

A man in a dark 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 lighting is soft and professional.

DEALER SENTIMENT INDEX

FOURTH 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 Q4 2021 CADSI is based on 1,123 U.S. auto dealer respondents, comprising 595 franchised dealers and 528 independents. The survey was conducted from October 25th to November 8th, 2021.
- ✓ The next quarterly report will be released in March 2022. The CADSI was first published in Q2 2017.

Key Takeaways

With a historic inventory crunch and rising costs impacting the auto industry, U.S. dealer sentiment waned slightly in the fourth quarter but remains positive and well above levels recorded in Q4 2020 and Q4 2019.

The current market index reading of 60 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 new-vehicle sales index fell to 45 in Q4 – below the 50 threshold for only the second time since the survey was launched in 2017 – indicating that more dealers view new-vehicle sales as poor as opposed to good. Meanwhile, the used-vehicle sales index declined for the second straight quarter, but stayed above the 50 threshold

at 53, indicating more dealers view used-vehicle sales as good as opposed to poor.

“Dealer sentiment again saw modest declines in the fourth quarter as sales remain challenged by the ongoing inventory crunch,” said Cox Automotive Chief Economist Jonathan Smoke. “However, strong pricing power kept profits at near record levels, especially for franchised dealers. Dealers view the economy as strong heading into the winter and are much more optimistic about the spring compared to their views a year ago. The biggest worry for dealers beyond inventory is the impact of rising costs.”

The Q4 index reading of 71 for costs indicates the majority of dealers feel that their costs of running a dealership are growing. This is the highest index score for

the category in CADSI history, up 5-points quarter over quarter and significantly higher year over year. In Q4 2020, the cost index stood at 61. For dealers who shared that the costs of running their dealership in the past 3 months is growing, they attributed that to spending more on reconditioning wholesale vehicles, paying more for wholesale vehicles and parts, and rising labor costs.

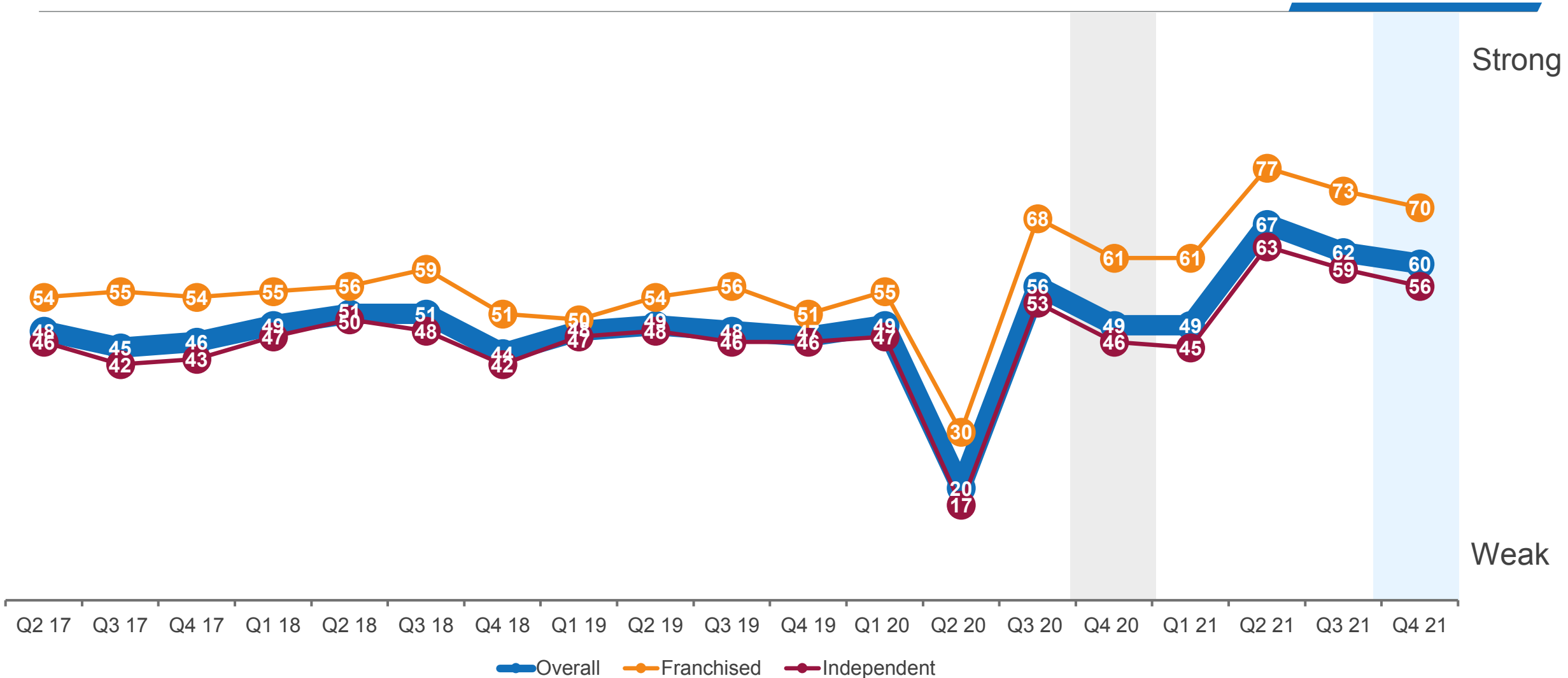
The top 5 factors holding back the business across all dealers saw only minor shifts in Q4 compared to Q3, with Limited Inventory remaining in the top spot. Market Conditions stayed in the second spot while the Economy rose to the No. 3. Business Impacts from COVID fell to the fourth spot, down from No. 1 in Q4 2020. The Political Climate rounded out the top 5 factors holding back the business.



