

DEALER SENTIMENT INDEX

SECOND QUARTER 2023

Cox
AUTOMOTIVE™

Research & Market Intelligence



3512297
CCDR

1:51
2015
017,058

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 2023 CADSI is based on 1,060 U.S. auto dealer respondents, comprising 568 franchised dealers and 492 independents. The survey was conducted from April 24 to May 7, 2023.
- ✓ The next quarterly report will be released in September 2023. The CADSI was first published in Q2 2017.

Key Takeaways: Q2 2023

Overall dealer sentiment in the U.S. improved slightly in Q2 2023 according to the latest Cox Automotive Dealer Sentiment Index. The current market index is now at 45, up from 43 in Q1 but still below the threshold of 50, indicating that more dealers see the current auto market as weak than see the market as strong. The Q2 report is the fourth consecutive quarter with dealer sentiment below the 50 threshold. Both franchised and independent dealers feel the market in Q2 is stronger than in Q1, but the continued negative sentiment is likely being driven by weak economic conditions and stubbornly high interest rates.

The forward-looking market outlook index declined in Q2, falling from 52 to 47, suggesting a majority of auto dealers now feel the market in the next three months will be weak, not strong. The market outlook index in Q2 for franchised dealers increased 1 point, moving from 56 to 57, while the

outlook index for independent dealers declined from 51 to 44. Independent dealers, who sell only used vehicles, have a more negative view of the market for the months ahead.

“Our latest dealer sentiment index clearly illustrates how the market has shifted in the past year,” noted Cox Automotive Chief Economist Jonathan Smoke. “The new-vehicle market’s most acute inventory issues are in the rearview mirror now. Dealers are now facing an uncertain economy and high loan rates that are keeping many would-be buyers on the sidelines.”

According to the latest survey, dealership profits continue to slide after peaking in 2021. In Q2, the profit index dropped to 41, marking the seventh straight quarterly decline. On the upside, dealers indicate that customer traffic, both in-person and online, was stronger in Q2 than in Q1. The

customer traffic index score in Q2 of 37 was just one point below the six-year average.

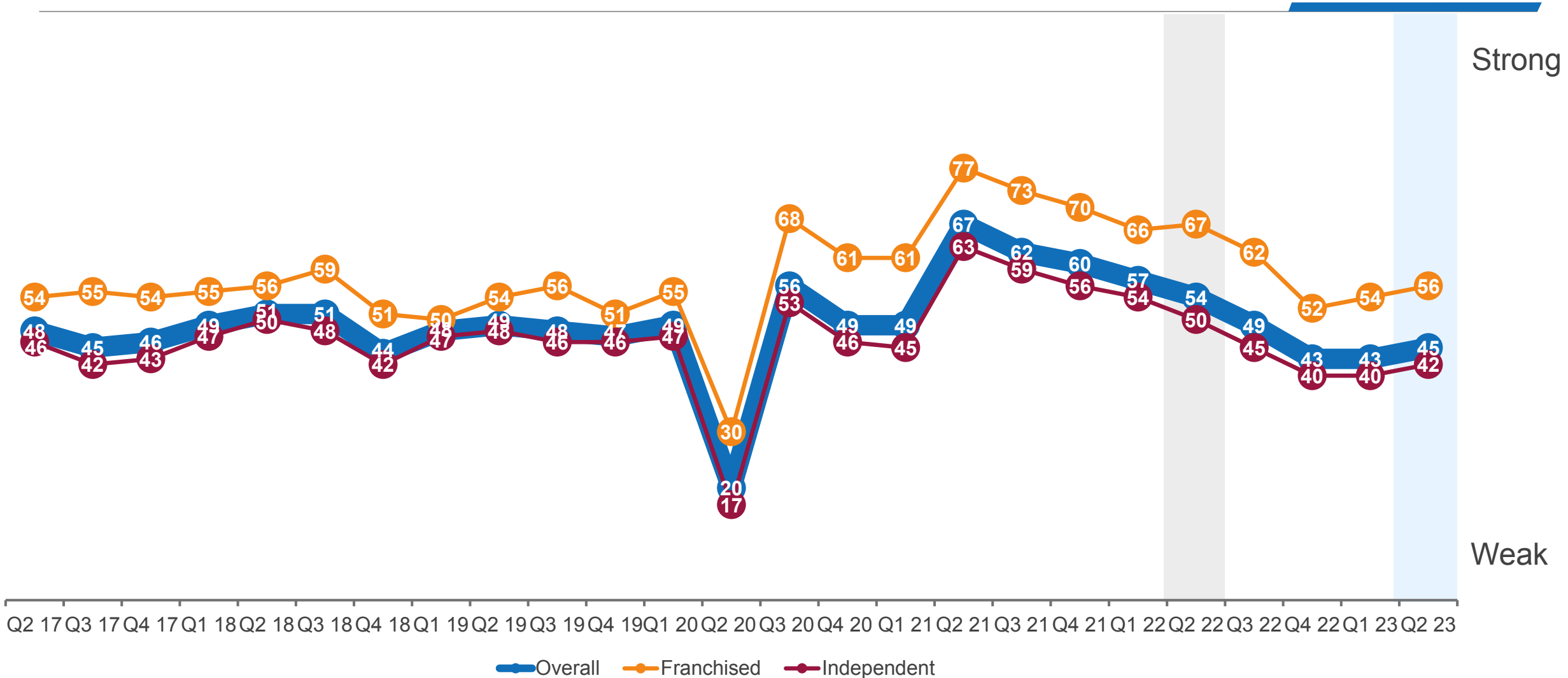
Inflation, interest rates, costs of operation and the economy continue to weigh on dealers. The view of the U.S. economy improved in the latest survey, increasing from 43 to 44 in Q2. But the index score remains below the score of 50 of one year ago and indicates a majority of dealers feel the economy is weak, not strong.

When asked about factors holding back business, the Economy (55%) and Interest Rates (53%) are the top two factors cited by both franchised and independent dealers. The Economy and Interest Rates were also the top two in Q1, although the order has switched, with the Economy now in the top spot. Limited Inventory was the leading factor one year ago and has now fallen to the third most-often mentioned factor, with 44% of dealers noting Limited Inventory as a top factor holding back business.

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

Dealer Sentiment Index

SECOND QUARTER 2023

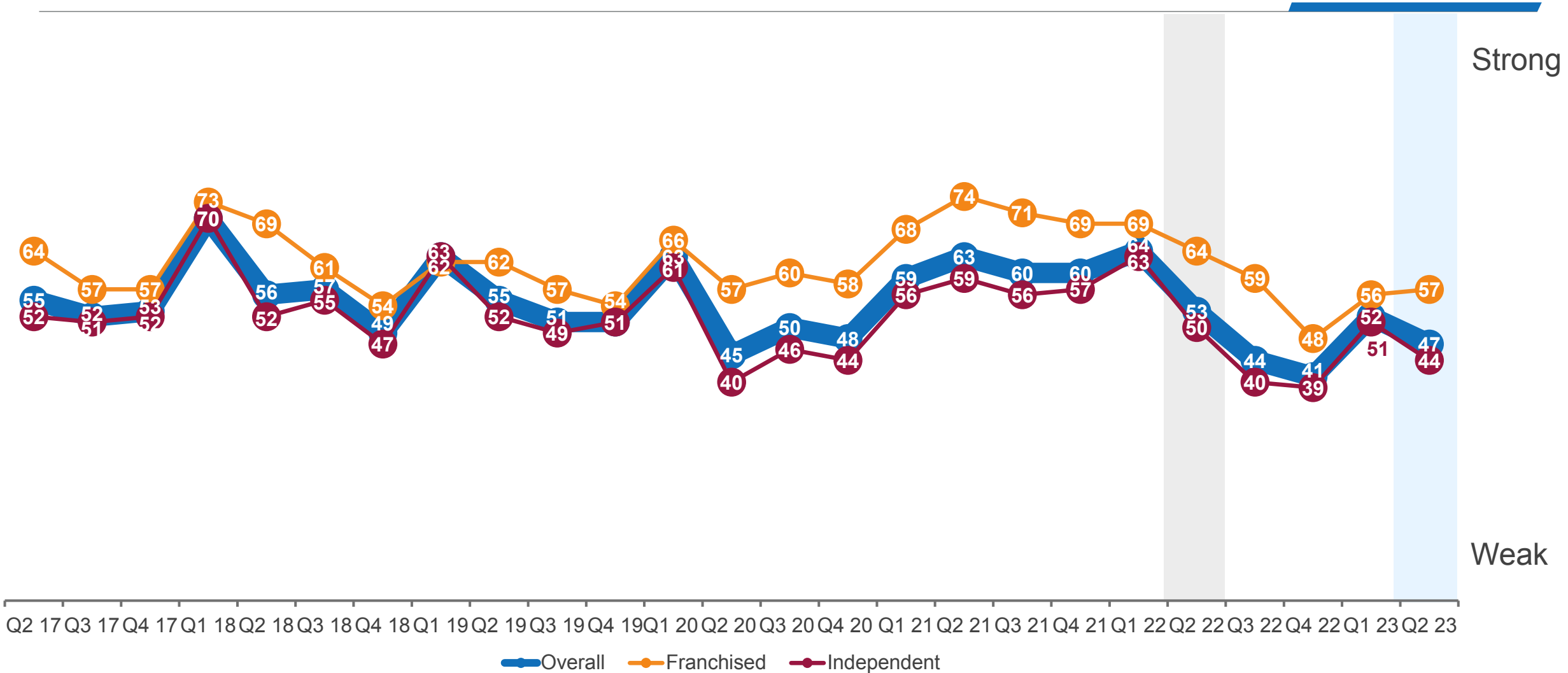


Note: Scale 1 - 100

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

Dealer Sentiment Index

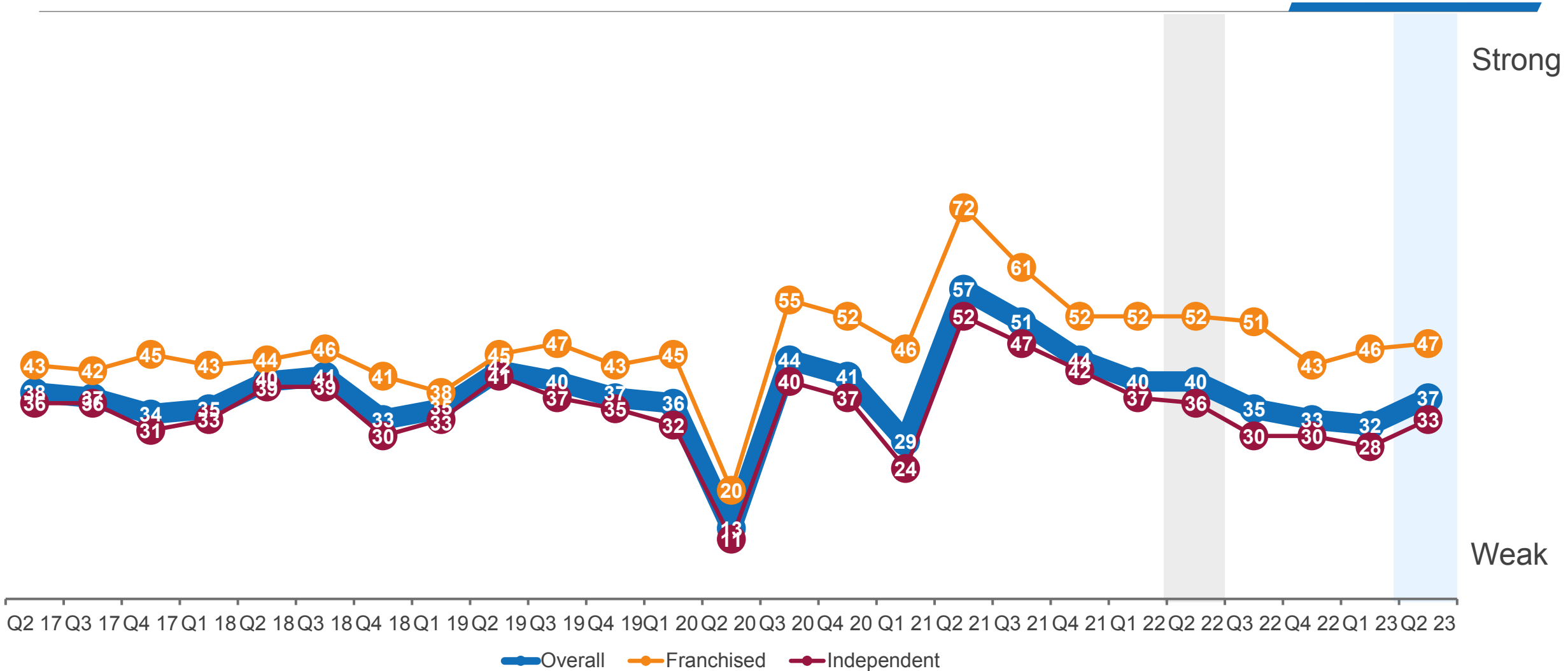
SECOND QUARTER 2023



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 2023



Note: Scale 1 - 100

Q3A: How do you rate the **in-person** customer traffic to your dealership over the past 3 months?

