Cox Automotive™

Under the Hood:

Opportunities and Challenges in the Service Industry

DECEMBER 2023

STUDY BACKGROUND

About the Cox Automotive 2023 Service Industry Study

2,493 Consumers ages 18-75 that have had at least 1 service visit in the past 12 months; a total of **5,324** service visits

Consumer Field Dates
June 21 – July 18, 2023

182 EV owners ages 18-75 that have had at least 1 service visit in the past 12 months; a total of **280** service visits

Consumer Field Dates:
October 4 – October 17, 2023

525 Franchised dealers with decision making authority over fixed ops

Dealer Field Dates:
June 21 – July 12, 2023

1 STATE OF THE SERVICE MARKET

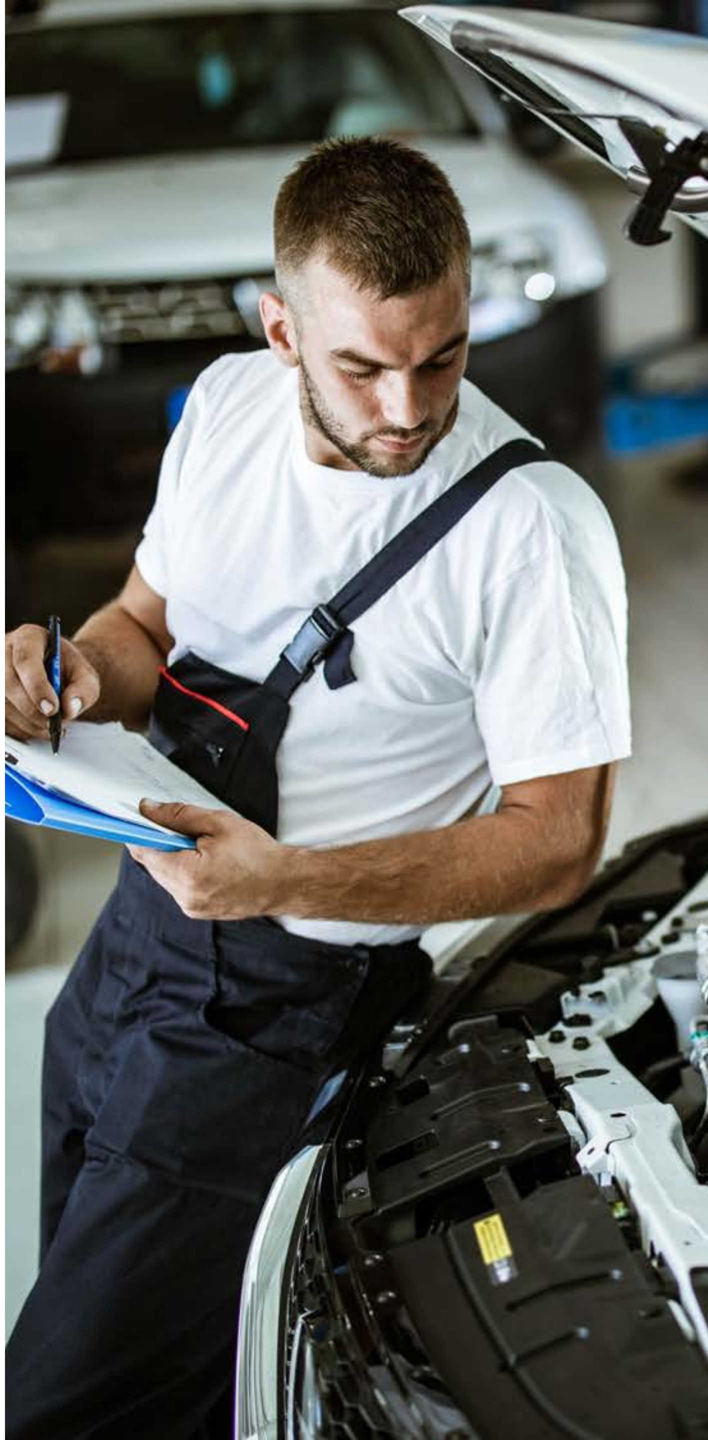
Americans are returning to normal with more driving, while service costs continue to increase.

The Auto Care Industry is expected to surpass $400 billion in consumer spending in 2 years.

U.S. MOTOR VEHICLE AUTO CARE INDUSTRY (BILLIONS IN CONSUMER DOLLARS)

SERVICE CONTRACTS SOLD BY DEALERS INCREASED
(2023 vs. 2021)