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

Dealer Sentiment Index

FOURTH QUARTER 2021

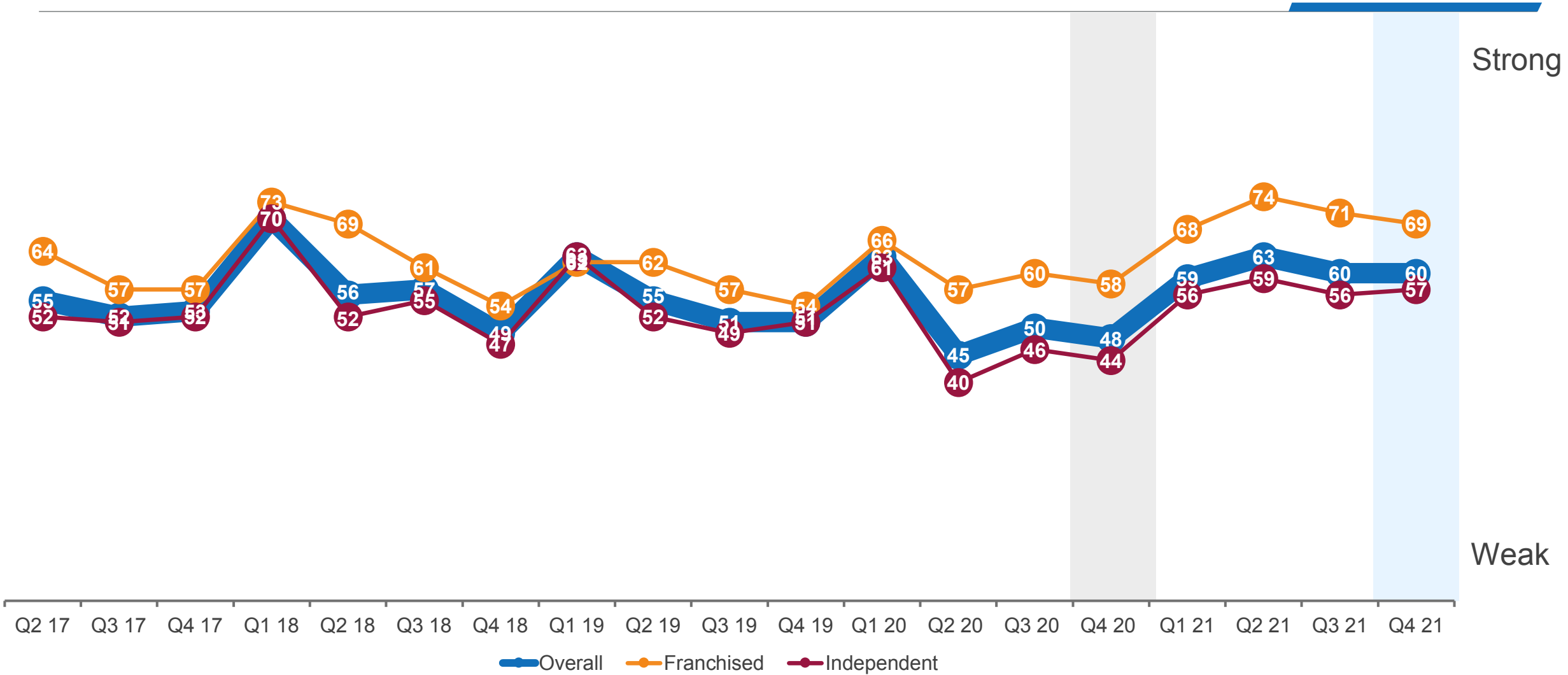


Note: Scale 1 - 100

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

Dealer Sentiment Index

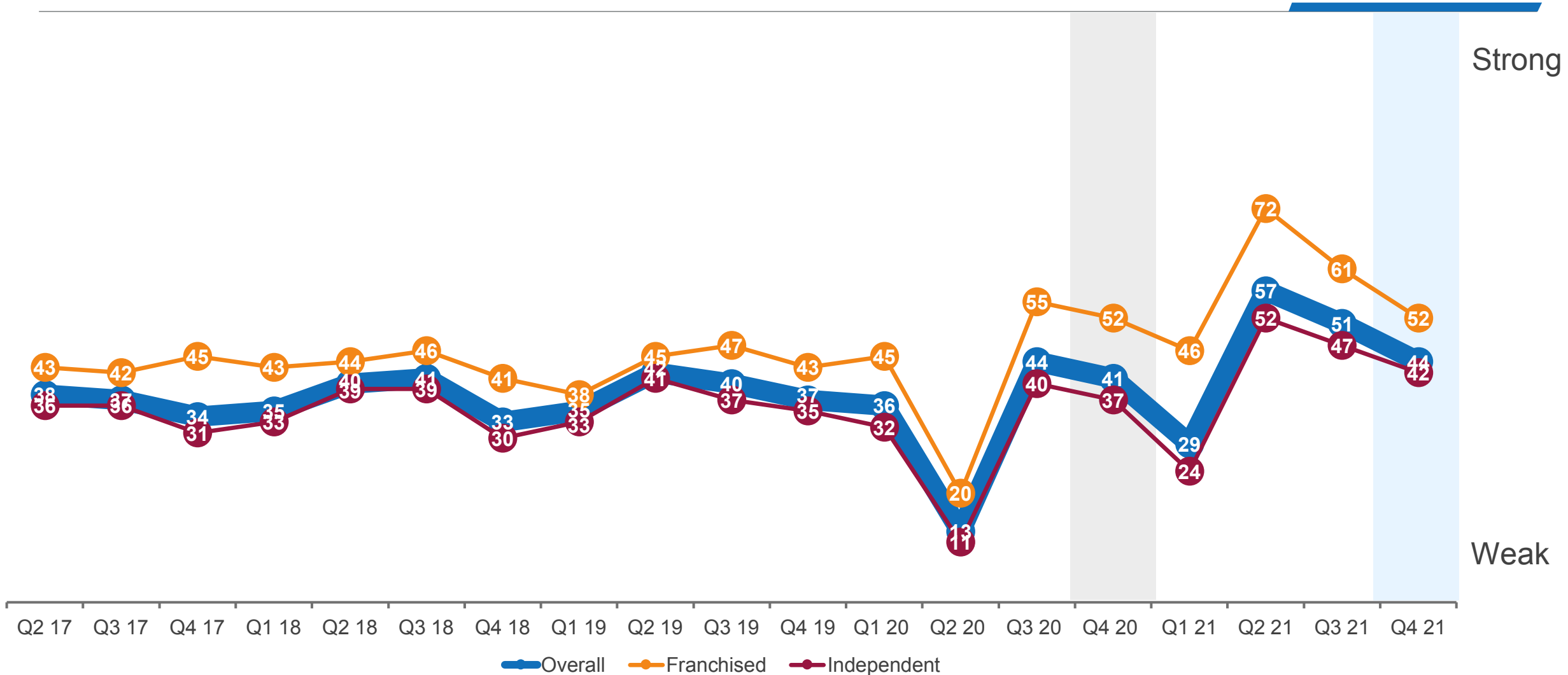
FOURTH QUARTER 2021



Note: Scale 1 - 100

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

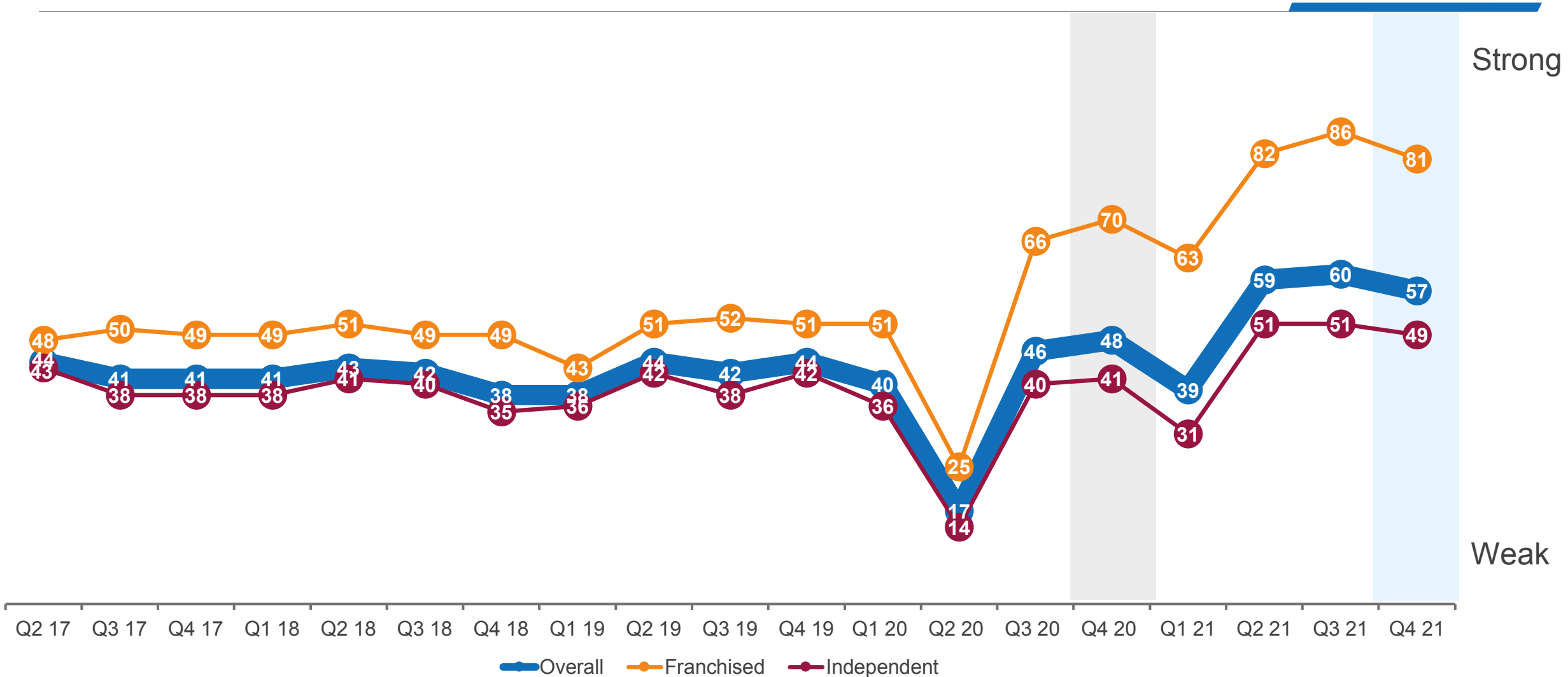
Dealer Sentiment Index FOURTH QUARTER 2021