Dealer Sentiment Index

SECOND QUARTER 2023

Note: New question introduced Q3 2022

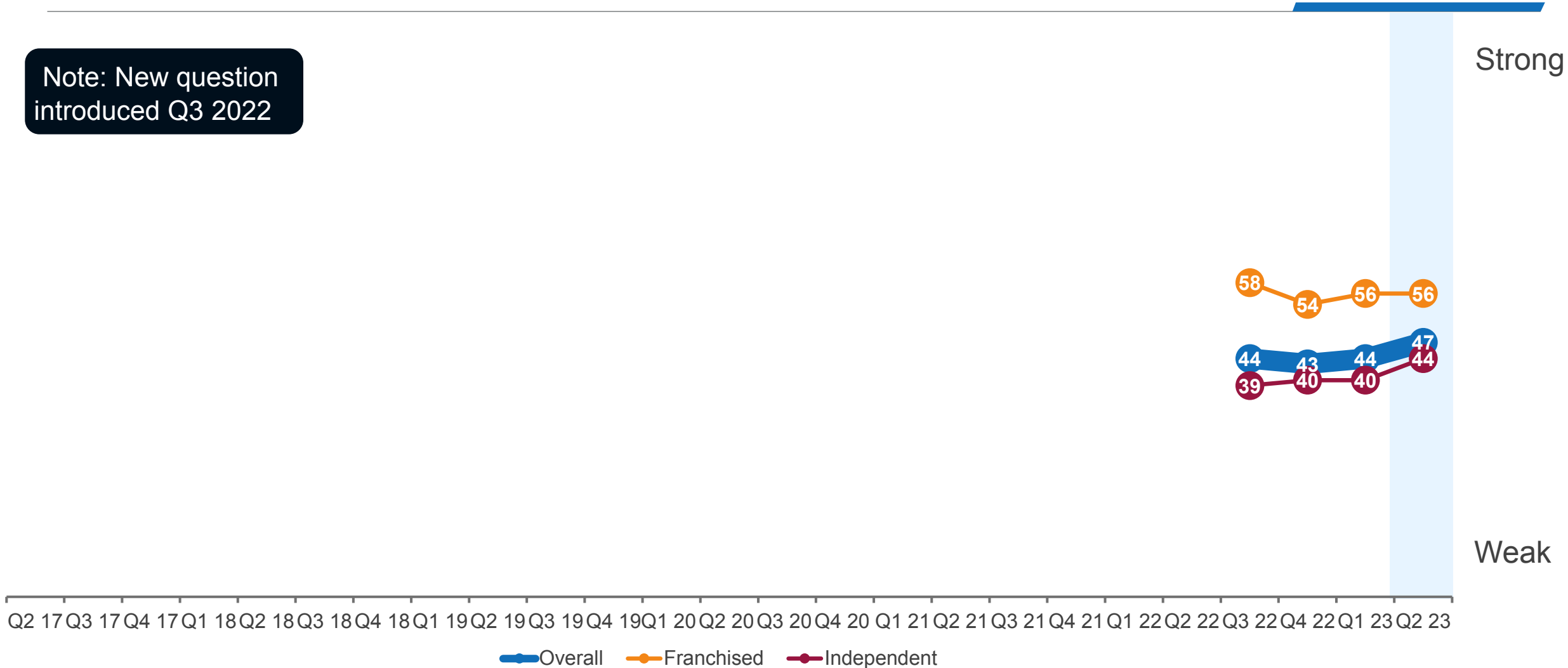


Note: Scale 1 - 100

Q3B: How do you rate the **digital/online** customer traffic to your dealership over the past 3 months?

