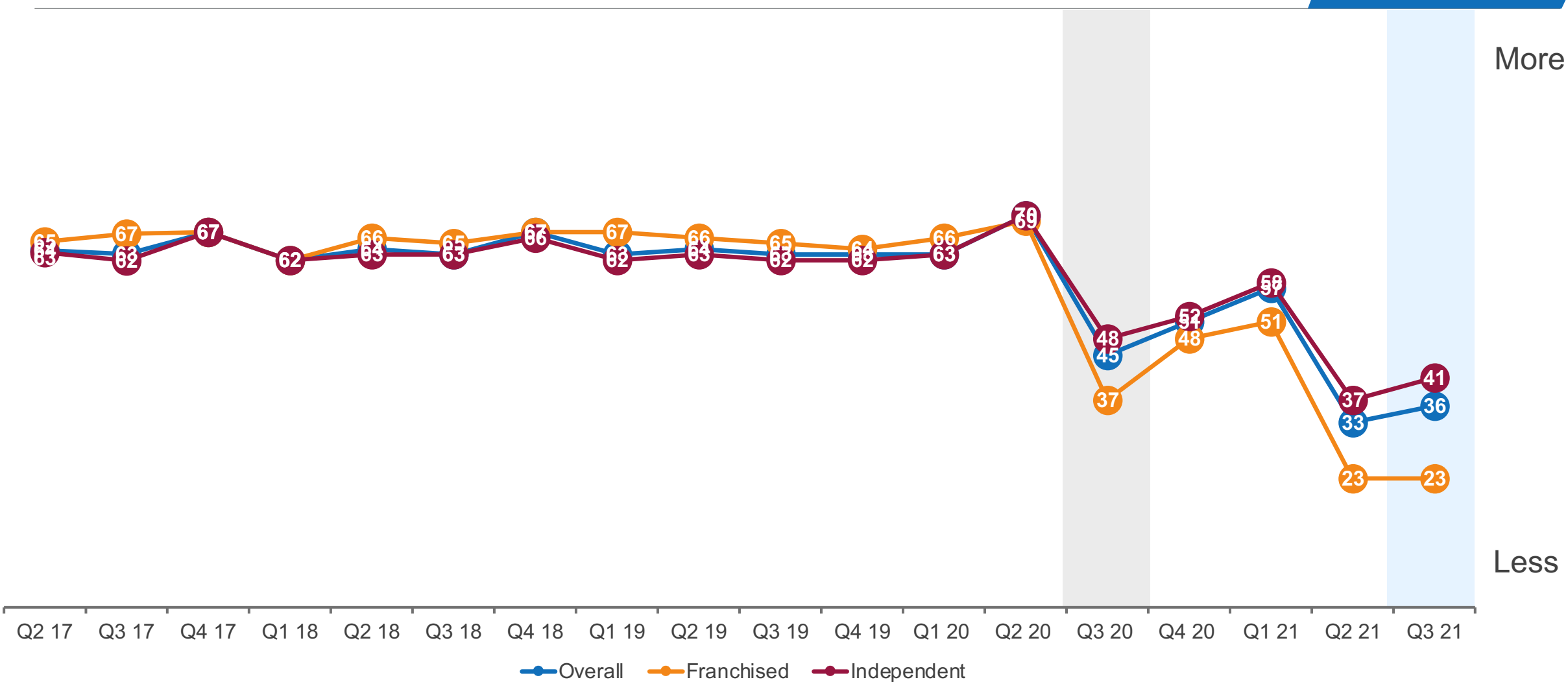
Q13: How would you describe the current used-vehicle inventory mix?