Note: Scale 1 - 100

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

Dealer Sentiment Index FOURTH QUARTER 2021

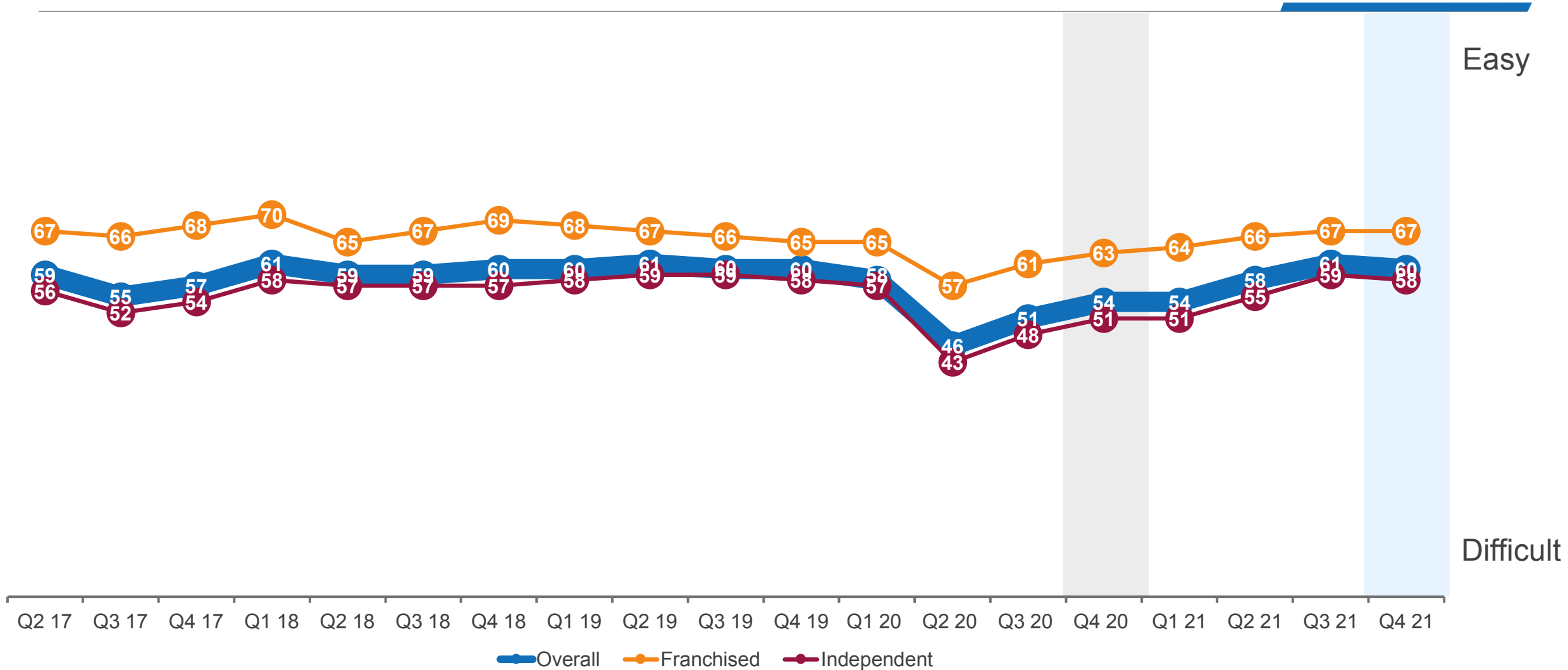


Note: Scale 1 - 100

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

Dealer Sentiment Index

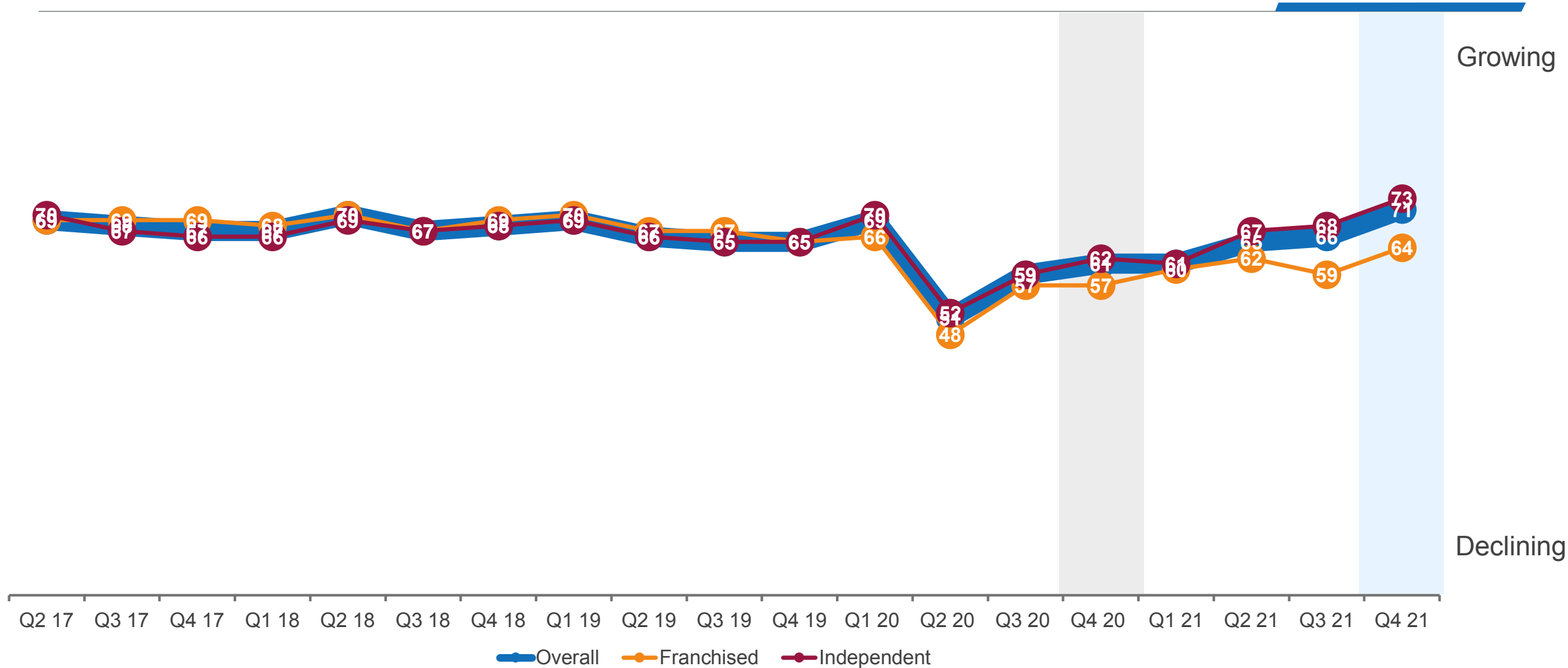
FOURTH QUARTER 2021



Note: Scale 1 - 100

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

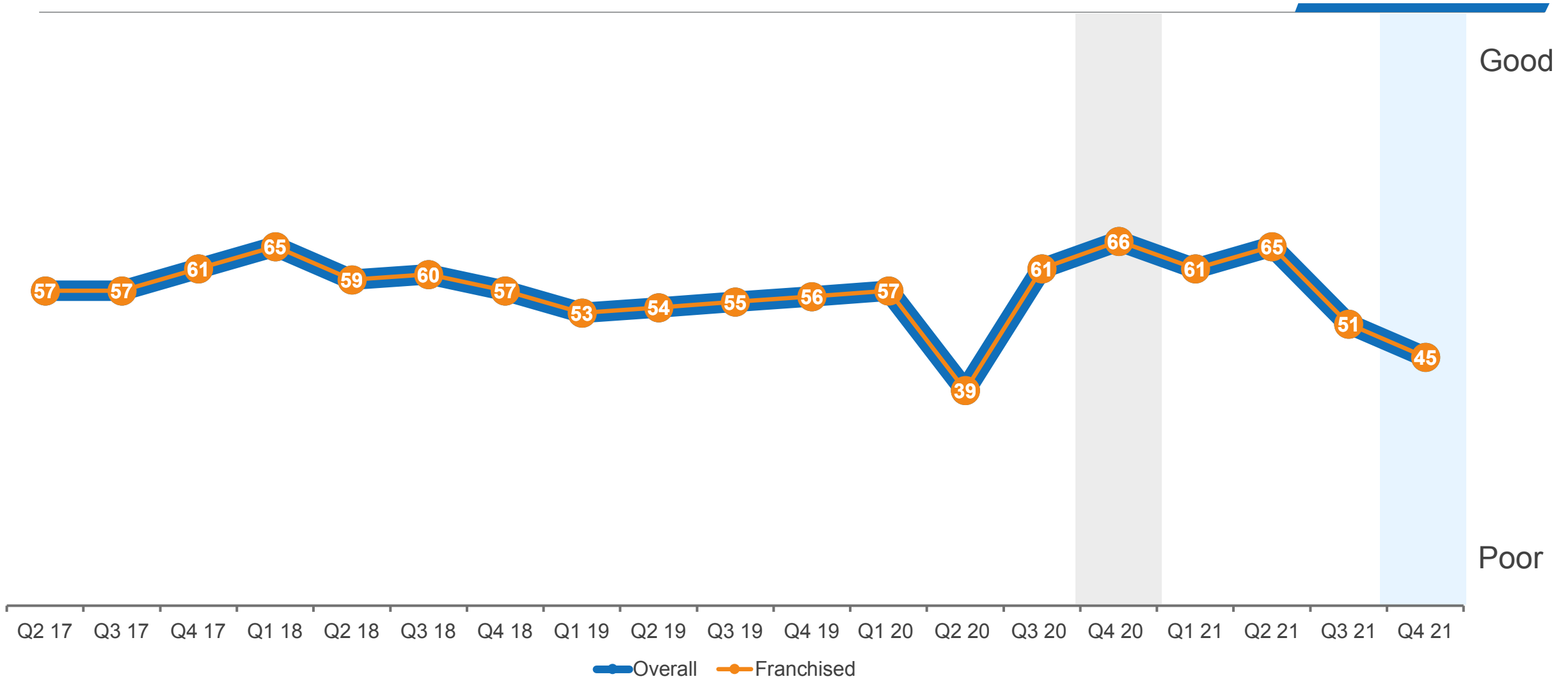
Dealer Sentiment Index FOURTH QUARTER 2021



Note: Scale 1 - 100

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

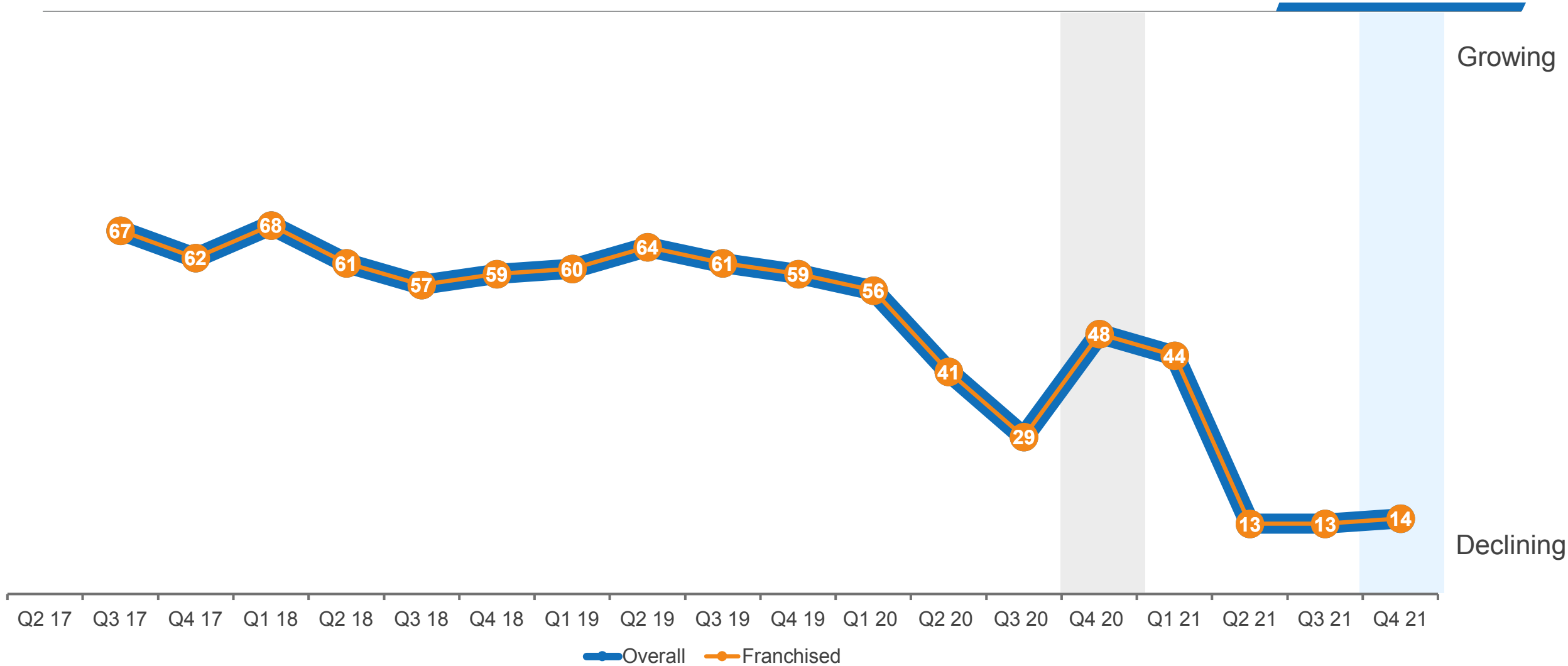
Dealer Sentiment Index FOURTH QUARTER 2021



Note: Scale 1 - 100

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

Dealer Sentiment Index FOURTH QUARTER 2021



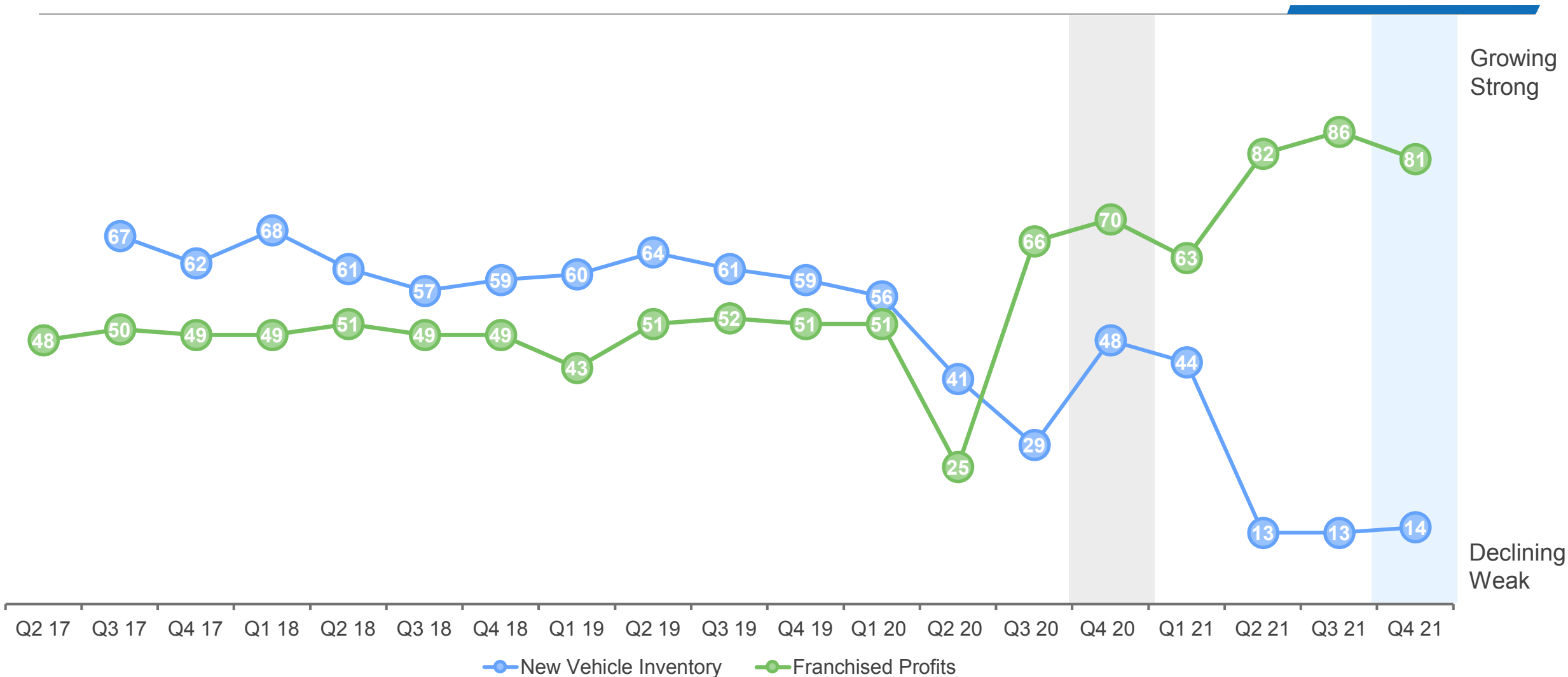
Note: Scale 1 - 100

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

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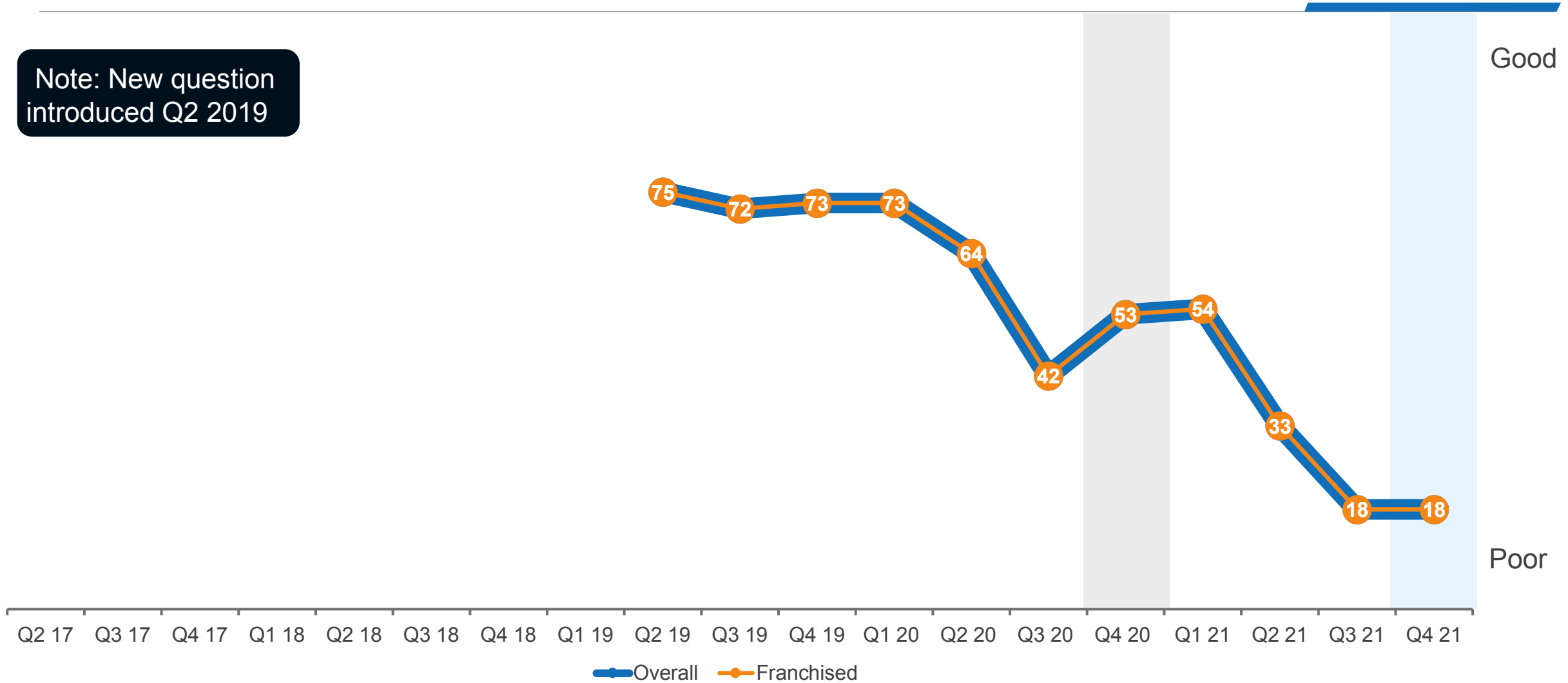