Dealer Sentiment Index SECOND QUARTER 2023

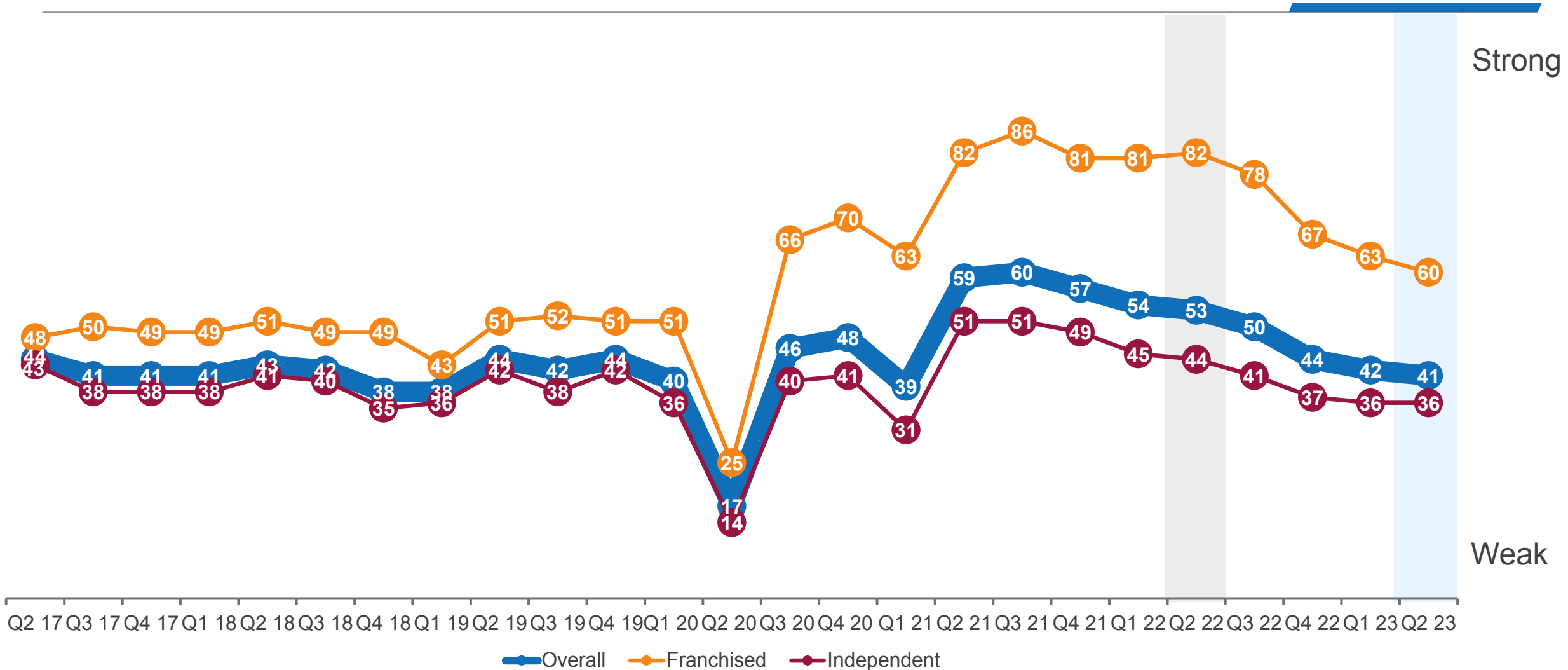
Note: New question introduced Q3 2022



Note: Scale 1 - 100

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

Dealer Sentiment Index SECOND QUARTER 2023

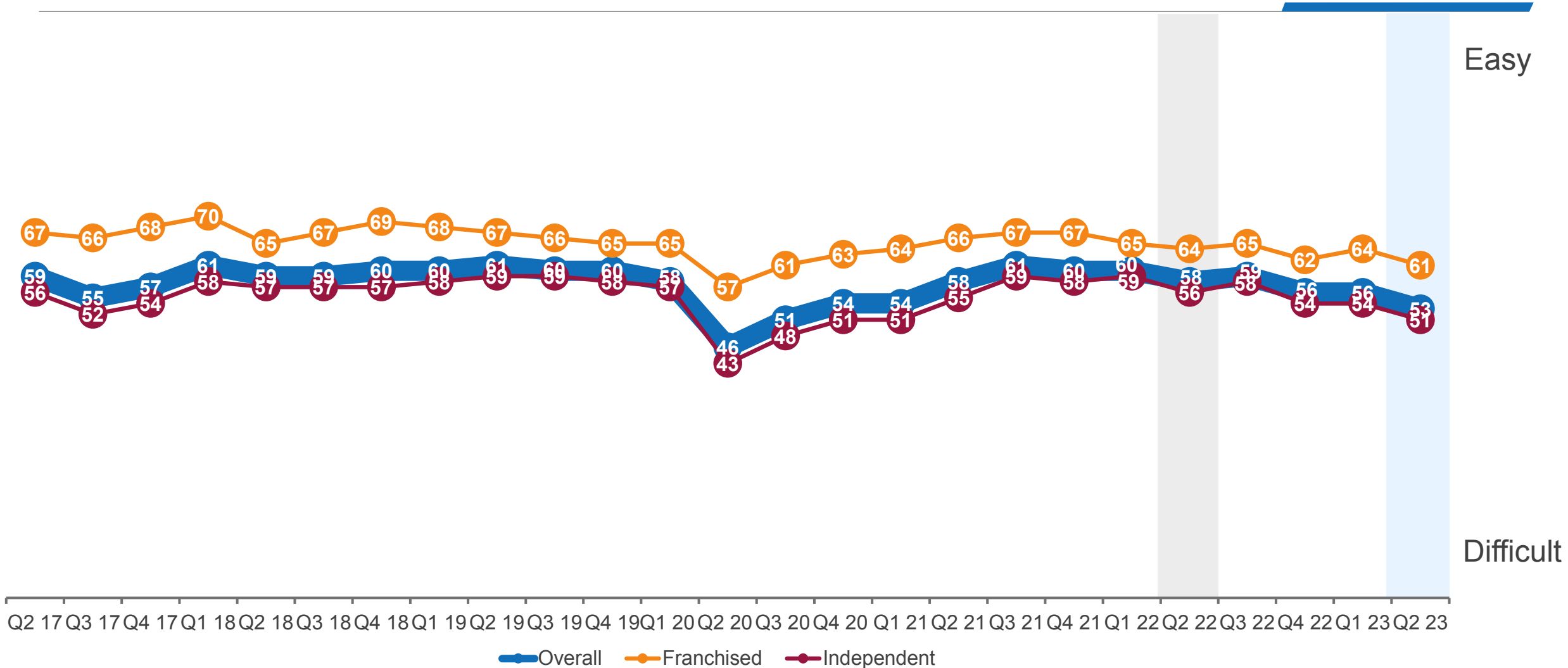


Note: Scale 1 - 100

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

Dealer Sentiment Index

SECOND QUARTER 2023

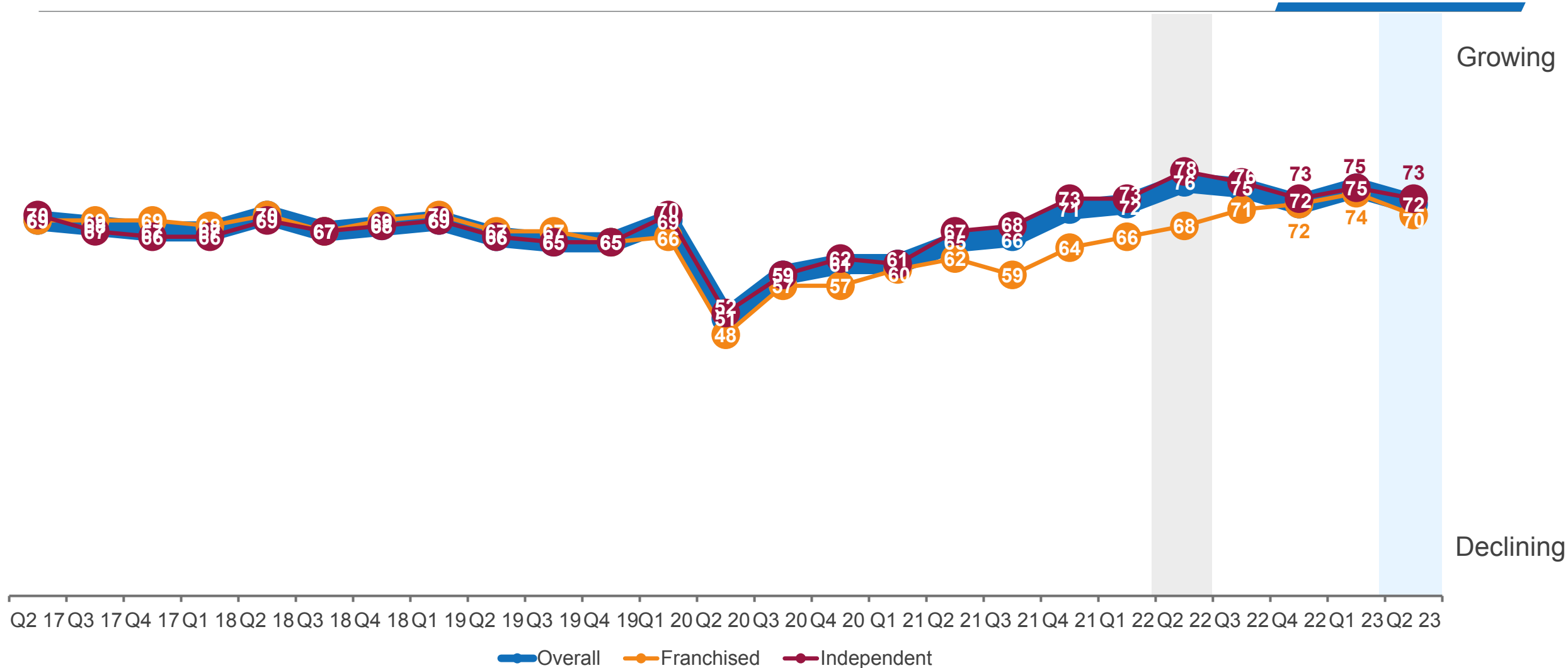


Note: Scale 1 - 100

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

Dealer Sentiment Index

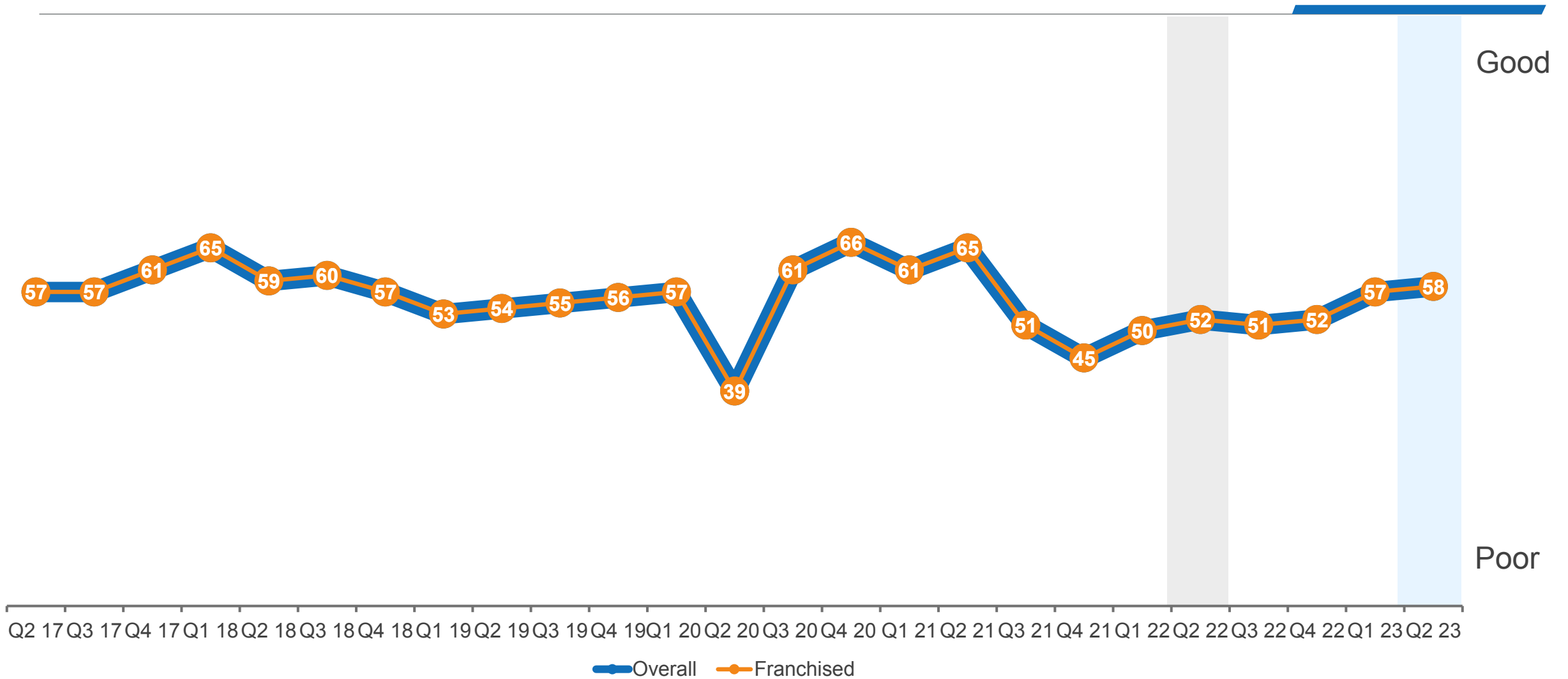
SECOND QUARTER 2023



Note: Scale 1 - 100

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

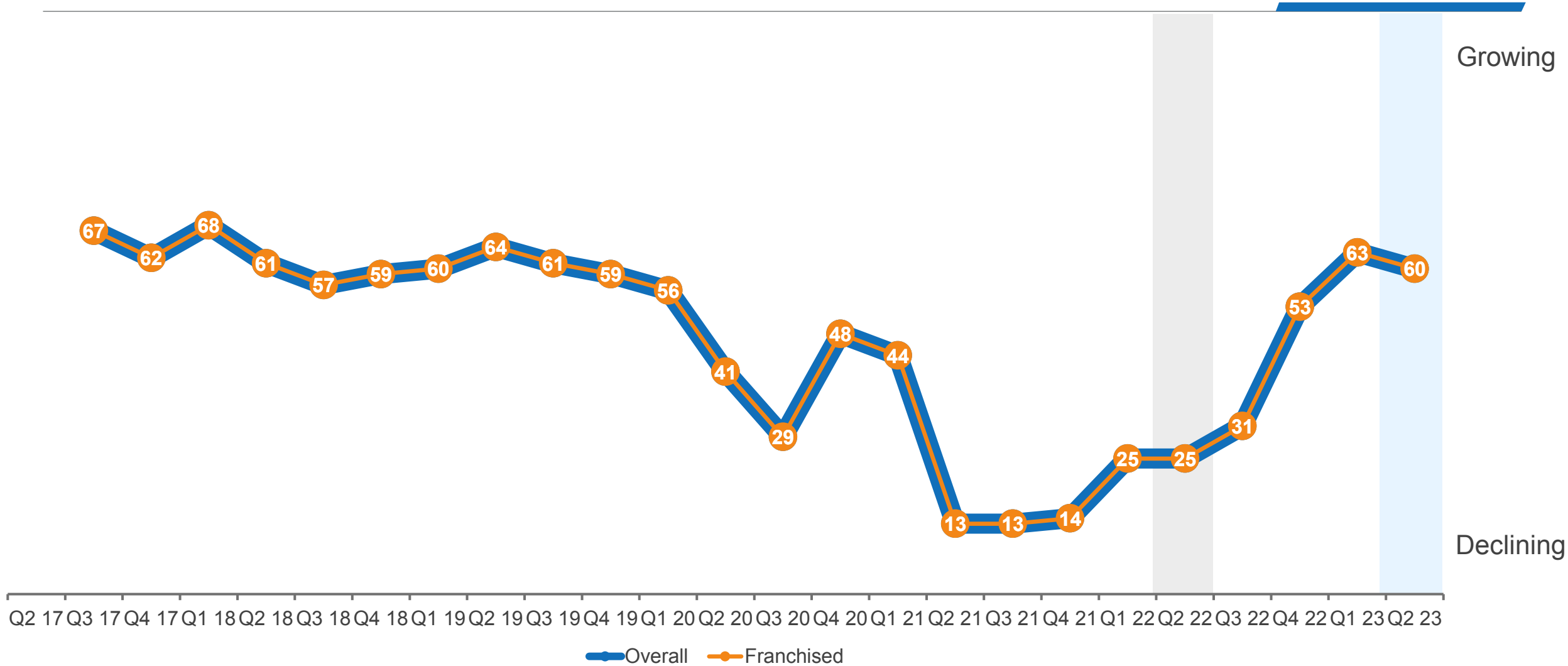
Dealer Sentiment Index SECOND QUARTER 2023