Note: New question introduced Q2 2019



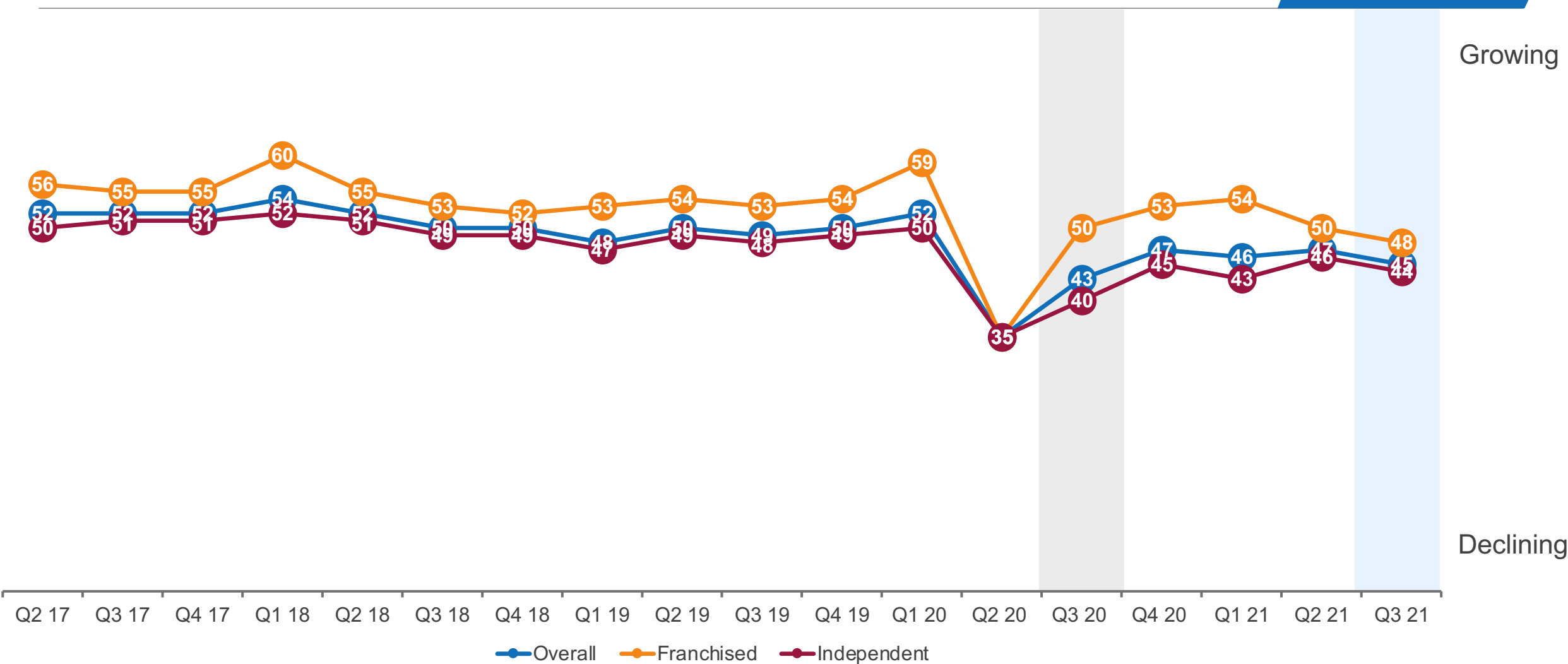
Note: Scale 1 - 100

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



Note: Scale 1 - 100

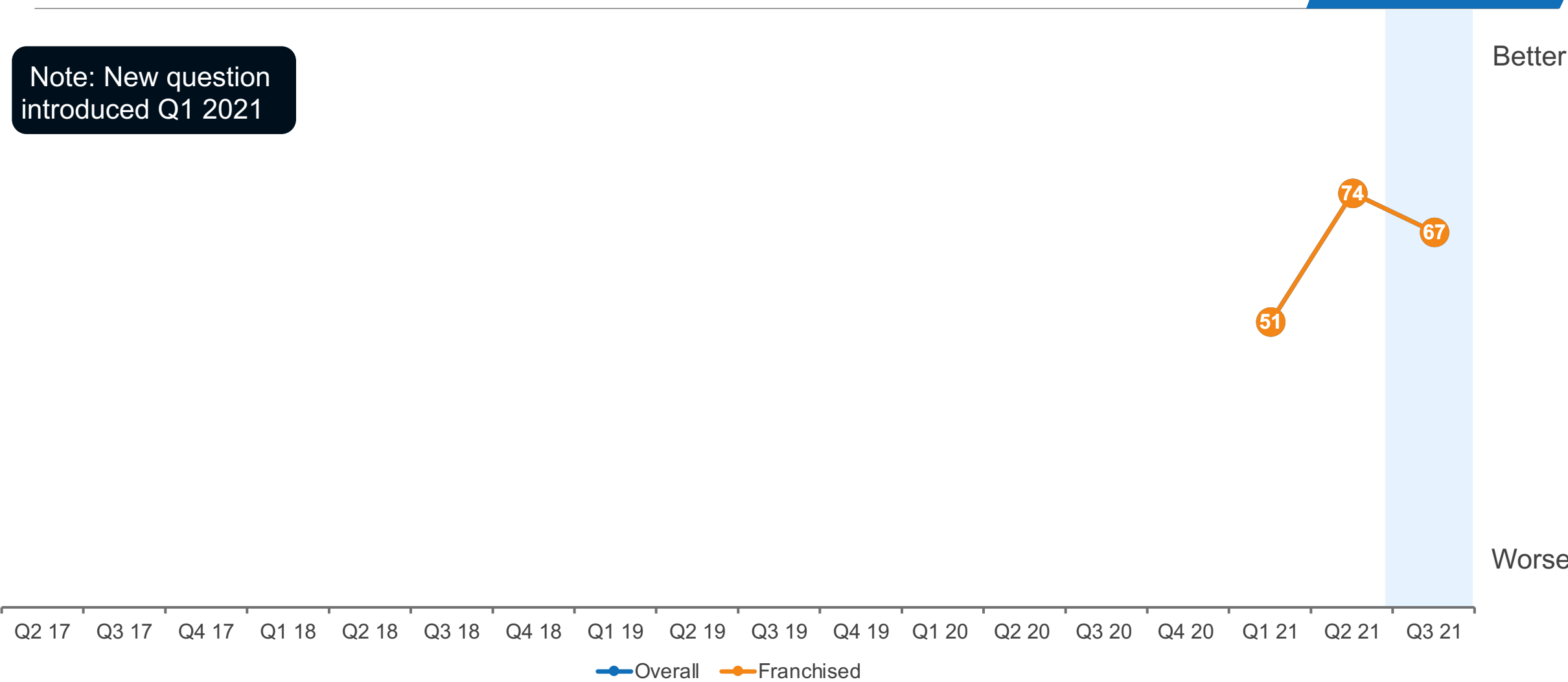
Q15: How would you describe your dealership's current staffing levels?