Note: Scale 1 - 100

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

Dealer Sentiment Index FOURTH QUARTER 2021

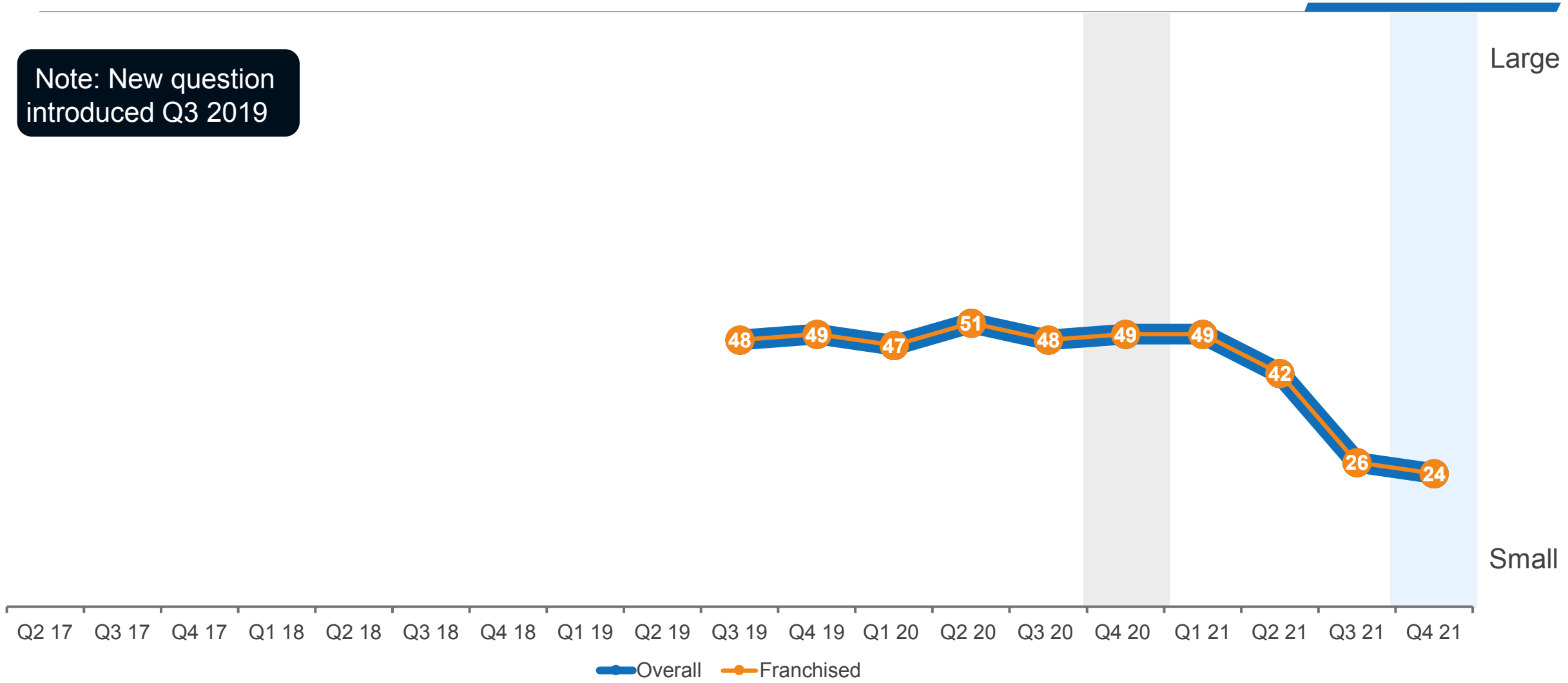
Note: New question introduced Q2 2019



Note: Scale 1 - 100

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

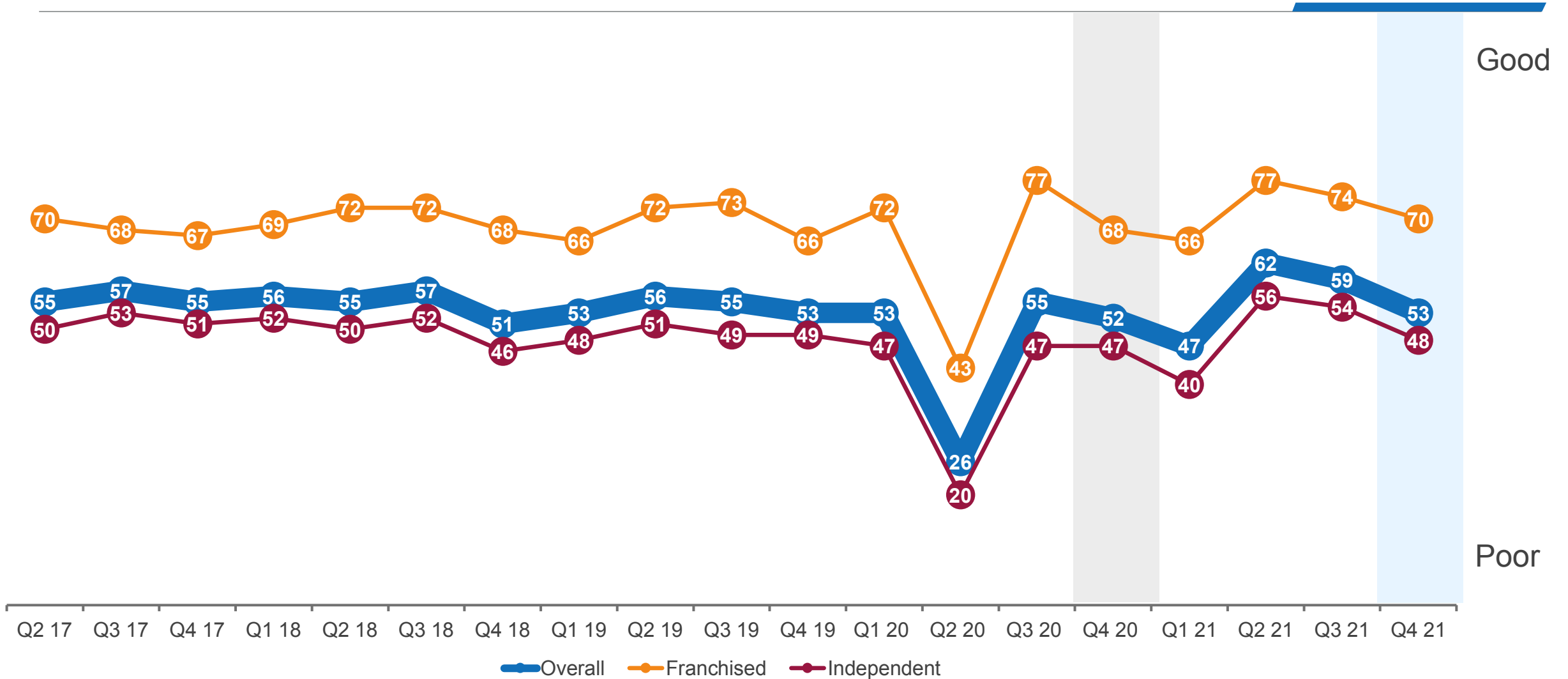
Note: New question introduced Q3 2019



Note: Scale 1 - 100

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

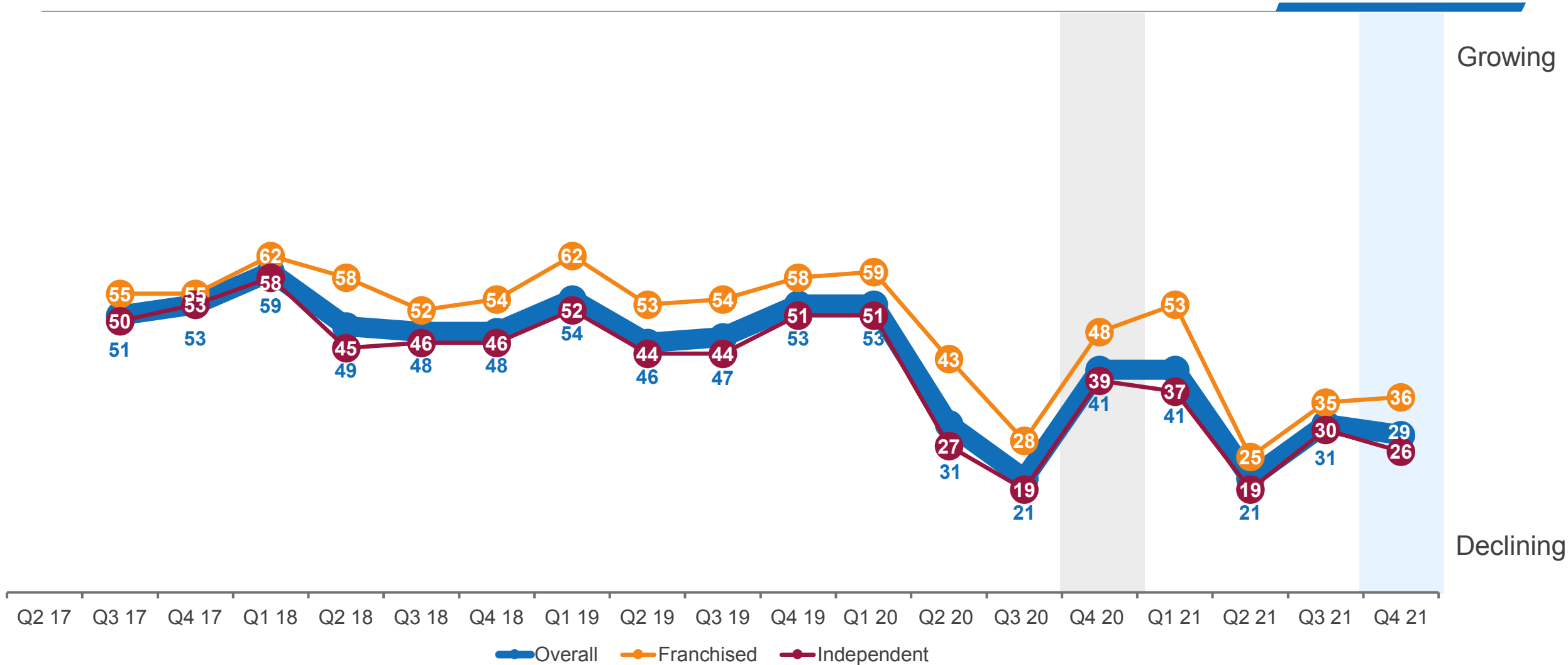
Dealer Sentiment Index FOURTH QUARTER 2021