Note: Scale 1 - 100

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

Dealer Sentiment Index SECOND QUARTER 2023



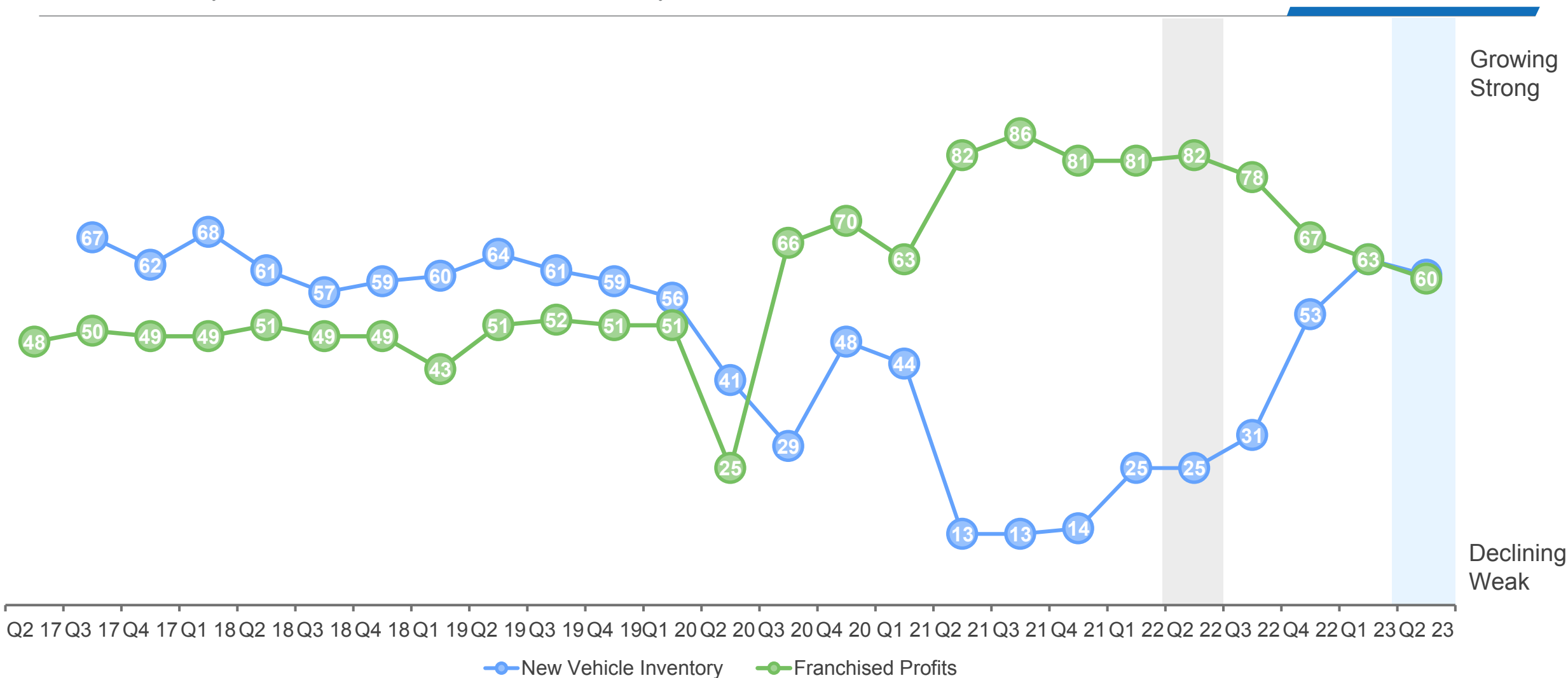
Note: Scale 1 - 100

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 2023

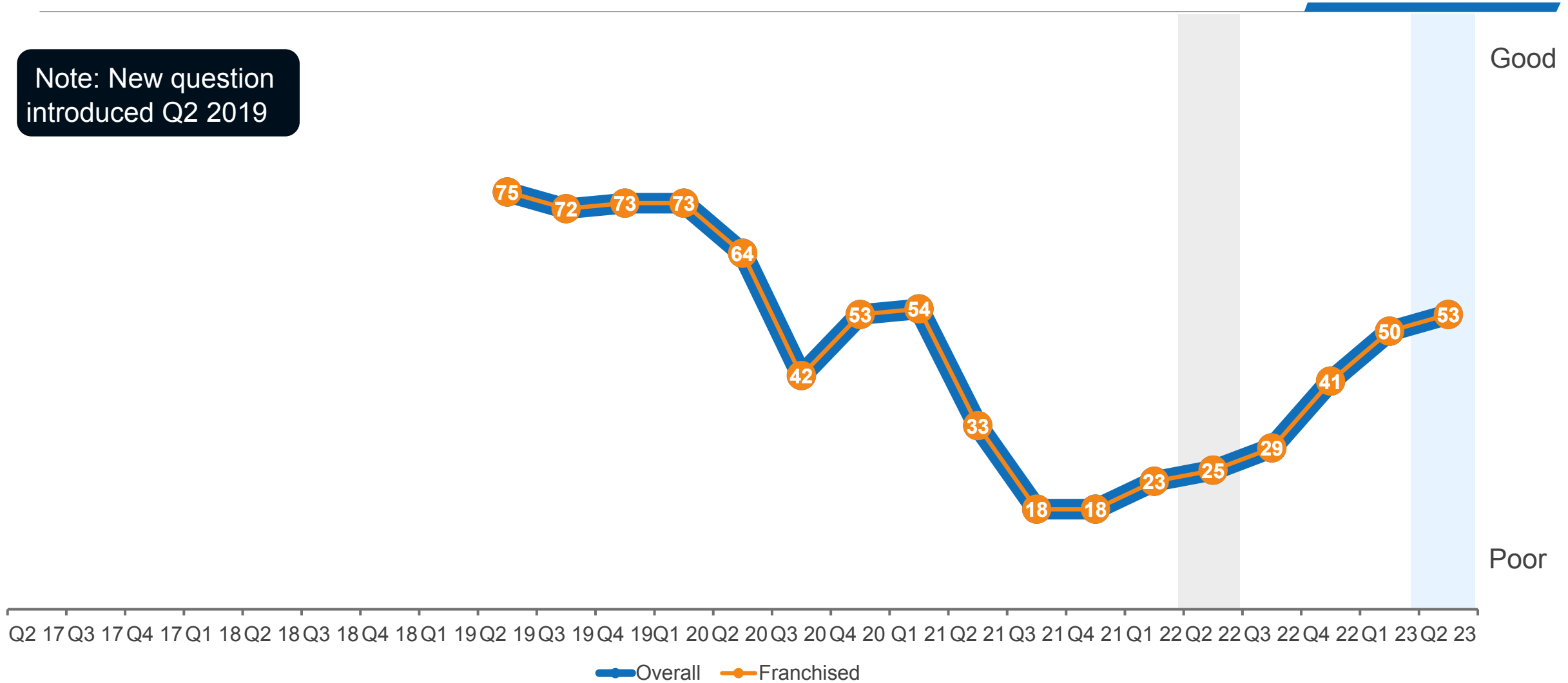


Note: Scale 1 - 100

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

Dealer Sentiment Index SECOND QUARTER 2023

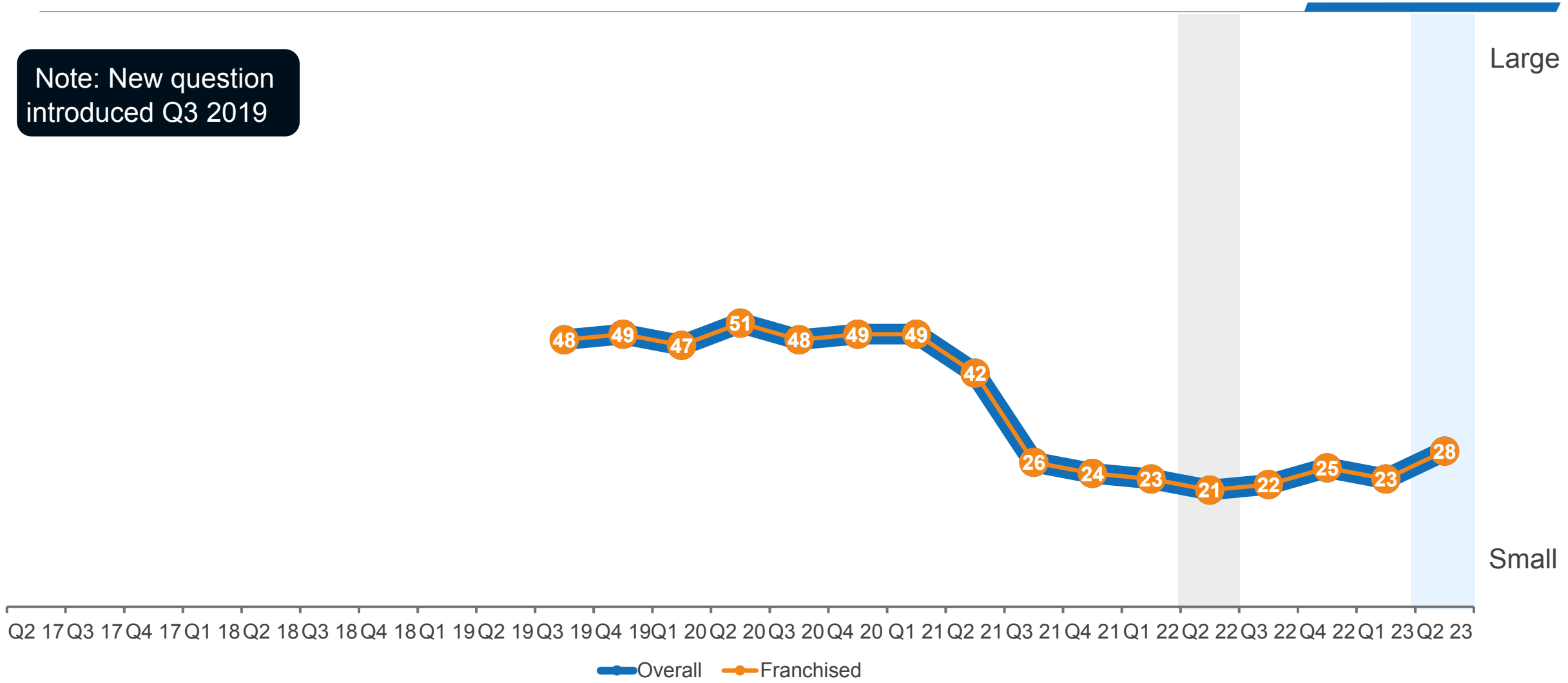
Note: New question introduced Q2 2019



Note: Scale 1 - 100

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

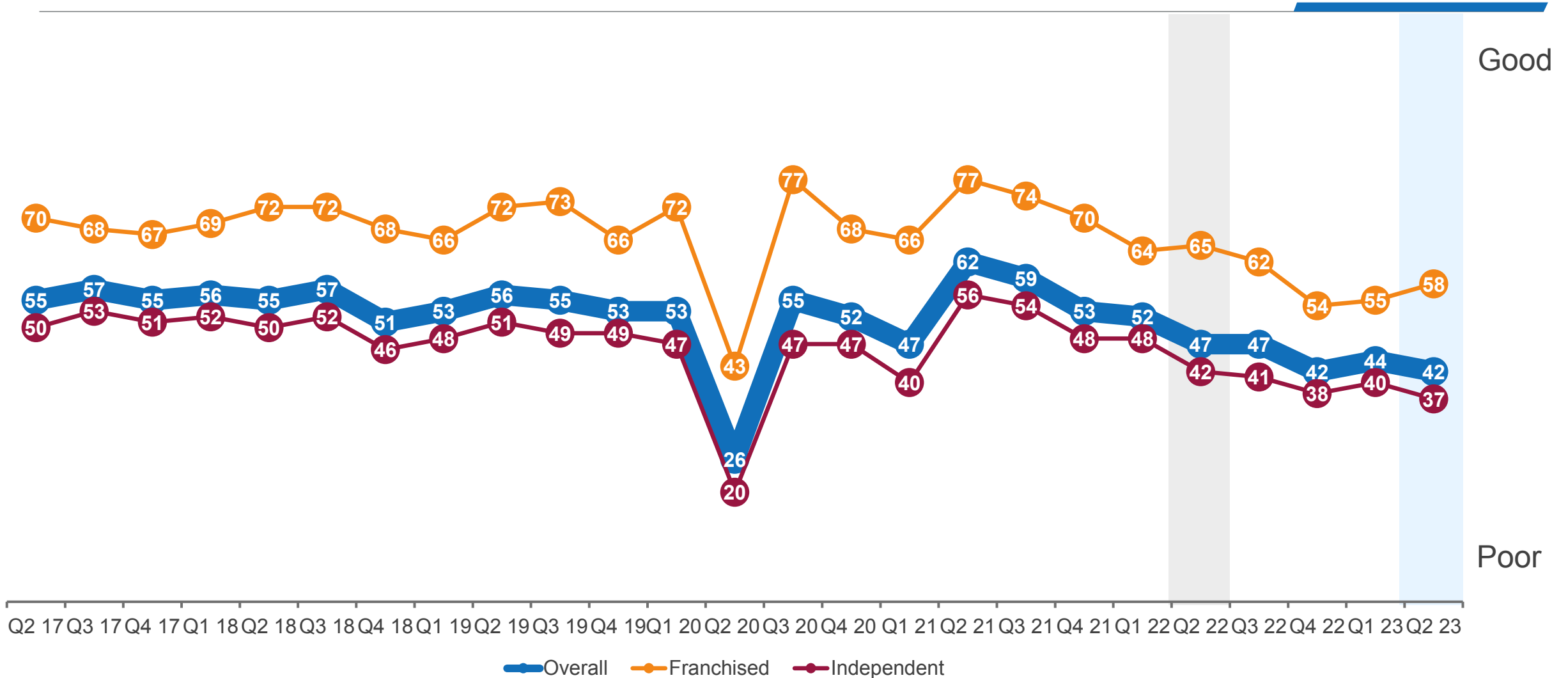
Note: New question introduced Q3 2019



Note: Scale 1 - 100

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

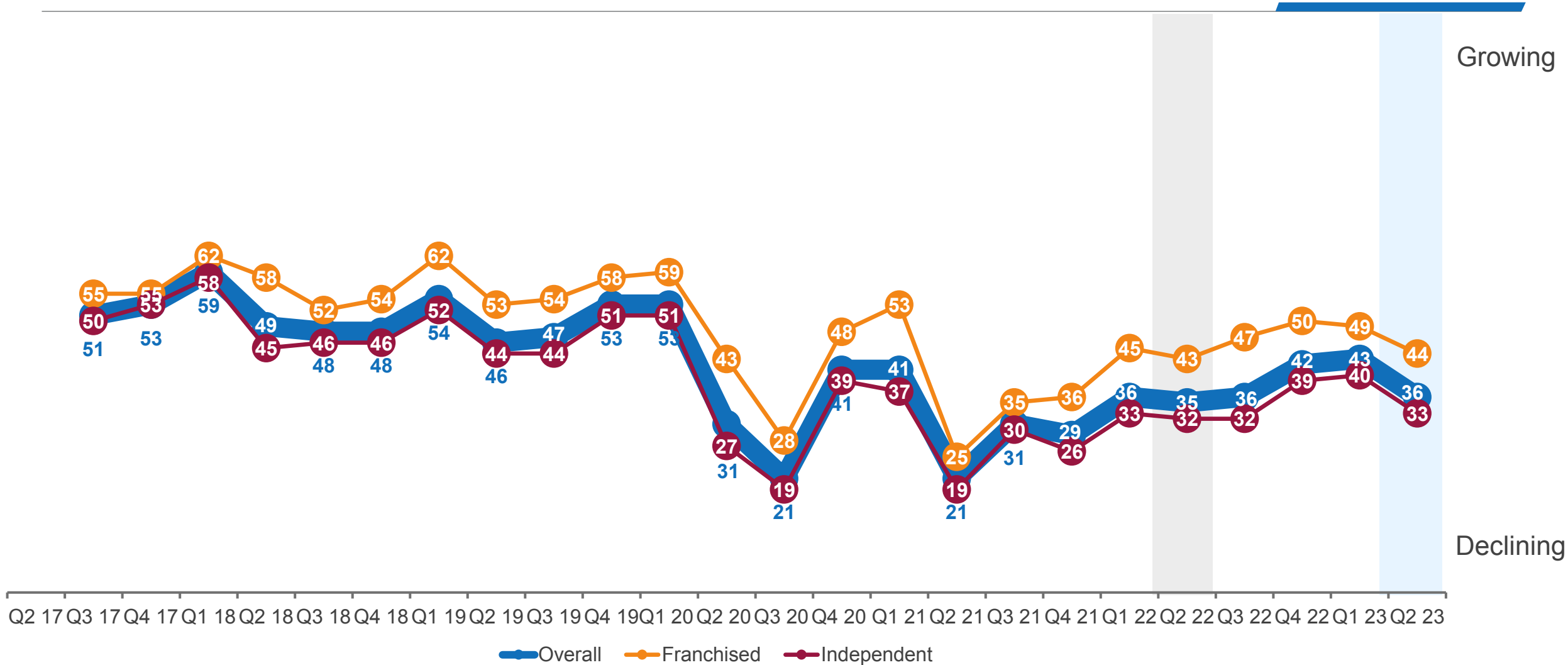
Dealer Sentiment Index SECOND QUARTER 2023