Note: Scale 1 - 75

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

Note: New question introduced Q1 2021

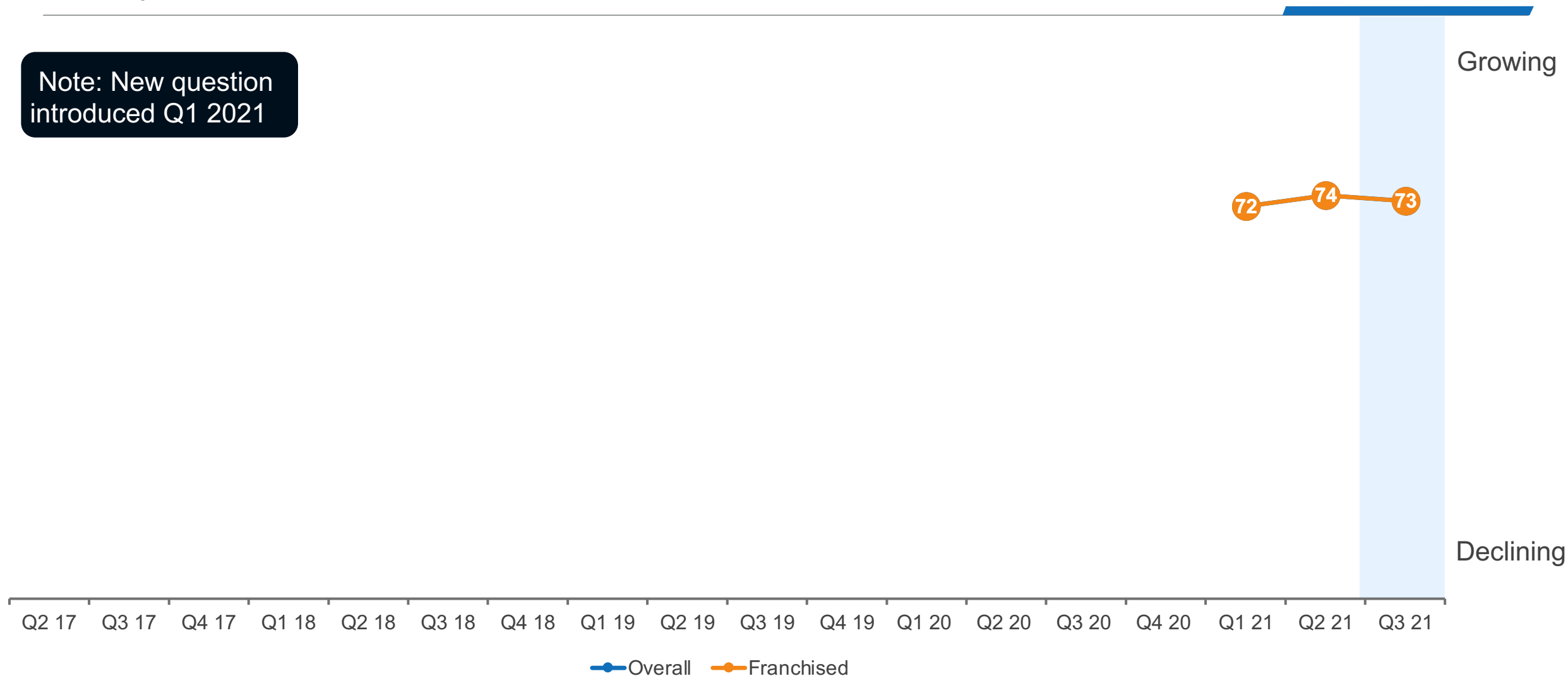


Note: Scale 1 - 100

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

Dealer Sentiment Index THIRD QUARTER 2021

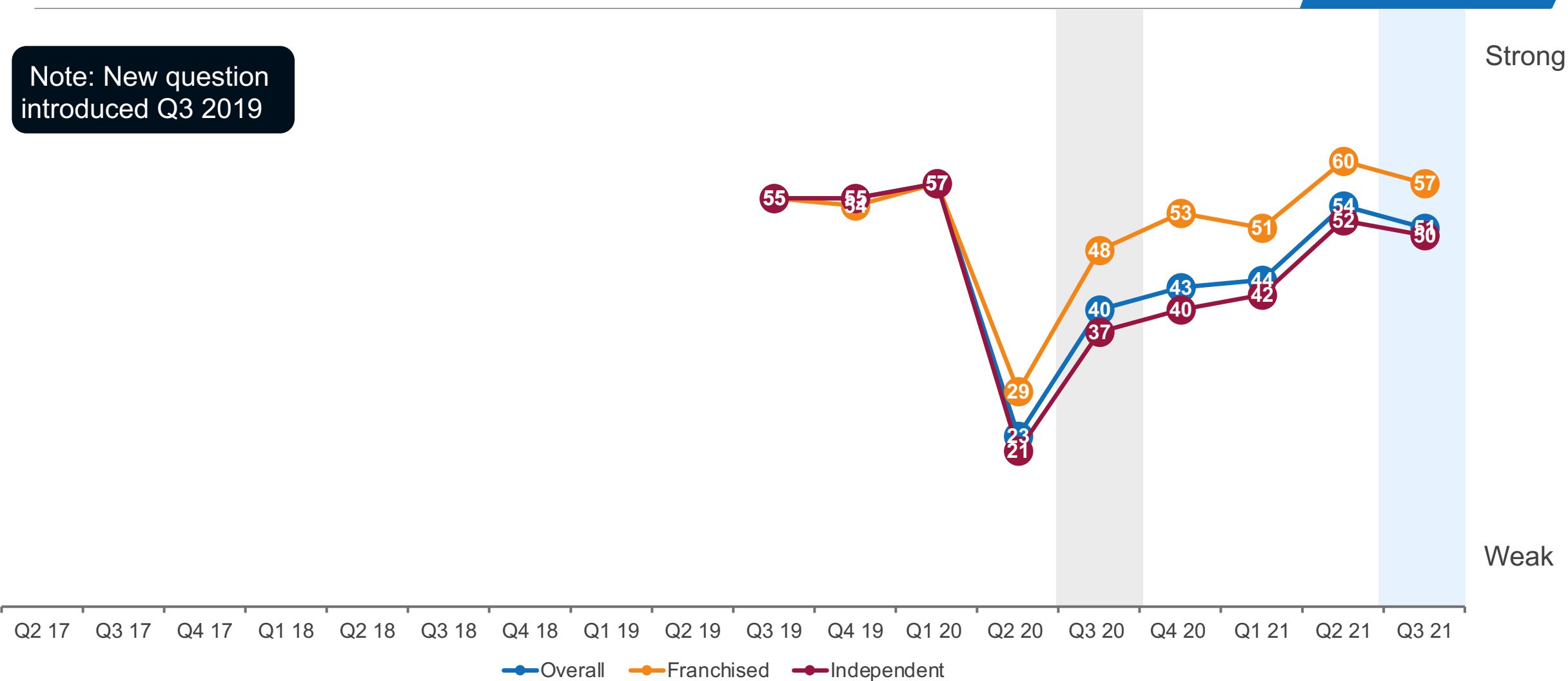