Note: Scale 1 - 100

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

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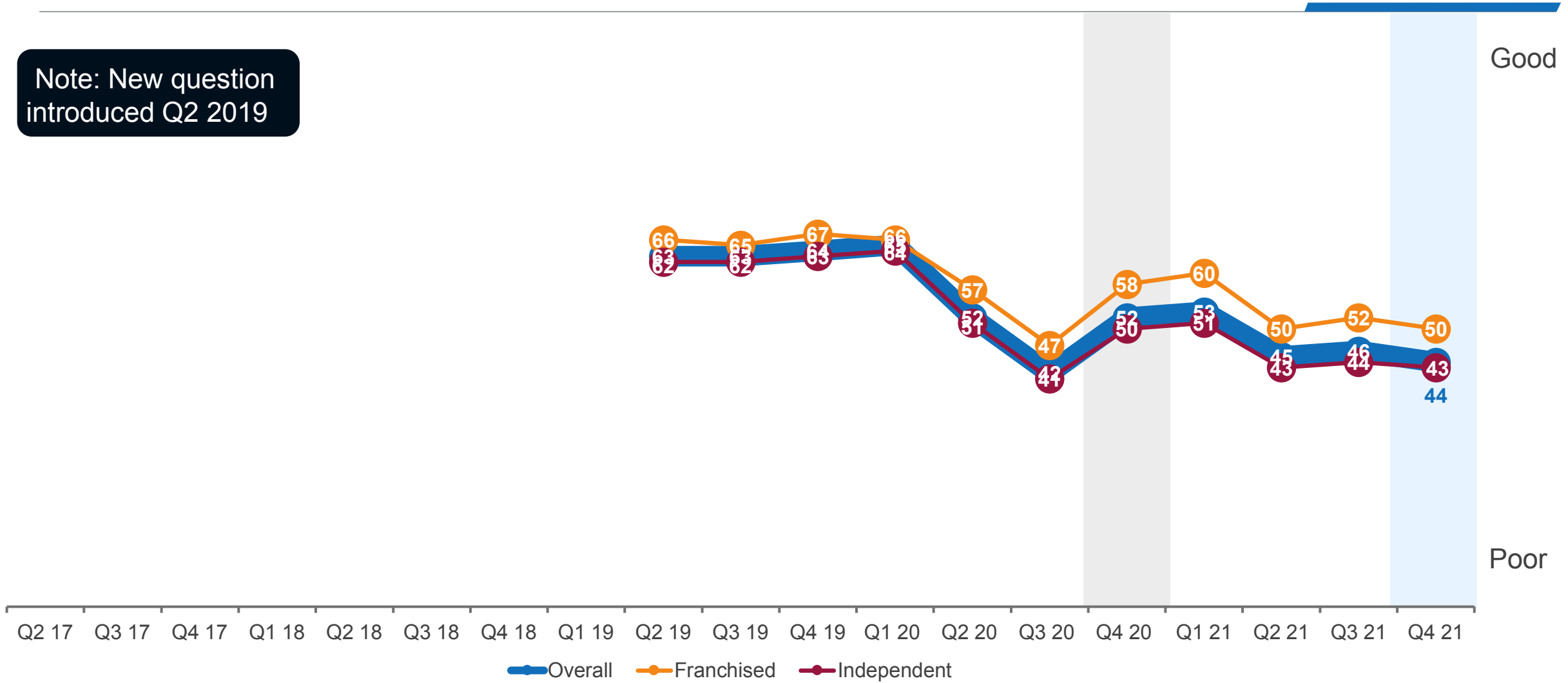


Note: Scale 1 - 100

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

Dealer Sentiment Index FOURTH QUARTER 2021

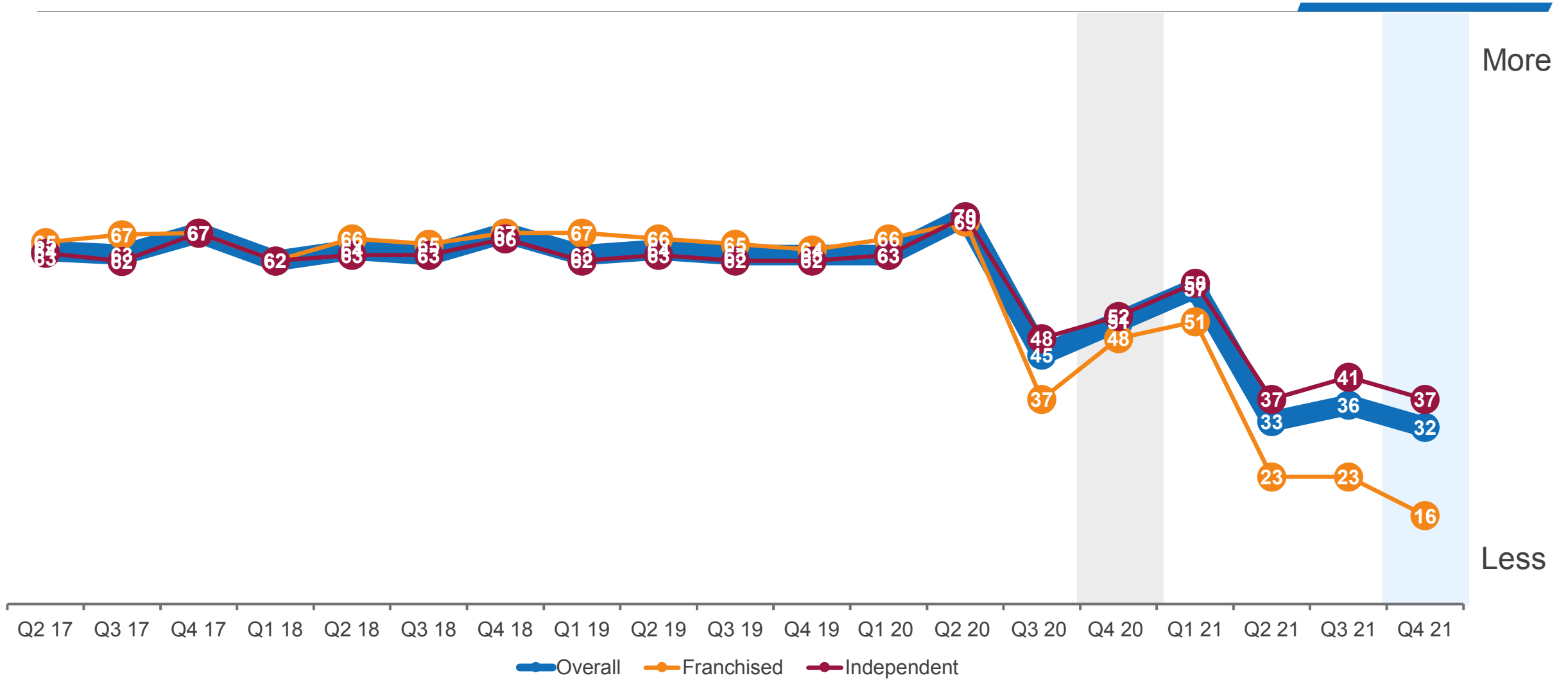
Note: New question introduced Q2 2019



Note: Scale 1 - 100

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

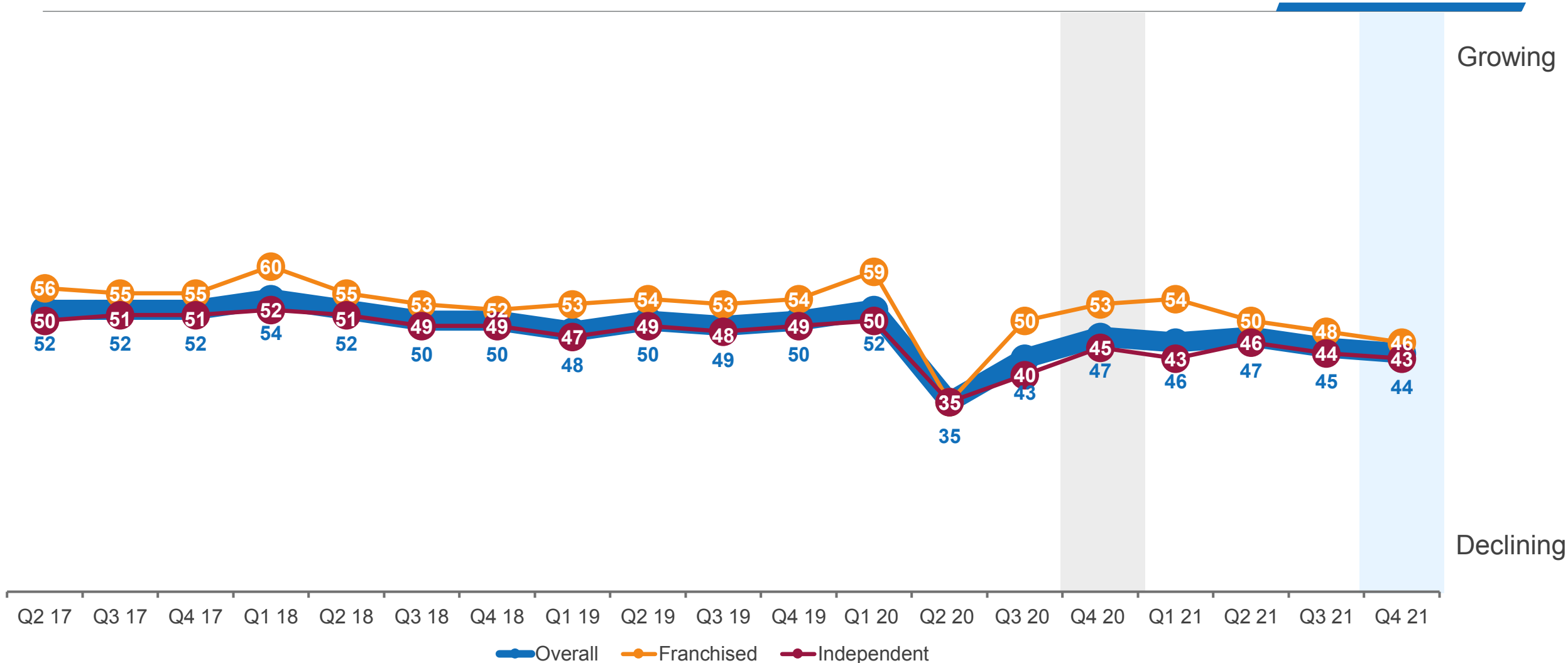
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Note: Scale 1 - 100