Note: Scale 1 - 100

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

Dealer Sentiment Index SECOND QUARTER 2023

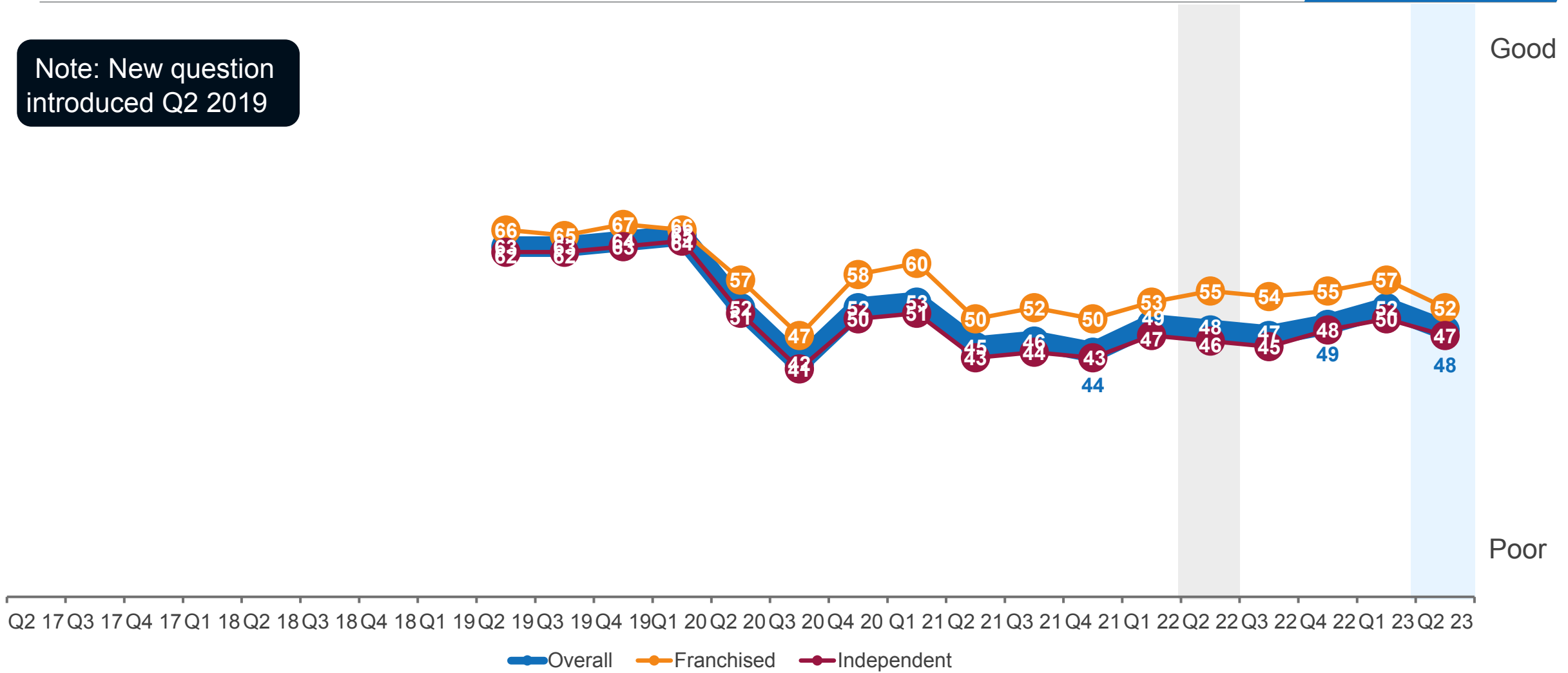


Note: Scale 1 - 100

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

Dealer Sentiment Index SECOND QUARTER 2023

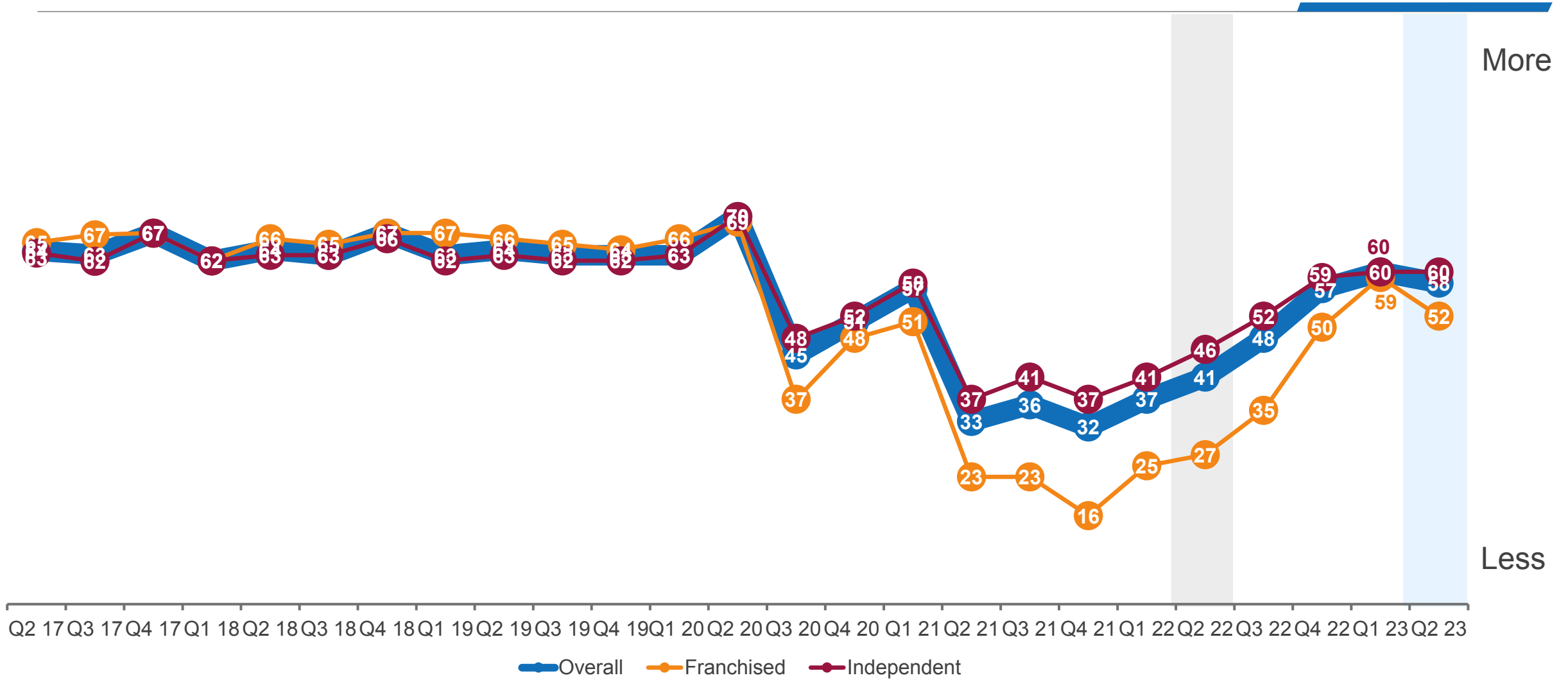
Note: New question introduced Q2 2019



Note: Scale 1 - 100

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

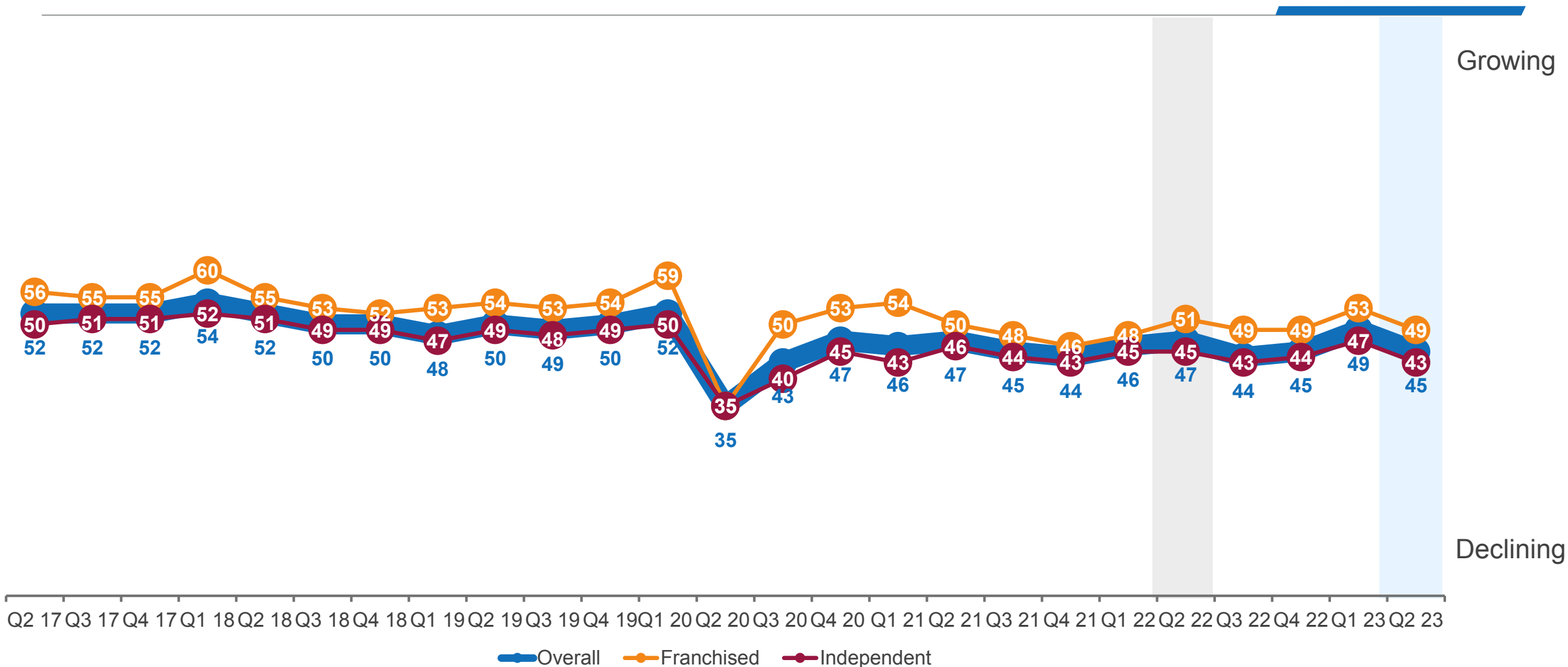
Dealer Sentiment Index SECOND QUARTER 2023