Note: New question introduced Q1 2021



Note: Scale 1 - 100

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

Note: New question introduced Q3 2019

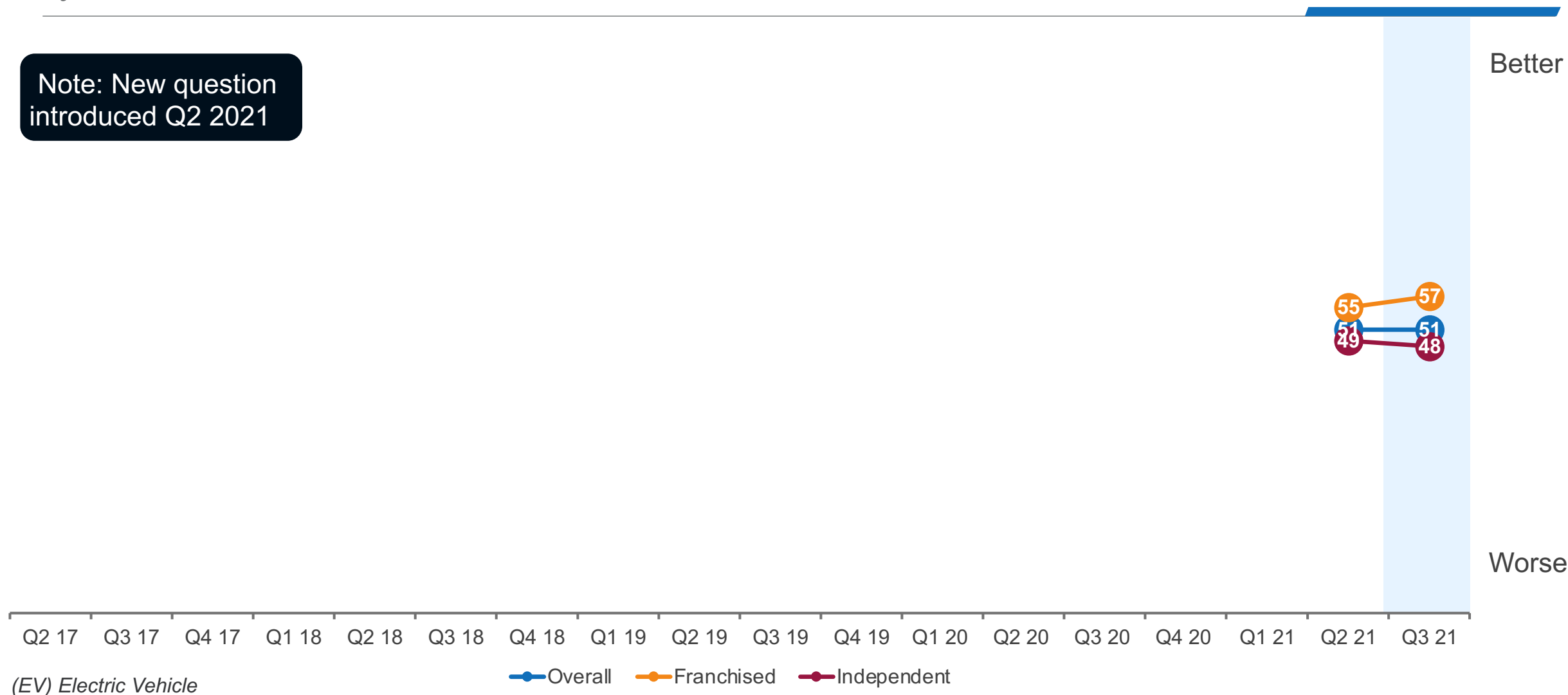


Note: Scale 1 - 75

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

Dealer Sentiment Index THIRD QUARTER 2021