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

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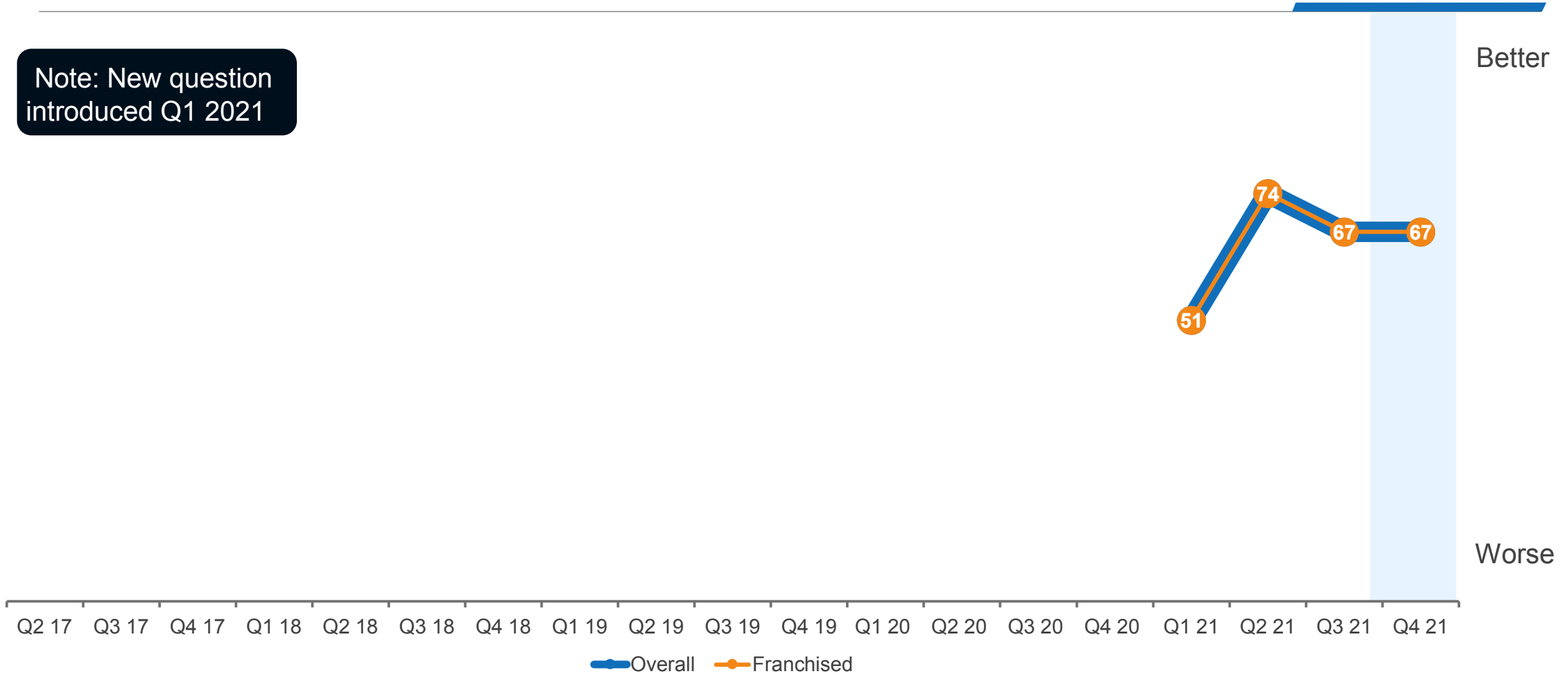


Note: Scale 1 - 100

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

Dealer Sentiment Index FOURTH QUARTER 2021

Note: New question introduced Q1 2021

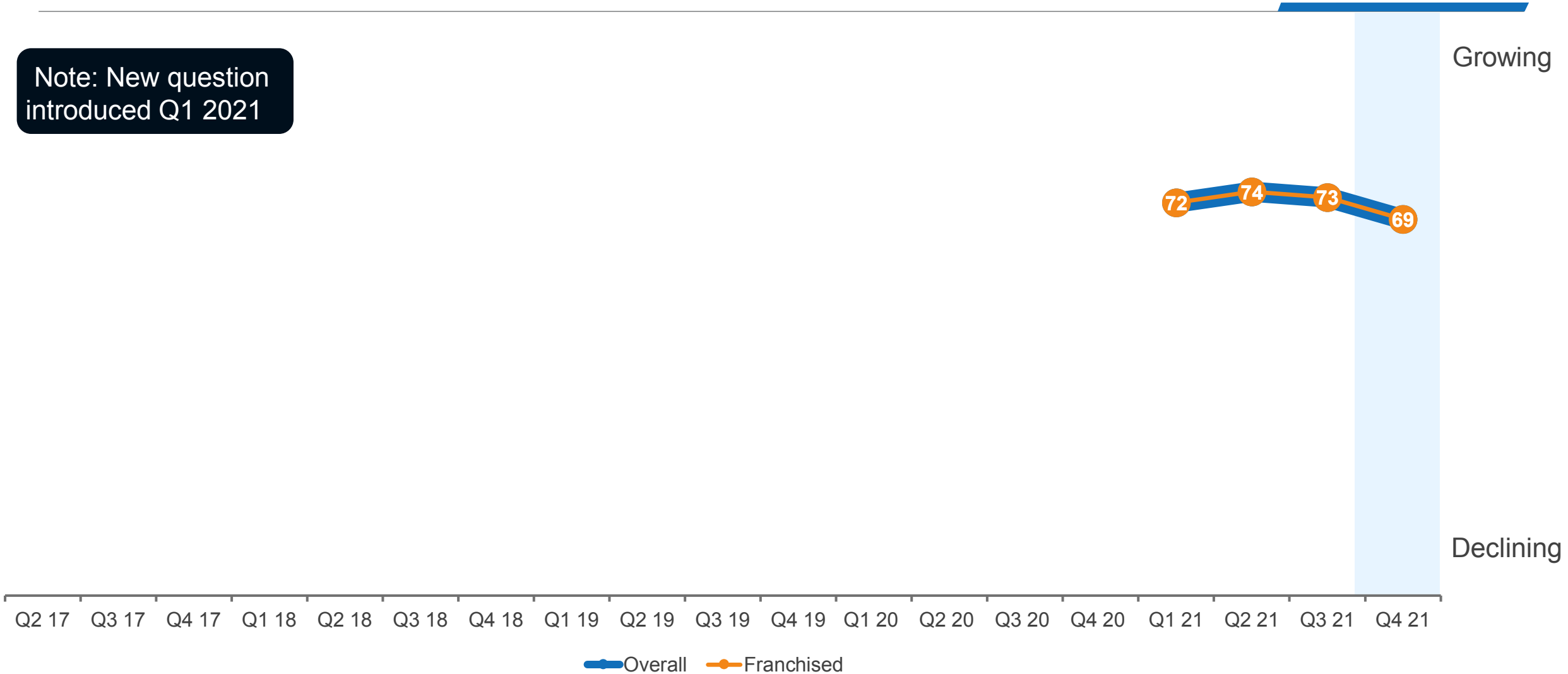


Note: Scale 1 - 100

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

Dealer Sentiment Index FOURTH QUARTER 2021

Note: New question introduced Q1 2021

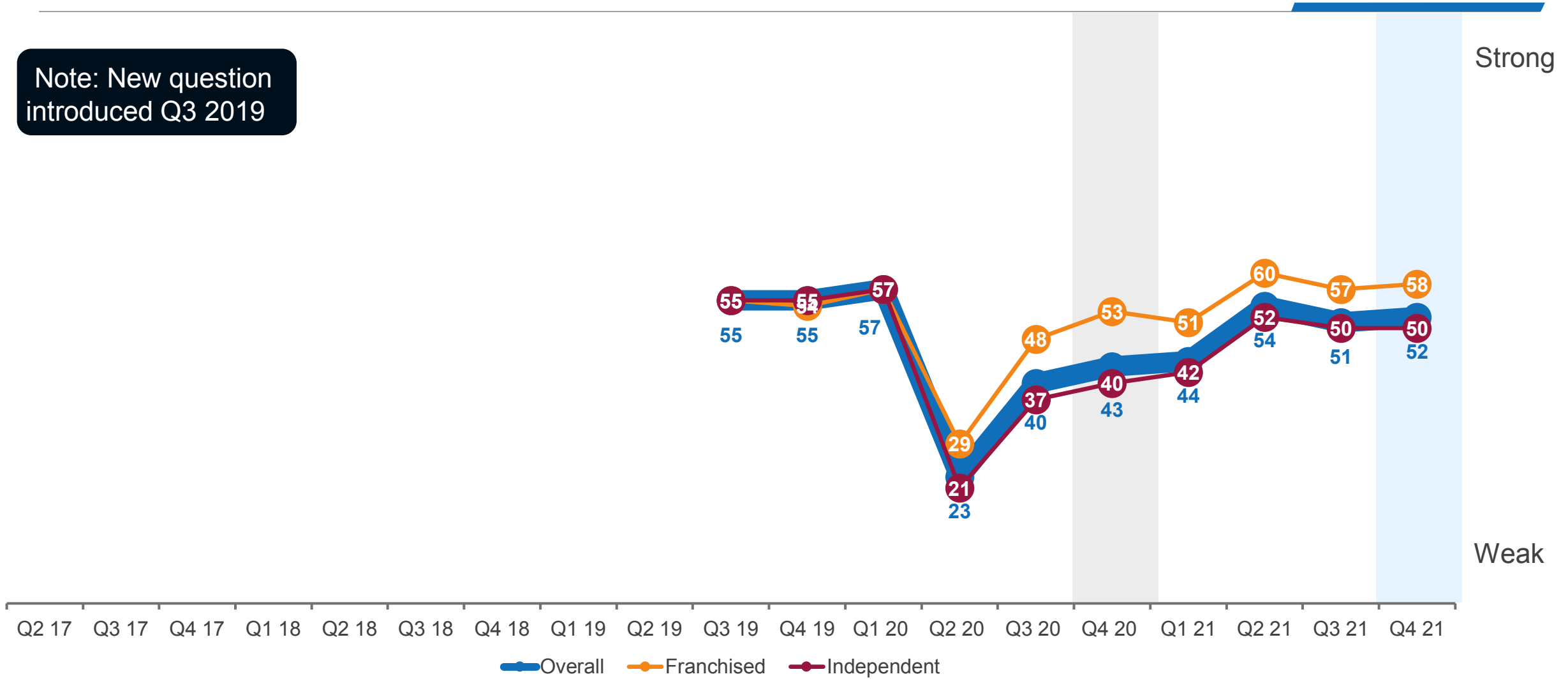


Note: Scale 1 - 100

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

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Note: New question introduced Q3 2019