Note: Scale 1 - 100

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

Dealer Sentiment Index SECOND QUARTER 2023

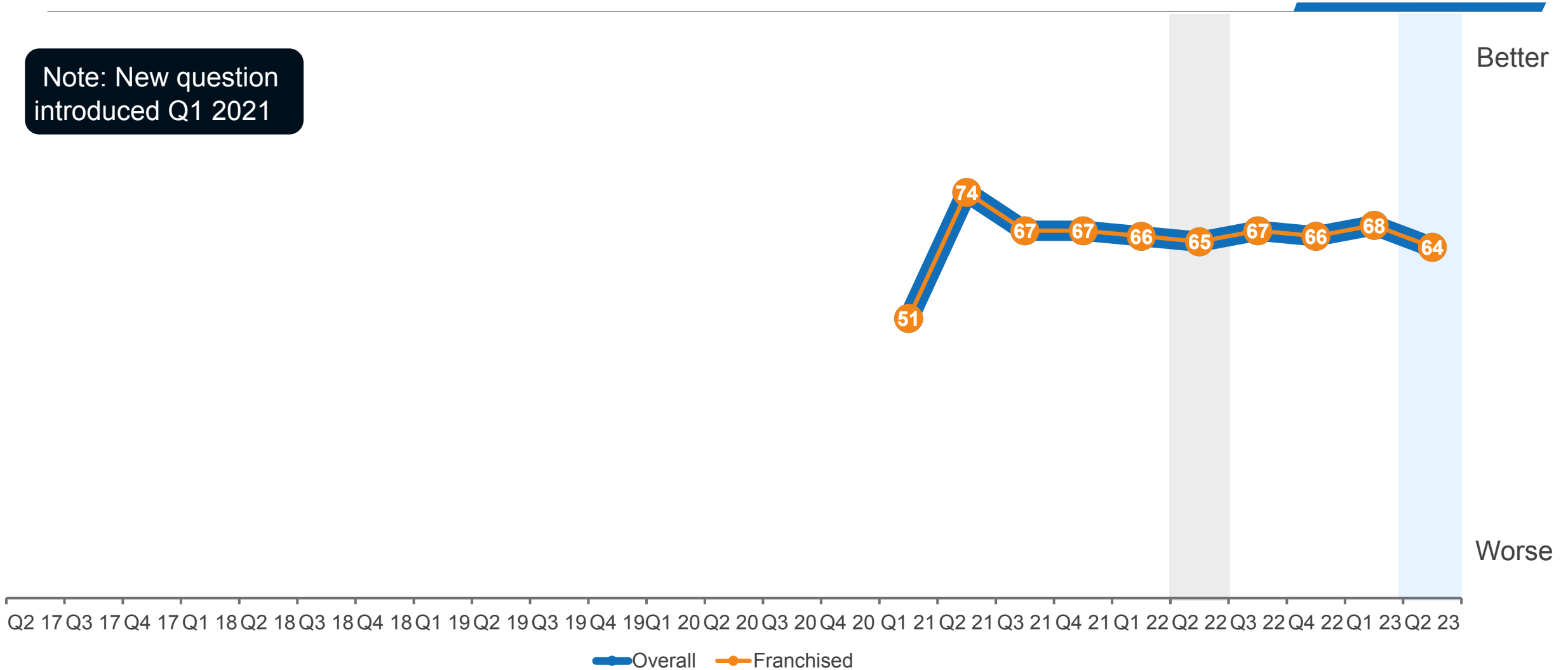


Note: Scale 1 - 100

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

Dealer Sentiment Index SECOND QUARTER 2023

Note: New question introduced Q1 2021

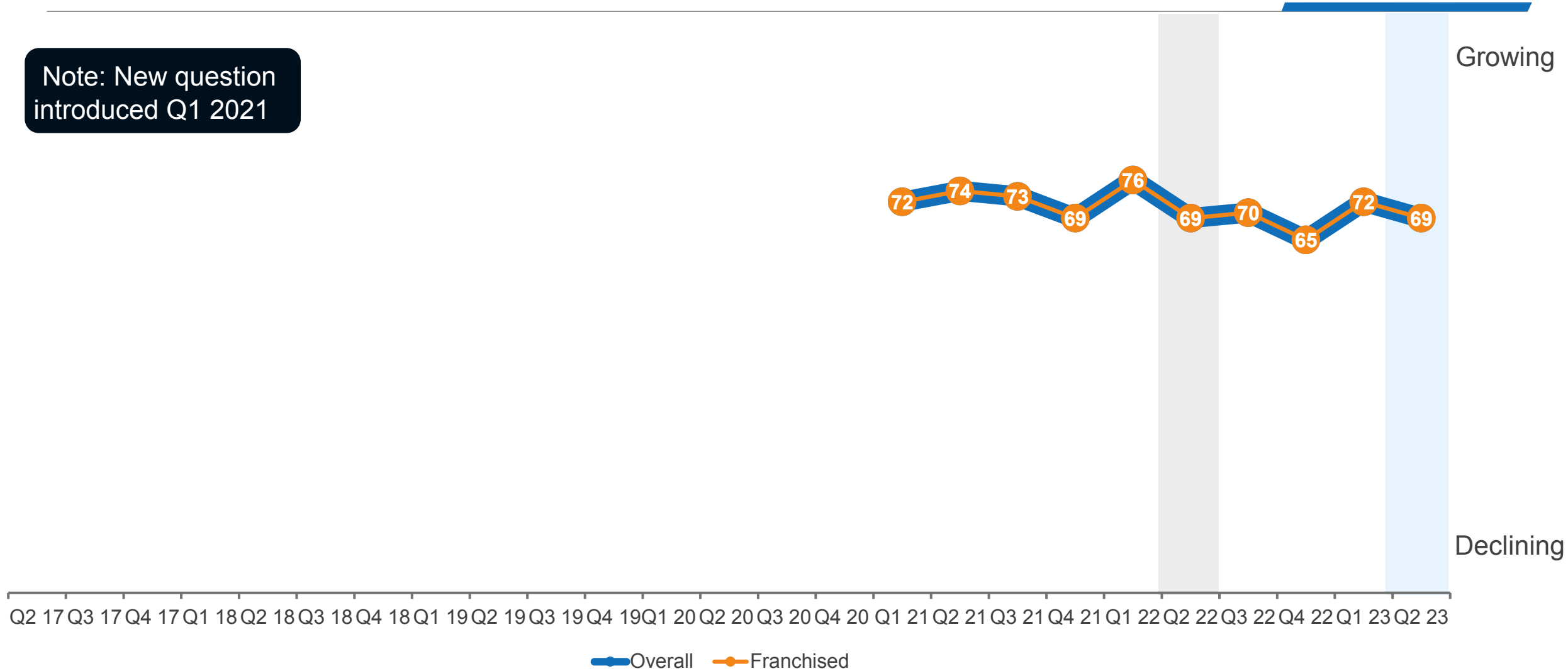


Note: Scale 1 - 100

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

Dealer Sentiment Index SECOND QUARTER 2023

Note: New question introduced Q1 2021

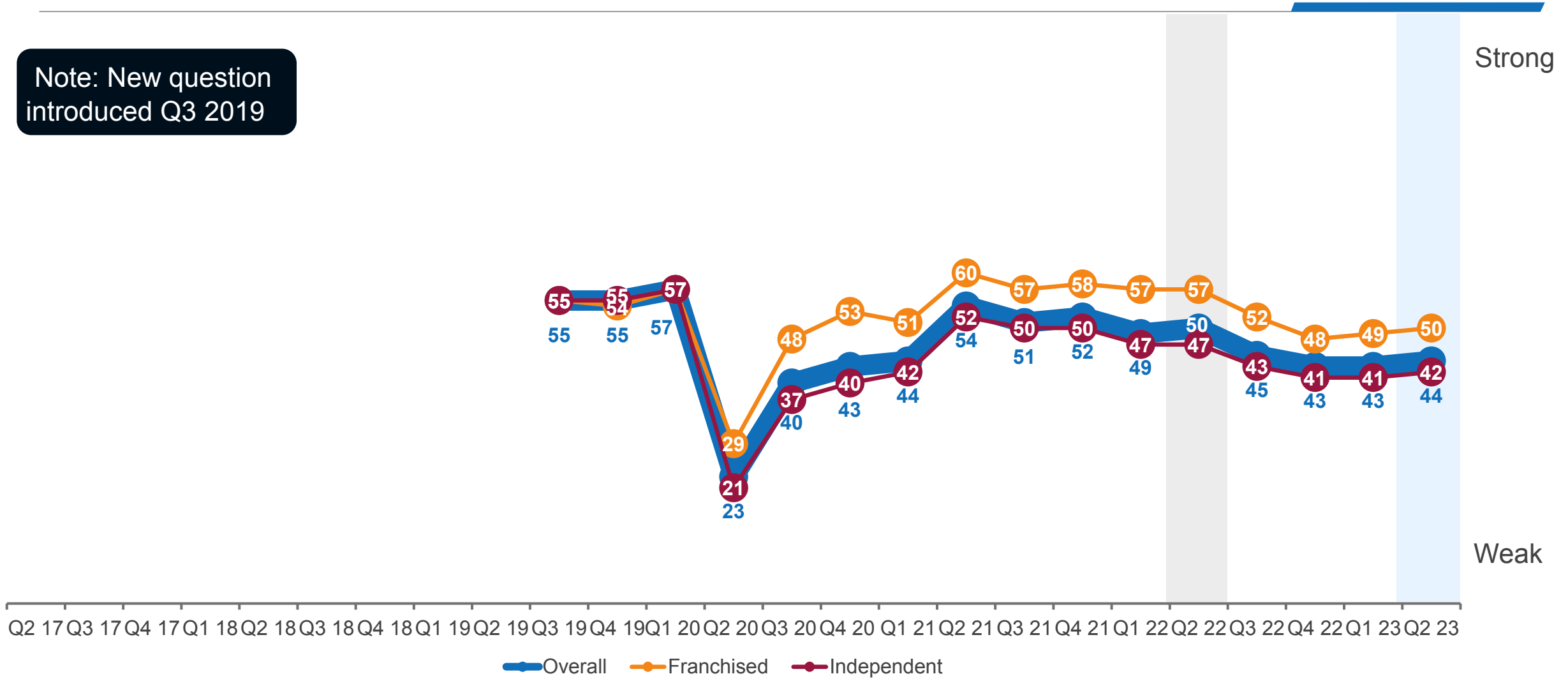


Note: Scale 1 - 100

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

Dealer Sentiment Index SECOND QUARTER 2023

Note: New question introduced Q3 2019

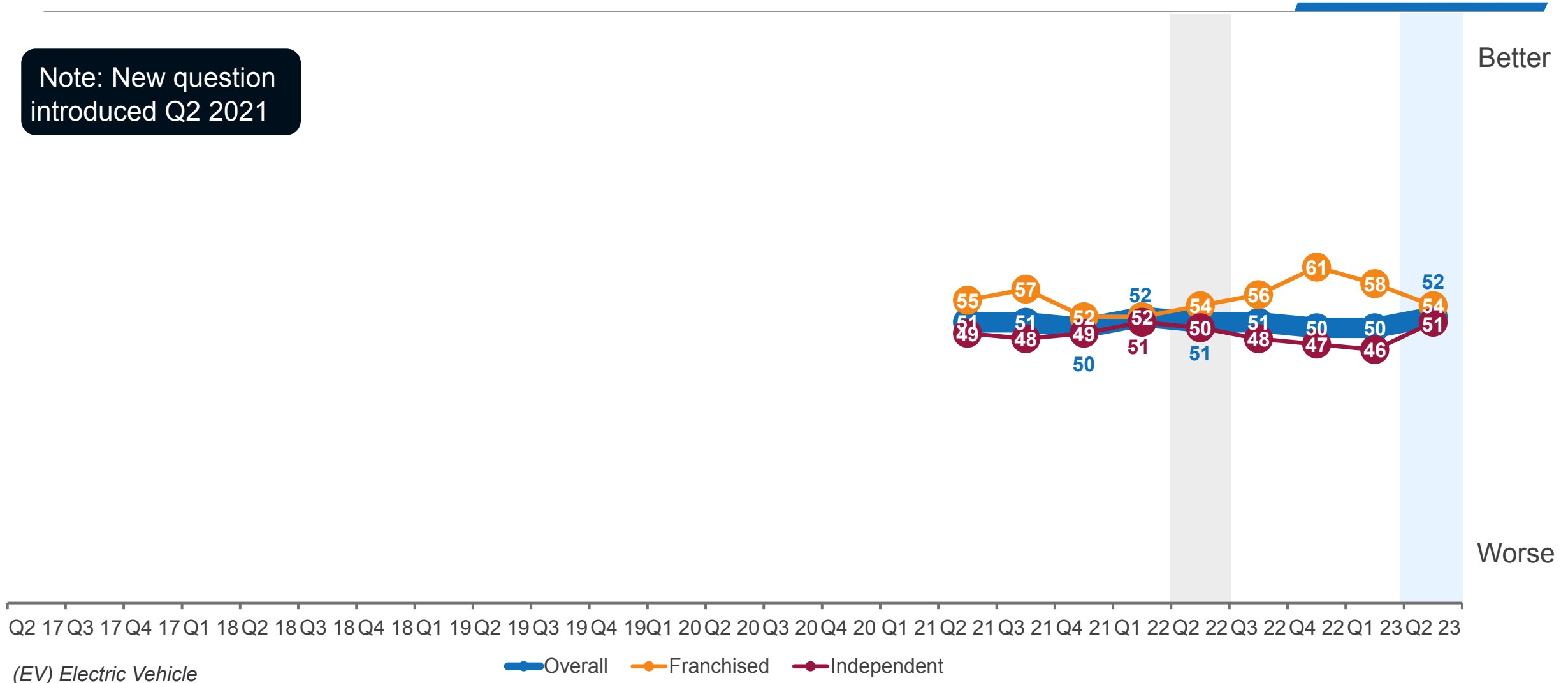


Note: Scale 1 - 100

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

Dealer Sentiment Index SECOND QUARTER 2023

Note: New question introduced Q2 2021



(EV) Electric Vehicle

Overall Franchised Independent

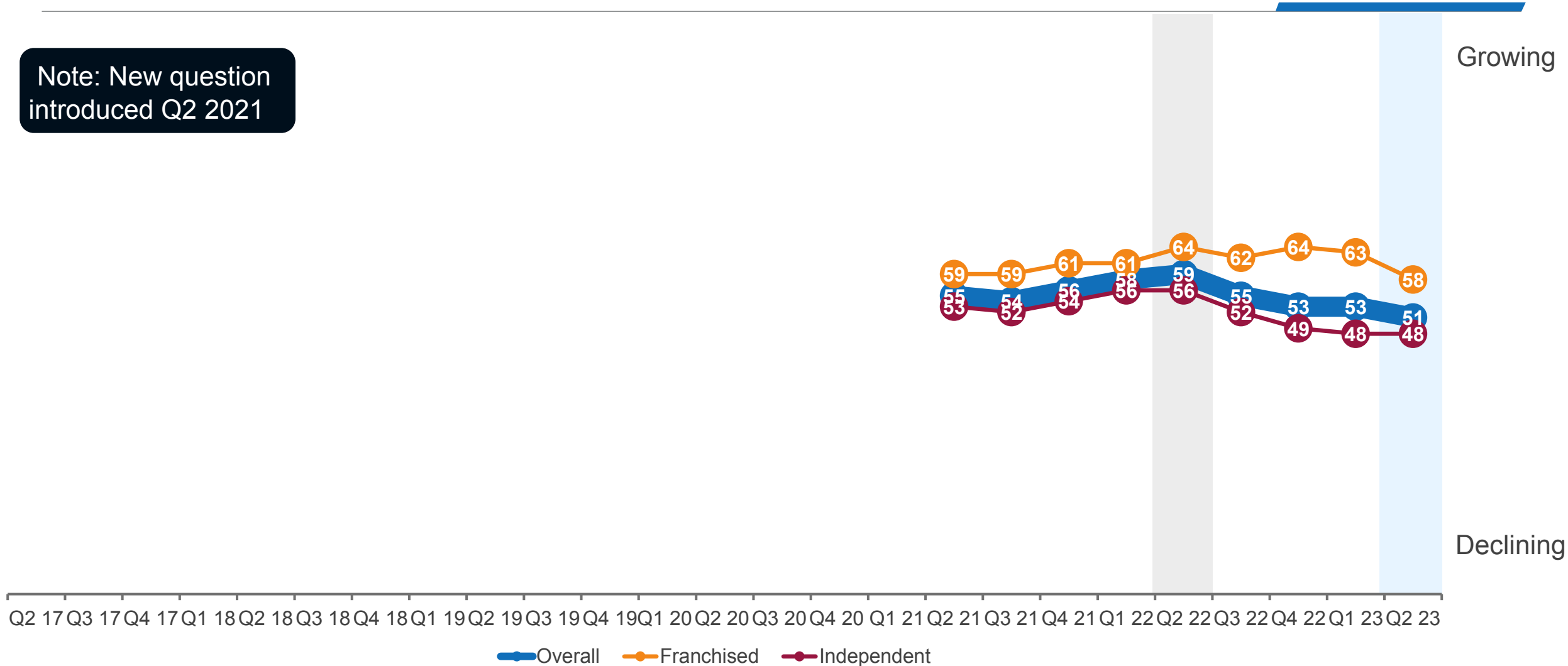
Note: Scale 1 - 100

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

Dealer Sentiment Index

SECOND QUARTER 2023

Note: New question introduced Q2 2021

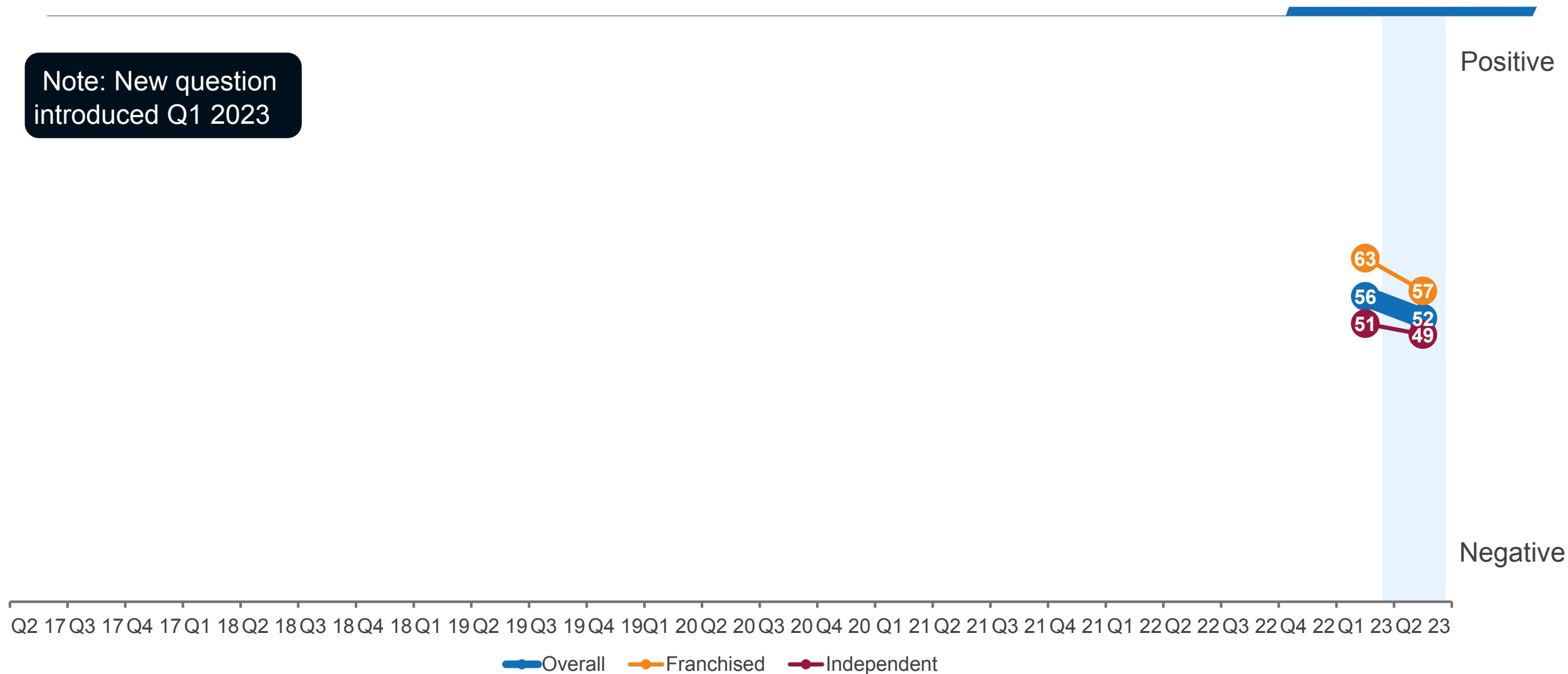


Note: Scale 1 - 100

Q23: How would you describe the effect of battery electric vehicle (BEV) tax credits are having on your dealership's BEV sales?

Dealer Sentiment Index SECOND QUARTER 2023

Note: New question introduced Q1 2023

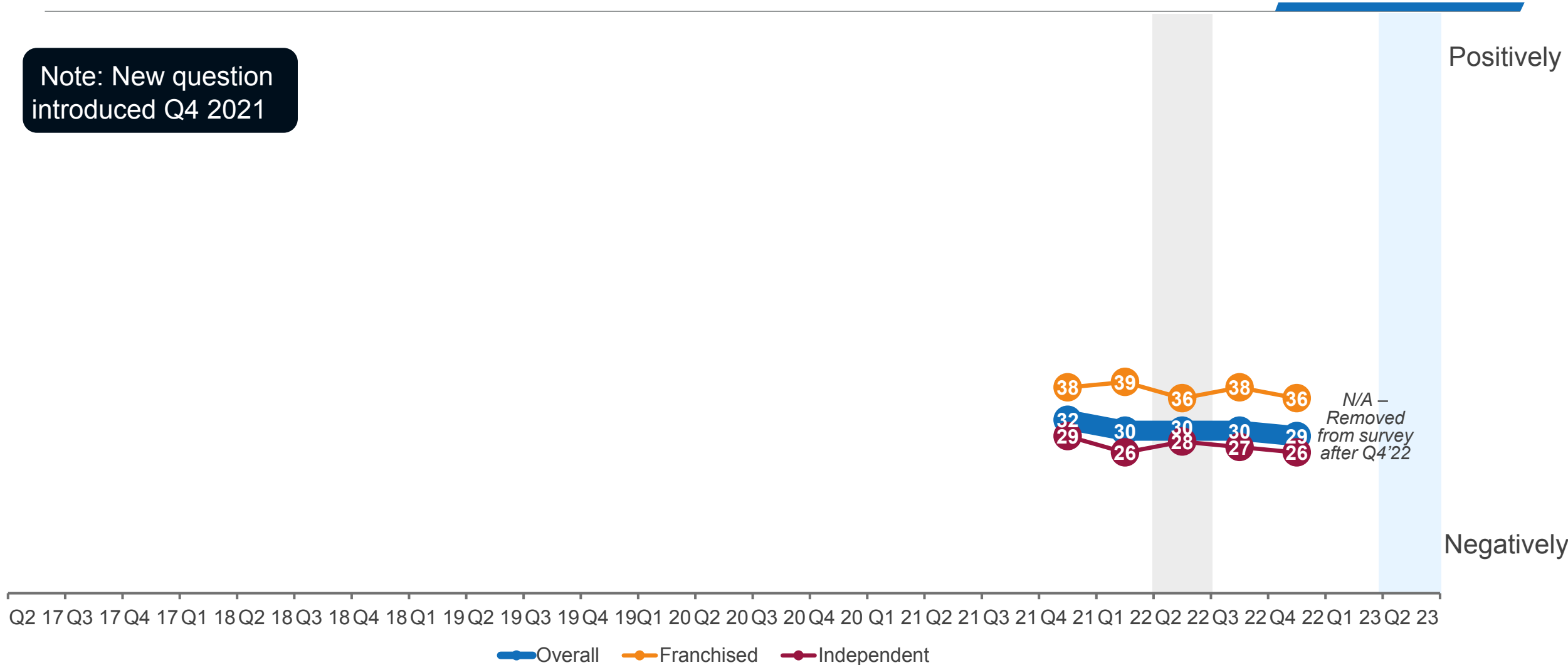


Note: Scale 1 - 100

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

Dealer Sentiment Index SECOND QUARTER 2023

Note: New question introduced Q4 2021



Note: Scale 1 - 100

Q22: And compared to this time last year, how often does your dealership pre-load vehicles with aftermarket equipment?

Dealer Sentiment Index

SECOND QUARTER 2023

Note: New question introduced Q3 2022



Note: Scale 1 - 100

Q24: Compared to the last 3 months, how would you describe the extent of your dealership's sales process that are being done online currently?

Dealer Sentiment Index

SECOND QUARTER 2023

Note: New question introduced Q1 2023



Note: Scale 1 - 100