Note: New question introduced Q2 2021



(EV) Electric Vehicle

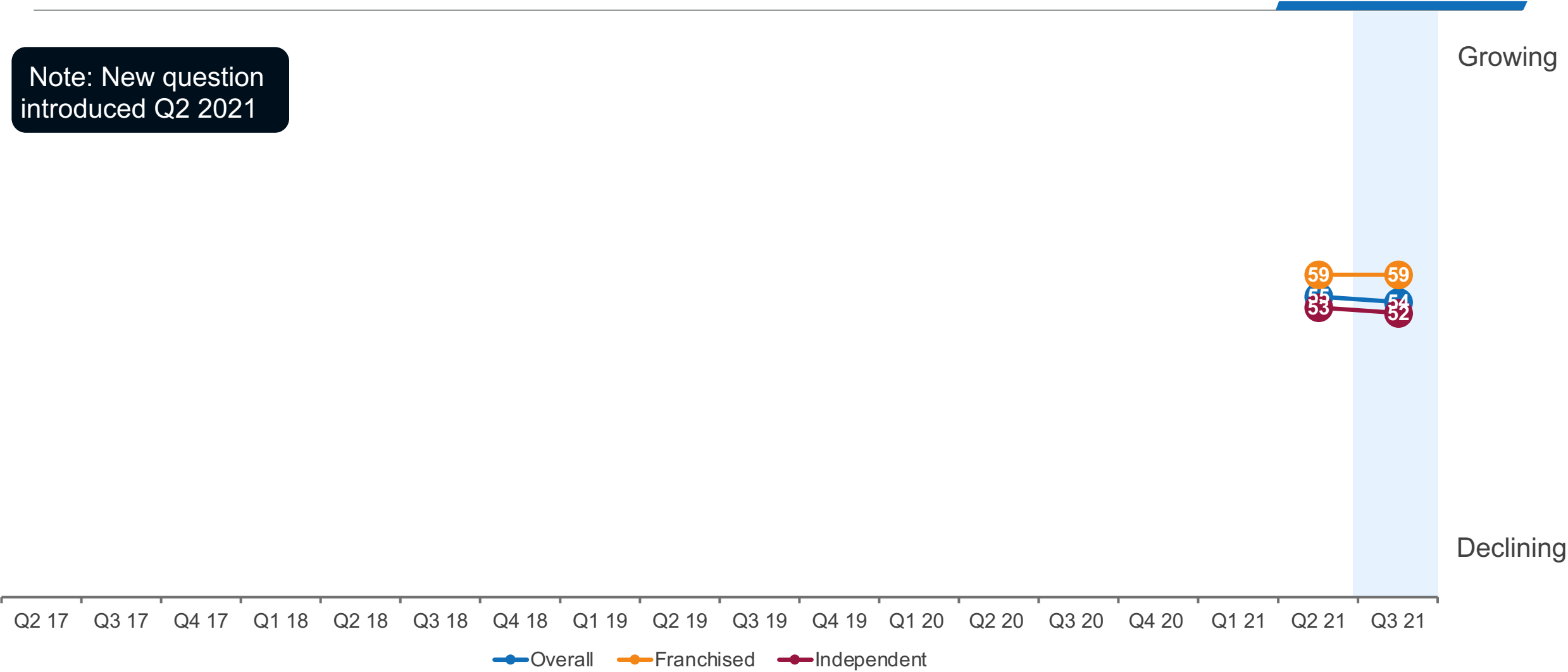
Note: Scale 1 - 100

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

Dealer Sentiment Index

THIRD QUARTER 2021


Note: New question introduced Q2 2021



Note: Scale 1 - 100

Factors Holding Back Your Business?