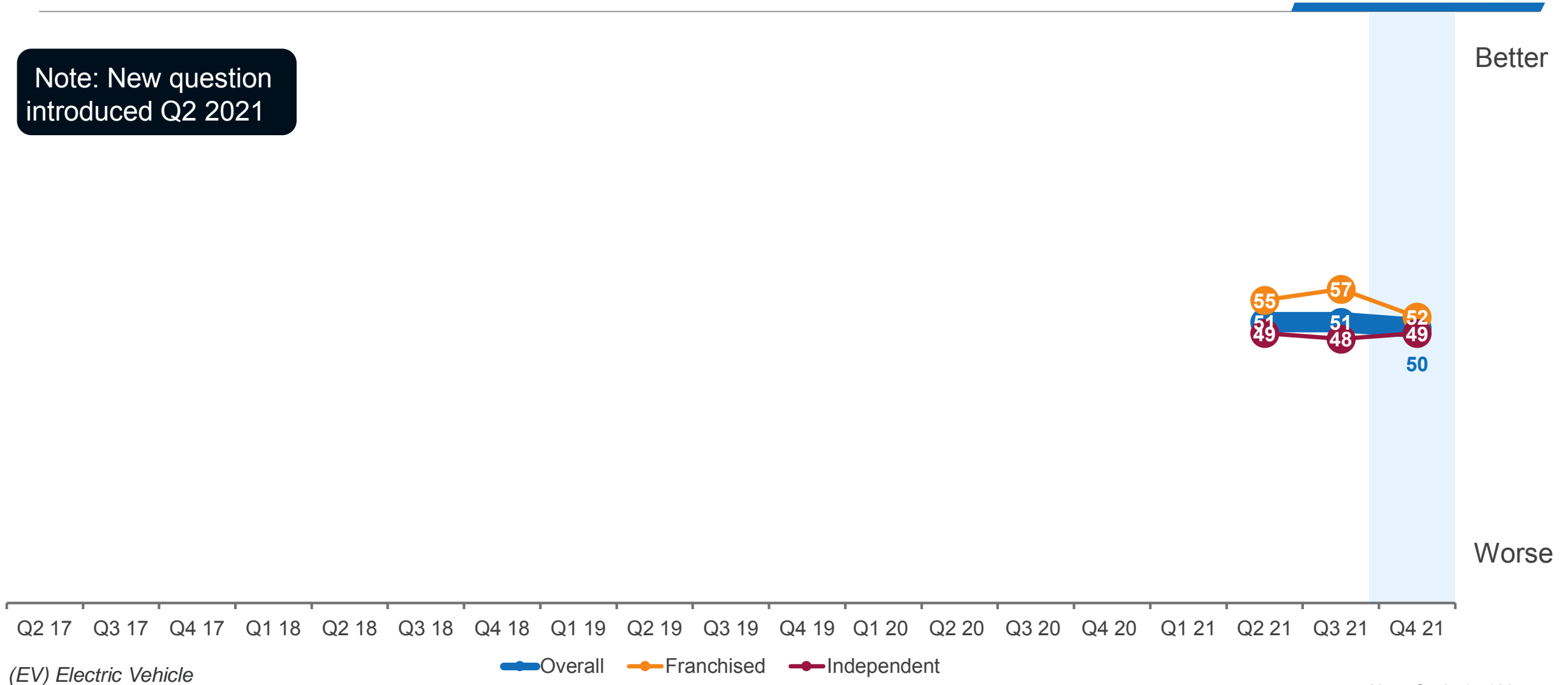


Note: Scale 1 - 100

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

Dealer Sentiment Index FOURTH QUARTER 2021

Note: New question introduced Q2 2021



(EV) Electric Vehicle

Overall Franchised Independent

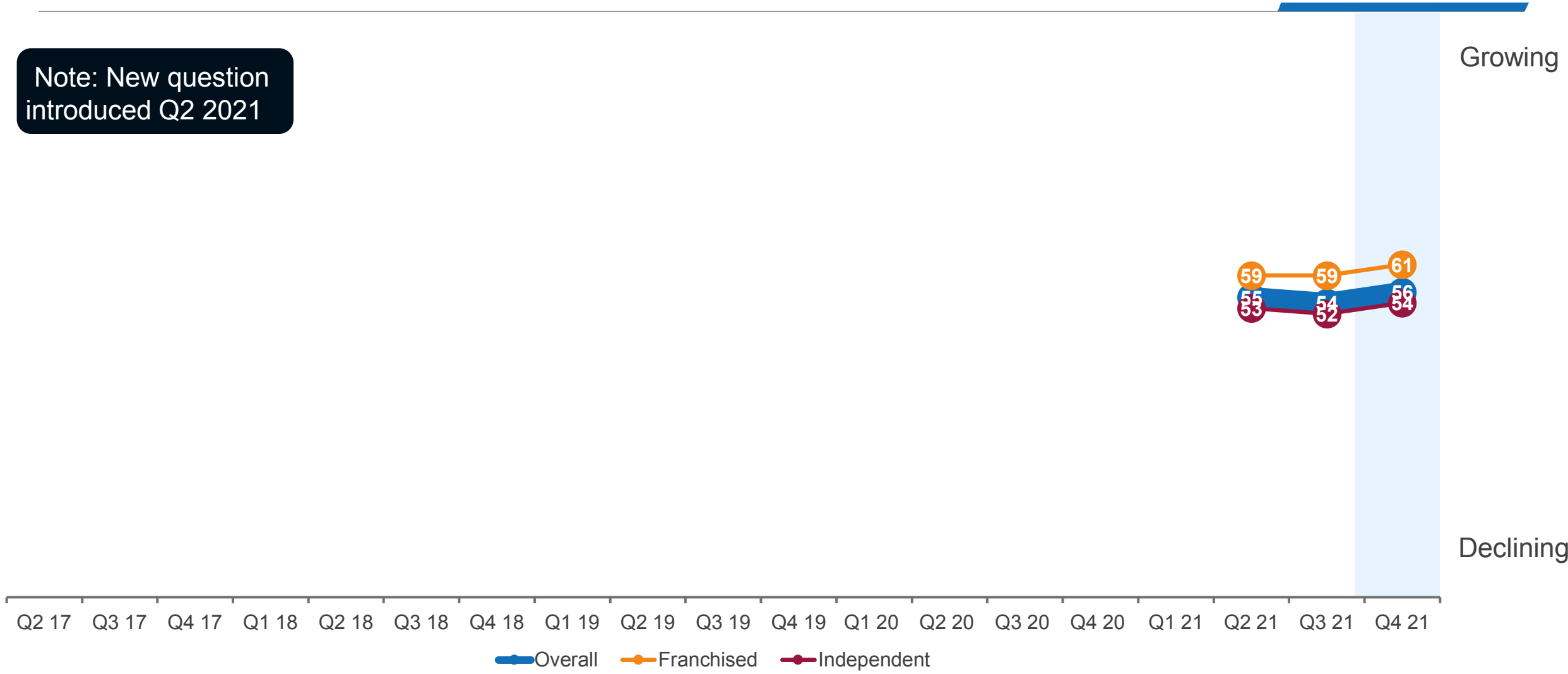
Note: Scale 1 - 100

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

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Note: New question introduced Q2 2021

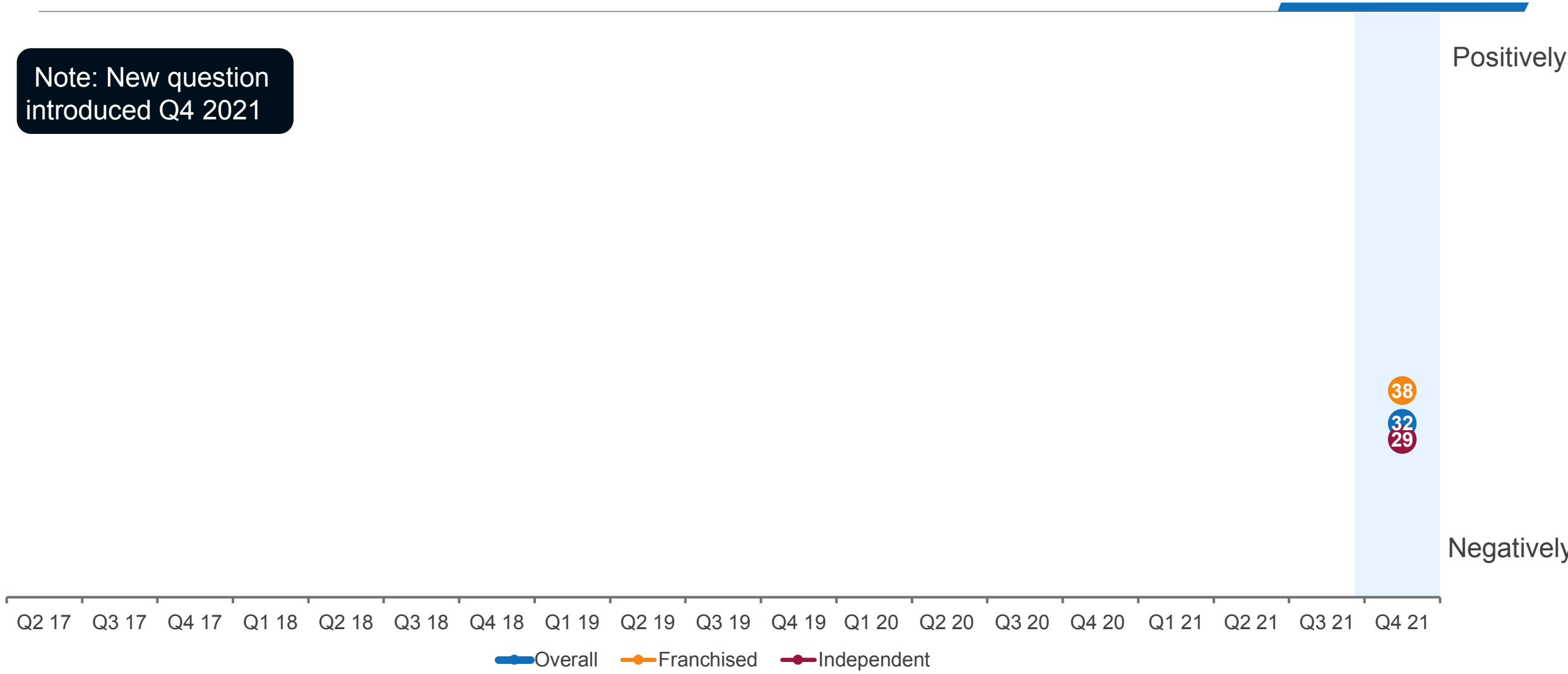


Note: Scale 1 - 100

Q21: How do you feel the consolidation of dealerships is impacting the market?

Dealer Sentiment Index FOURTH QUARTER 2021

Note: New question introduced Q4 2021



Note: Scale 1 - 100

Factors Holding Back Your Business?

OVERALL RANK

		Q4 '21	Q3 '21	Q4 '20	Q4 '19
1	Limited Inventory	64%	62%	45%	26%
2	Market Conditions	44% ↑	37%	37%	35%
3	Economy	34% ↑	24%	38%	25%
4	Business Impacts from COVID-19/Coronavirus	30%	30%	47%	N/A
5	Political Climate	24% ↑	17%	40%	18%
6	Expenses	23% ↑	17%	17%	22%
7	Consumer Confidence	13% ↑	10%	25%	19%
8	Competition	12%	12%	17%	33%
9	Credit Availability for Consumers	11%	12%	19%	27%
10	Staff Turnover	10%	10%	5%	8%
11	Regulations	6%	7%	7%	8%
12	Consumer transparency in the pricing	5%	6%	7%	10%
13	Tariffs on Imported Vehicles and Parts	4%	3%	2%	6%
14	Credit Availability for Business	4%	4%	8%	6%
15	Lack of Consumer Incentives From My OEM	4%	4%	2%	4%
16	Dealership Systems/Tools	3%	4%	3%	5%
17	Weather	3%	4%	9%	11%

Significant decrease vs previous quarter



Significant increase vs previous quarter



Factors Holding Back Your Business?

OVERALL RANK

		Q4 '21	Q3 '21	Q4 '20	Q4 '19
18	Interest Rates	3%	3%	4%	7%
19	Technology to Support Operations	3%	2%	3%	N/A
20	Technology to Support Sales	2%	2%	3%	N/A
21	OEM Mandates/Restrictions	2%	2%	1%	4%
22	OEM Priorities	2%	2%	2%	N/A
23	Too Much Retail Inventory	1%	2%	2%	6%

Significant decrease vs previous quarter



Significant increase vs previous quarter



Factors Holding Back Your Business?

FRANCHISED DEALERS

		Q4 '21	Q3 '21	Q4 '20	Q4 '19
1	Limited Inventory	71%	73%	44%	17%
2	Market Conditions	31%	33%	29%	38%
3	Business Impacts from COVID-19/Coronavirus	29%	27%	39%	N/A
4	Economy	26%	22%	33%	26%
5	Political Climate	21%	19%	48%	24%
6	Staff Turnover	15%	17%	8%	16%
7	Lack of Consumer Incentives From My OEM	14%	18%	10%	15%
8	Consumer Confidence	13%	13%	24%	21%
9	Expenses	9%	8%	10%	18%
10	OEM Mandates/Restrictions	8%	7%	6%	14%
11	OEM Priorities	8%	6%	7%	N/A
12	Competition	6%	8%	12%	31%
13	Regulations	5%	5%	6%	4%
14	Tariffs on Imported Vehicles and Parts	4%	4%	2%	7%
15	Weather	3%	3%	8%	14%
16	Consumer transparency in the pricing	3%	4%	5%	8%
17	Credit Availability for Consumers	3%	4%	9%	15%

Significant decrease vs previous quarter



Significant increase vs previous quarter



Factors Holding Back Your Business?