Factors Holding Back Your Business?

OVERALL RANK

		Q2 '23	Q1 '23	Q2 '22	Q2 '21
1	Economy	55%	54%	46%	24%
2	Interest Rates	53%	55%	17%	3%
3	Limited Inventory	44%	43%	61%	64%
4	Market Conditions	42%	42%	44%	34%
5	Credit Availability for Consumers	30% ↑	26%	17%	14%
6	Expenses	30%	29%	28%	19%
7	Political Climate	29% ↑	25%	28%	18%
8	Consumer Confidence	26%	28%	22%	8%
9	Competition	12%	12%	11%	15%
10	Business Impacts From COVID-19/Coronavirus	11%	11%	20%	28%

Significant decrease vs previous quarter



Significant increase vs previous quarter



Factors Holding Back Your Business?

FRANCHISED DEALERS

		Q2 '23	Q1 '23	Q2 '22	Q2 '21
1	Interest Rates	61%	60%	16%	3%
2	Economy	49%	50%	38%	19%
3	Limited Inventory	42%	42%	67%	67%
4	Market Conditions	33%	38%	32%	24%
5	Political Climate	26%	24%	25%	19%
6	Consumer Confidence	24%	27%	18%	8%
7	Lack of Consumer Incentives from my OEM	24%	29%	22%	10%
8	Credit Availability for Consumers	19%	19%	4%	6%
9	Expenses	19%	17%	15%	11%
10	Staff Turnover	15%	14%	14%	14%

Significant decrease vs previous quarter



Significant increase vs previous quarter



Factors Holding Back Your Business?

INDEPENDENT DEALERS

		Q2 '23	Q1 '23	Q2 '22	Q2 '21
1	Economy	57%	55%	49%	25%
2	Interest Rates	51%	53%	17%	3%
3	Limited Inventory	45%	43%	59%	63%
4	Market Conditions	45%	44%	48%	38%
5	Credit Availability for Consumers	34% ↑	28%	21%	16%
6	Expenses	33%	33%	33%	21%
7	Political Climate	30%	25%	29%	17%
8	Consumer Confidence	26%	29%	23%	9%
9	Competition	13%	14%	13%	17%
10	Business Impacts From COVID-19/Coronavirus	13%	12%	21%	29%


Significant decrease vs previous quarter



Significant increase vs previous quarter



Impact of Inflation on Areas of Dealership

	Index (Strong/Weak)	Overall	Franchised (A)	Independent (B)
1	Costs/Expenses	79	75	81 A
2	Interest Rates	79	82	78
3	Vehicle Sales	65	66	64
4	Fixed Operations	62	61	63
5	Staffing Levels	53 	55	52

Note: New question introduced in Q3 2022.

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

Significant decrease vs previous quarter



Significant increase vs previous quarter



Area of Business with Staffing Issues

		Overall	Franchised (A)	Independent (B)
1	Service	73%	80%	69%