OVERALL RANK

		Q3 '21	Q2 '21	Q3 '20	Q3 '19
1	Limited Inventory	62%	64%	60%	31%
2	Market Conditions	37%	34%	40%	38%
3	Business Impacts From COVID-19/Coronavirus	30%	28%	49%	N/A
4	Economy	24%	24%	39%	23%
5	Expenses	17%	19%	20%	25%
6	Political Climate	17%	18%	27%	14%
7	Competition	12%	15%	13%	33%
8	Credit Availability for Consumers	12%	14%	21%	31%
9	Staff Turnover	10%	8%	7%	9%
10	Consumer Confidence	10%	8%	24%	14%
11	Regulations	7%	6%	8%	7%
12	Consumer Transparency in Pricing	6%	4%	5%	11%
13	Lack of Consumer Incentives From My OEM	4% 	2%	3%	4%
14	Weather	4%	3%	3%	10%
15	Dealership Systems/Tools	4%	3%	4%	5%
16	Credit Availability for Business	4%	4%	7%	7%
17	Interest Rates	3%	3%	4%	11%

Significant decrease vs previous quarter



Significant increase vs previous quarter



Factors Holding Back Your Business?

OVERALL RANK

		Q3 '21	Q2 '21	Q3 '20	Q3 '19
18	Tariffs on Imported Vehicles and Parts	3%	4%	2%	5%
19	Technology to Support Operations	3%	2%	2%	N/A
20	Technology to Support Sales	2%	2%	3%	N/A
21	OEM Mandates/Restrictions	2%	3%	2%	3%
22	OEM Priorities	2%	2%	2%	N/A
23	Too Much Retail Inventory	2%	1%	2%	7%

Significant decrease vs
previous quarter



Significant increase vs
previous quarter



Factors Holding Back Your Business?

FRANCHISED DEALERS

		Q3 '21	Q2 '21	Q3 '20	Q3 '19
1	Limited Inventory	73%	67%	59%	20%
2	Market Conditions	33% ↑	24%	32%	37%
3	Business Impacts From COVID-19/Coronavirus	27%	25%	46%	N/A
4	Economy	22%	19%	33%	26%
5	Political Climate	19%	19%	30%	19%
6	Lack of Consumer Incentives From My OEM	18% ↑	10%	13%	18%
7	Staff Turnover	17%	14%	10%	22%
8	Consumer Confidence	13% ↑	8%	24%	17%
9	Expenses	8%	11%	11%	20%
10	Competition	8%	8%	10%	36%
11	OEM Mandates/Restrictions	7%	10%	6%	14%
12	OEM Priorities	6%	8%	7%	N/A
13	Regulations	5%	6%	7%	4%
14	Consumer Transparency in Pricing	4%	2%	4%	11%
15	Tariffs on Imported Vehicles and Parts	4%	4%	3%	8%
16	Credit Availability for Consumers	4%	6%	11%	21%
17	Weather	3%	4%	4%	11%

Significant decrease vs previous quarter



Significant increase vs previous quarter



Factors Holding Back Your Business?

FRANCHISED DEALERS

		Q3 '21	Q2 '21	Q3 '20	Q3 '19
18	Technology to Support Operations	2%	2%	1%	N/A
19	Interest Rates	2%	3%	3%	17%
20	Dealership Systems/Tools	2%	3%	2%	7%
21	Technology to Support Sales	1%	1%	1%	N/A
22	Credit Availability for Business	1%	2%	1%	2%
23	Too Much Retail Inventory	0%	1%	1%	5%

Significant decrease vs
previous quarter




Significant increase vs
previous quarter



Factors Holding Back Your Business?

INDEPENDENT DEALERS

		Q3 '21	Q2 '21	Q3 '20	Q3 '19
1	Limited Inventory	58%	63%	60%	35%
2	Market Conditions	38%	38%	43%	38%
3	Business Impacts From COVID-19/Coronavirus	31%	29%	50%	N/A
4	Economy	25%	25%	41%	22%
5	Expenses	20%	21%	24%	27%
6	Political Climate	16%	17%	25%	12%
7	Credit Availability for Consumers	15%	16%	25%	34%
8	Competition	14%	17%	14%	32%
9	Consumer Confidence	9%	9%	24%	12%
10	Staff Turnover	8%	7%	6%	5%
11	Regulations	7%	6%	9%	8%
12	Consumer Transparency in Pricing	6%	5%	6%	11%
13	Dealership Systems/Tools	4% 	3%	5%	4%
14	Credit Availability for Business	4%	5%	9%	9%

Significant decrease vs previous quarter



Significant increase vs previous quarter



Factors Holding Back Your Business?

INDEPENDENT DEALERS


		Q3 '21	Q2 '21	Q3 '20	Q3 '19
15	Weather	4%	3%	2%	10%
16	Interest Rates	4%	3%	4%	9%
17	Tariffs on Imported Vehicles and Parts	3%	4%	2%	4%
18	Technology to Support Sales	3%	2%	3%	N/A
19	Technology to Support Operations	3%	2%	2%	N/A
20	Too Much Retail Inventory	2%	1%	3%	7%