FRANCHISED DEALERS

		Q4 '21	Q3 '21	Q4 '20	Q4 '19
18	Technology to Support Sales	2%	1%	2%	N/A
19	Interest Rates	2%	2%	2%	9%
20	Technology to Support Operations	2%	2%	2%	N/A
21	Dealership Systems/Tools	2%	2%	3%	7%
22	Credit Availability for Business	0%	1%	1%	3%
23	Too Much Retail Inventory	0%	0%	0%	5%

Significant decrease vs previous quarter



Significant increase vs previous quarter



Factors Holding Back Your Business?

INDEPENDENT DEALERS

		Q4 '21	Q3 '21	Q4 '20	Q4 '19
1	Limited Inventory	62%	58%	46%	30%
2	Market Conditions	49% ↑	38%	39%	34%
3	Economy	37% ↑	25%	40%	24%
4	Business Impacts from COVID-19/Coronavirus	30%	31%	49%	N/A
5	Expenses	27% ↑	20%	20%	23%
6	Political Climate	25% ↑	16%	37%	17%
7	Competition	14%	14%	18%	33%
8	Credit Availability for Consumers	14%	15%	23%	31%
9	Consumer Confidence	14% ↑	9%	25%	18%
10	Staff Turnover	8%	8%	5%	5%
11	Consumer transparency in the pricing	6%	6%	8%	11%
12	Regulations	6%	7%	7%	9%
13	Credit Availability for Business	5%	4%	10%	7%
14	Tariffs on Imported Vehicles and Parts	4%	3%	1%	5%

Significant decrease vs previous quarter



Significant increase vs previous quarter



Factors Holding Back Your Business?

INDEPENDENT DEALERS

		Q4 '21	Q3 '21	Q4 '20	Q4 '19
15	Dealership Systems/Tools	3%	4%	4%	5%
16	Interest Rates	3%	4%	4%	6%
17	Technology to Support Operations	3%	3%	4%	N/A
18	Weather	3%	4%	9%	10%
19	Technology to Support Sales	2%	3%	4%	N/A
20	Too Much Retail Inventory	1%	2%	3%	6%

Significant decrease vs previous quarter



Significant increase vs previous quarter



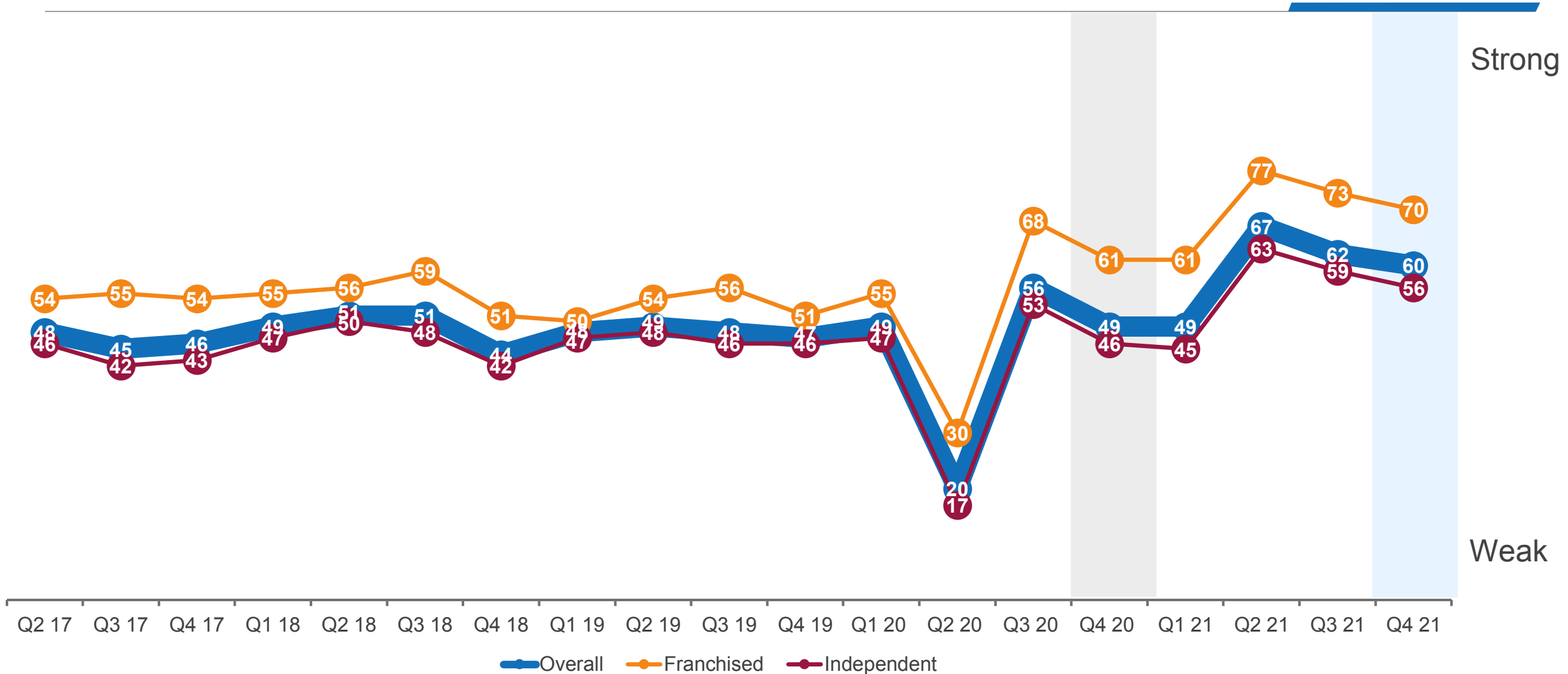
A photograph of a car dealership showroom with several white cars lined up. The image is dimmed and serves as a background for the text.

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

FOURTH QUARTER 2021

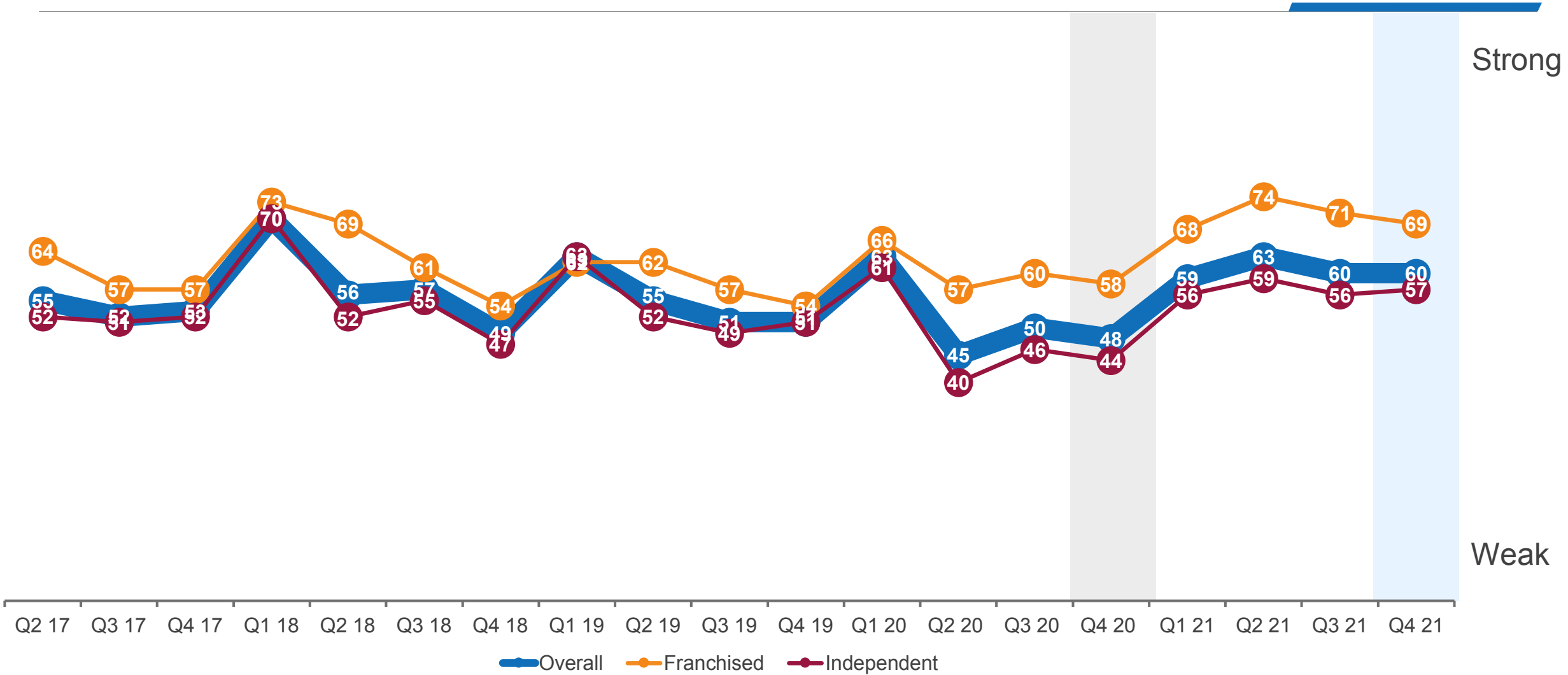


Note: Scale 1 - 100

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

Dealer Sentiment Index

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Note: Scale 1 - 100

Top Priorities at This Time

	Overall		Franchised (A)		Independent (B)		High Tax States (A)		All Other States (B)	
	Q4 2021	Q3 2021	Q4 2021	Q3 2021	Q4 2021	Q3 2021	Q4 2021	Q3 2021	Q4 2021	Q3 2021
Finding/Buying inventory	51%	48%	44%	41%	53% A	51% A	54%	46%	50%	49%
Staying in business in general	15%	15%	4%	5%	19% A	19% A	19%	21% B	14%	14%
Improving efficiency in general	7%	8%	10%	11% B	6%	6%	5%	7%	8%	8%
Retaining customers	6%	6%	13% B	12% B	4%	4%	5%	6%	6%	7%
Reducing expenses by cutting unnecessary costs	5%	3%	4%	4%	6%	3%	3%	3%	6%	3%
Improving Sales and Service solutions	5%	6%	5%	6%	4%	6%	3%	5%	5%	6%
Retaining employees	4%	5%	10% B	9% B	2%	3%	4%	3%	4%	5%
Gaining market share	4%	5%	8% B	8% B	2%	3%	3%	4%	4%	5%
Selling the dealership	1%	1%	0%	1%	1%	2%	1%	2%	1%	1%
Acquiring other storefronts	1%	1%	1%	2%	1%	1%	0%	0%	1%	1%
Other	1%	2%	1%	1%	2%	2%	3% B	3%	1%	1%

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
Current Market	Strong/Weak	67	71	71	71
Market Next 3 Months	Strong/Weak	64	71	70	69
Customer Traffic	Strong/Weak	52	52	51	52
Profits	Strong/Weak	86	79	82	79
Dealer Credit	Easy/Difficult	65	68	68	65
Costs	Growing/Declining	65	61	63	67
New Vehicle Sales	Good/Poor	42	41	47	49
New Vehicle Inventory	Growing/Declining	11	15	18	12
New Vehicle Inventory Mix	Good/Poor	15	14	23	20
Used Vehicle Sales	Good/Poor	70	70	70	71



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 Inventory	Growing/Declining	36	34	39	35
Used Vehicle Inventory Mix	Good/Poor	48	51	53	44
Price Pressure	More/Less	15	16	18	15
Staffing	Growing/Declining	45	44	51	41
OEM incentives	Large/Small	26	25	25	21
Economy	Strong/Weak	56	57	57	62
Current Fixed Operations	Better/Worse	68	66	69	61
Future Fixed Operations	Growing/Declining	66	70	70	69
Current BEV Sales	Better/Worse	56	50	50	55
Future BEV Sales	Growing/Declining	60	61	57	70
Dealer Consolidation Impact	Positive/Negative	37	36	42	37



Note: Scale 1 – 100

GREEN: Significant increase from prior quarter

RED: Significant decrease from prior quarter

Dealer Sentiment Index

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