2	Sales	70%	65%	73%
3	Parts	25%	28%	23%
4	Collision/Auto Body	13%	18%	10%
5	Finance and Insurance	12%	12%	12%
6	Marketing	11%	6%	14%
7	Management	9% ↓	15%	5% ↓
8	Other	5%	6%	3%

Significant decrease vs previous quarter



Significant increase vs previous quarter



Of those who said Staff Turnover was holding back their business.
A/B indicates significant difference between groups at the 95% confidence level



Regional Market Views

Regional View – Index Scores (Franchised Dealers)

Question	Answer	North-east	Mid-west	South	West
Current Market	Strong/Weak	56	56	60	50
Market Next 3 Months	Strong/Weak	58	57	59	53
Overall Customer Traffic	Strong/Weak	46	50	49	39
In-Person Customer Traffic	Strong/Weak	47	48	49	37
Digital/Online Customer Traffic	Strong/Weak	54	58	56	53
Profits	Strong/Weak	58	65	58	53
Costs	Growing/Declining	72	73	66	70
New Vehicle Sales	Good/Poor	59	58	58	56
New Vehicle Inventory	Growing/Declining	62	61	59	60
New Vehicle Inventory Mix	Good/Poor	56	49	55	53
Used Vehicle Sales	Good/Poor	61	60	56	54
Used Vehicle Inventory	Growing/Declining	39	49	41	46
Used Vehicle Inventory Mix	Good/Poor	52	54	51	51



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
Price Pressure	More/Less	57	50	50	57
Staffing	Growing/Declining	53	51	49	40
OEM incentives	Large/Small	32	26	29	26
Economy	Strong/Weak	48	49	54	49
Current Fixed Operations	Better/Worse	59	62	67	68
Future Fixed Operations	Growing/Declining	68	69	69	70
Current BEV Sales	Better/Worse	60	52	49	62
Future BEV Sales	Growing/Declining	62	57	55	62
Dealer Credit	Easy/Difficult	62	59	63	58
Pre-Loading Aftermarket Equip.	More/Less	43	42	45	51
Effect BEV Tax Credits Have on BEV Sales	Positive/Negative	60	60	51	60
Extent of Sales Being Done Online Last 3 Months	Growing/Declining	58	59	60	60



Note: Scale 1 – 100

GREEN: Significant increase from prior quarter

RED: Significant decrease from prior quarter

Dealer Sentiment Index

SECOND QUARTER 2023

Contact Information:

Dara Hailes
Senior Manager, Corporate Communications
Cox Automotive
dara.hailes@coxautoinc.com

Mark Schirmer
Director, Corporate Communications
Cox Automotive
mark.schirmer@coxautoinc.com

COX

← (P) 6205 6305

▲ (P) 6325