Significant decrease vs
previous quarter



Significant increase vs
previous quarter





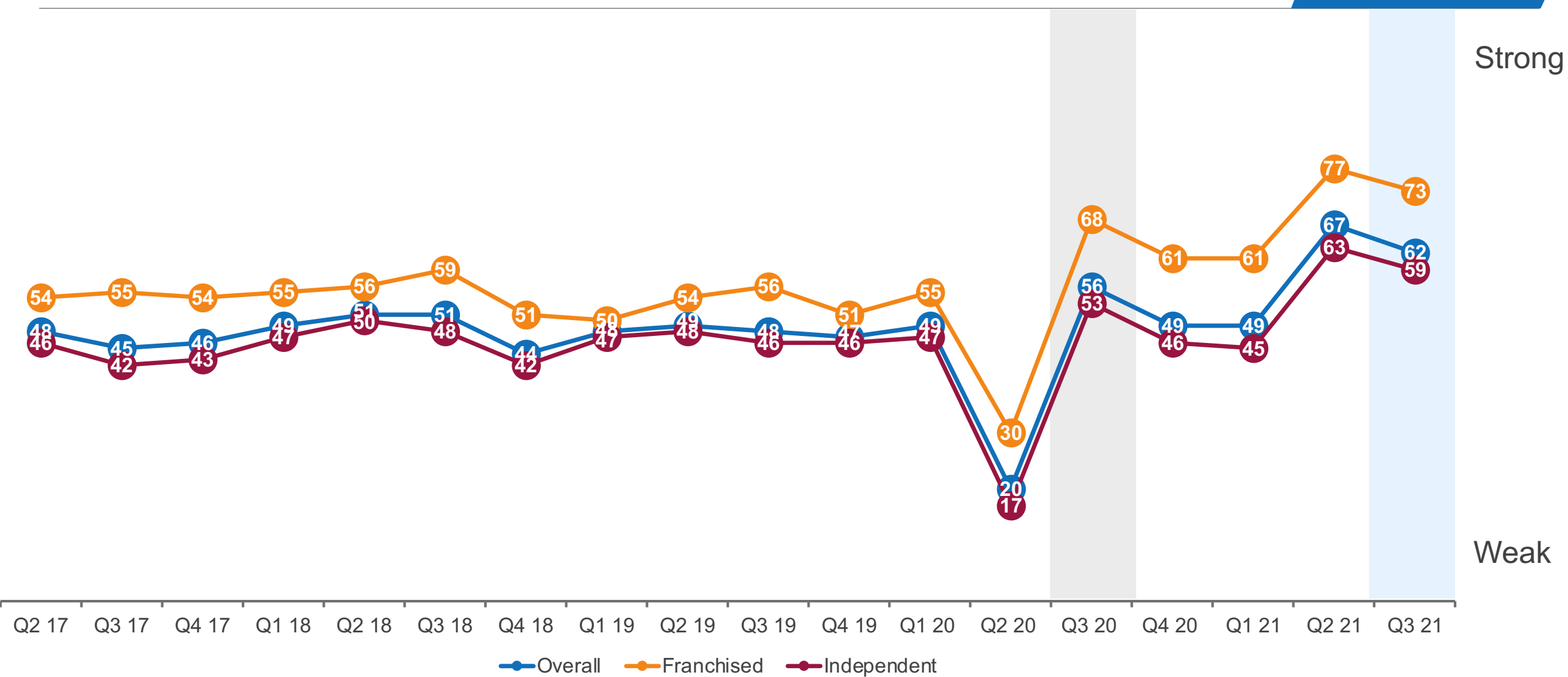
The Business Impact of COVID-19



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

Dealer Sentiment Index

THIRD QUARTER 2021

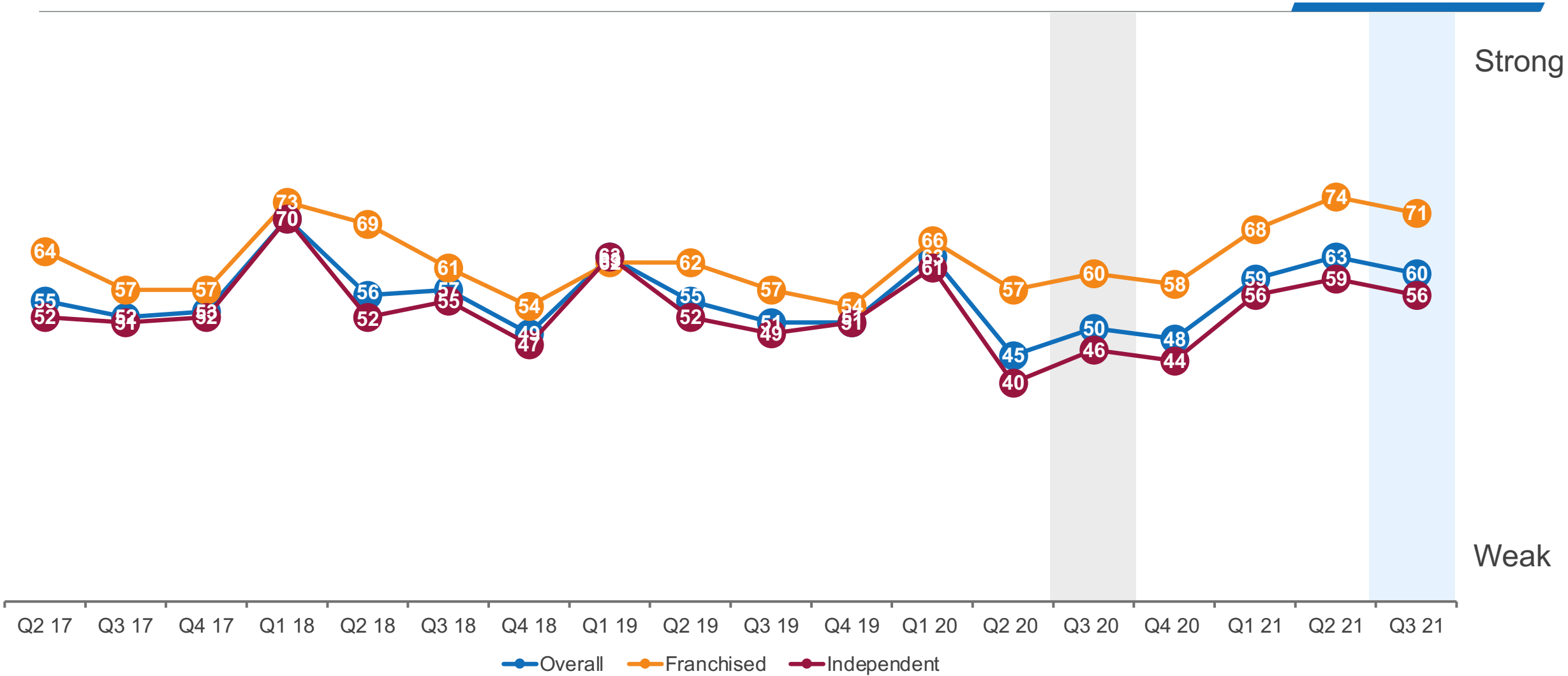


Note: Scale 1 - 100

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

Dealer Sentiment Index

THIRD QUARTER 2021



Note: Scale 1 - 100

Top Priorities at This Time

	Overall		Franchised (A)		Independent (B)		High Tax States (A)		All Other States (B)	
	Q3 2021	Q2 2021	Q3 2021	Q2 2021	Q3 2021	Q2 2021	Q3 2021	Q2 2021	Q3 2021	Q2 2021
Finding/Buying inventory	48%	53%	41%	44%	51% A	55% A	46%	46%	49%	54%
Staying in business in general	15%	14%	6%	5%	18% A	17% A	21% B	16%	14%	13%
Improving efficiency in general	8%	6%	11%	10% B	6%	5%	7%	6%	8%	6%
Retaining customers	6%	7%	12% B	13% B	4%	5%	6%	3%	7%	8% A
Improving Sales and Service solutions	6%	5%	6%	8% B	6%	4%	5%	12% B	6%	4%
Gaining market share	5%	4%	8% B	9% B	4%	2%	4%	2%	5%	4%
Retaining employees	5%	3%	9% B	5% B	3%	2%	3%	3%	5%	3%
Reducing expenses by cutting unnecessary costs	3%	4%	4%	3%	3%	5%	3%	4%	3%	4%
Other	2%	2%	1%	3%	2%	2%	3%	6% B	1%	2%
Selling the dealership*	1%	1%	1%	0%	2%	2%	2%	1%	1%	1%
Acquiring other storefronts*	1%	1%	1%	0%	1%	1%	0%	1%	1%	1%

GREEN: Significant *increase* from prior quarter

RED: Significant *decrease* from prior quarter

*option added in Q2 2021

Regional View – Index Scores (Franchised Dealers)

Question	Answer	North-east	Mid-west	South	West
Current Market	Strong/Weak	77	70	69	80
Market Next 3 Months	Strong/Weak	75	68	67	75
Customer Traffic	Strong/Weak	65	63	57	60
Profits	Strong/Weak	85	87	88	80
Dealer Credit	Easy/Difficult	66	68	70	63
Costs	Growing/Declining	57	60	59	61
New Vehicle Sales	Good/Poor	49	50	51	56
New Vehicle Inventory	Growing/Declining	11	10	18	14
New Vehicle Inventory Mix	Good/Poor	15	15	22	20



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	81	74	72	70
Used Vehicle Inventory	Growing/Declining	33	37	38	30
Used Vehicle Inventory Mix	Good/Poor	51	53	53	47
Price Pressure	More/Less	24	21	22	24
Staffing	Growing/Declining	48	48	50	44
OEM incentives	Large/Small	26	28	24	26
Economy	Strong/Weak	58	57	56	56
Current Fixed Operations	Better/Worse	71	64	71	62
Future Fixed Operations	Growing/Declining	75	72	72	73
Current BEV Sales	Better/Worse	60	60	52	58
Future BEV Sales	Growing/Declining	60	61	54	63



Note: Scale 1 – 100

GREEN: Significant increase from prior quarter

RED: Significant decrease from prior quarter

Dealer Sentiment Index

THIRD QUARTER 2021

Contact Information:

Dara Hailes
Manager, Public Relations
Cox Automotive
dara.hailes@coxautoinc.com

Mark Schirmer
Director, Public Relations
Cox Automotive
mark.schirmer@coxautoinc.com



COX

◀ (P) 6205 6305

▲ (P) 6325