50%

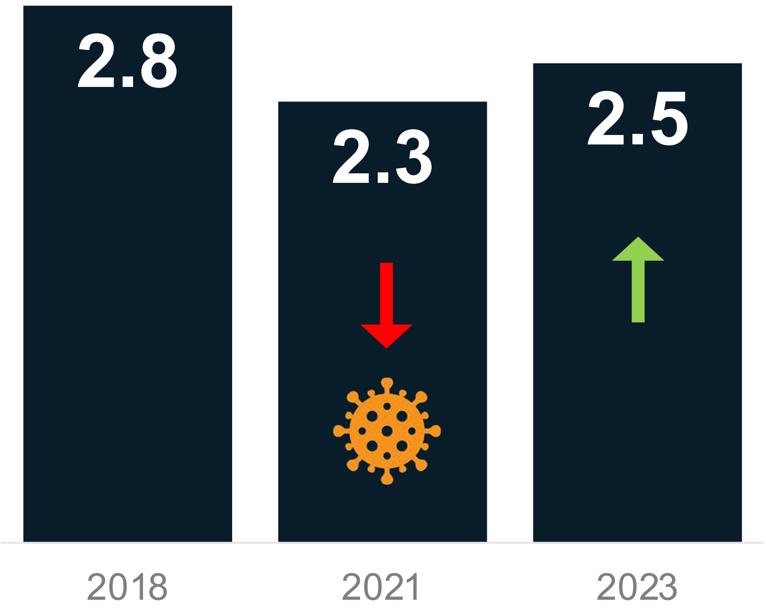


Note: 2021 to 2024 are forecasts. Figures do not include warranty work

Source: Auto Care Association/AASA Channel Forecast Model; 2023 Cox Automotive Car Buyer Journey Study

Average service visits are on the rise

AVERAGE NUMBER OF SERVICE VISITS PER YEAR*



REASON #1: AVERAGE AGE OF VEHICLES ON THE ROAD AT ALL-TIME HIGH

12.5 Years[+]

(2021: 12.1, 2018: 11.7)

REASON #2: NUMBERS OF MILES DRIVEN INCREASED SINCE 2020

4% More Miles Driven[++]

AND YET DIY SERVICE ACTIVITY IS GROWING

53% ↑

(2021: 45%, 2018: 48%)

Arrows indicate significant difference between waves at the 95% confidence level

**2023 Service Industry Study*
[+]Dept of Transportation Federal Highway Administration
[++]S&P Global Mobility

No matter how it is measured, service has become more costly.

20% increase in the **price of vehicle repairs** over the past year – 6x the rate of inflation+

45% increase in the **average price per service visit** since 2021

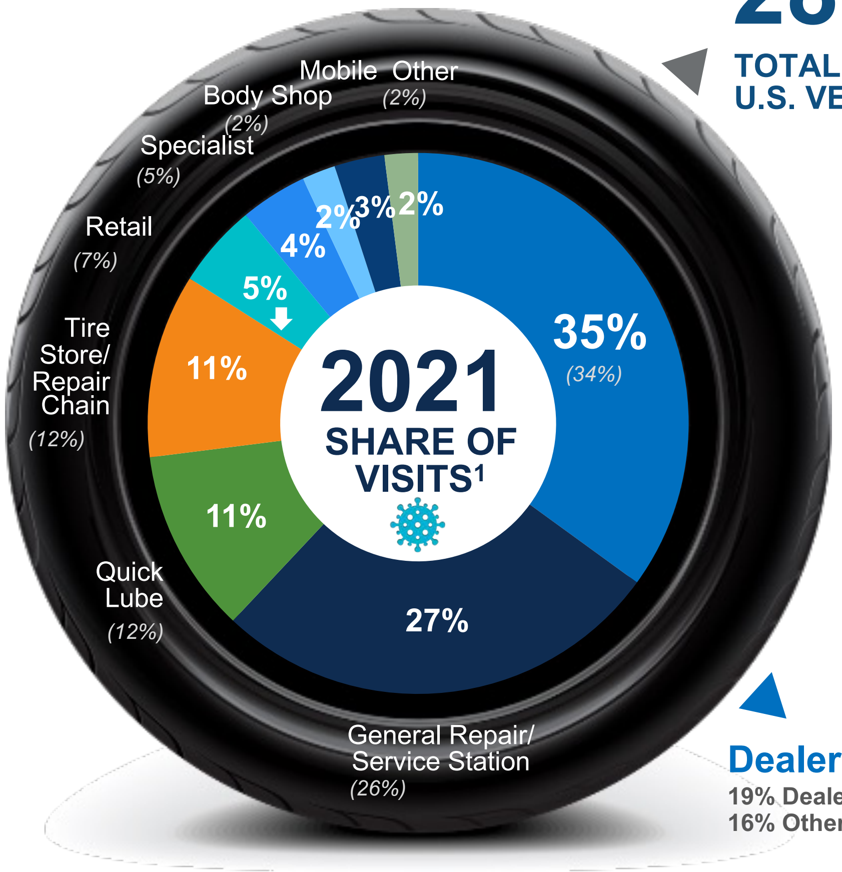
35% increase in **average price per dealership repair order** since 2021

+ Source: CNBC.com, Car Repairs Cost are up almost 20%, July 25, 2023: Jun 2023 Consumer Price Index; 2023 Service Industry Study. Xtime 9/21 vs 9/23

2 DEALERS ARE #1, BUT LOSE SHARE TO COMPETITORS

Owners trust dealerships less, and dealerships are no longer most preferred service provider.

Dealers are still the #1 service provider but have lost ground to chains (quick lube, retail) and body shops.

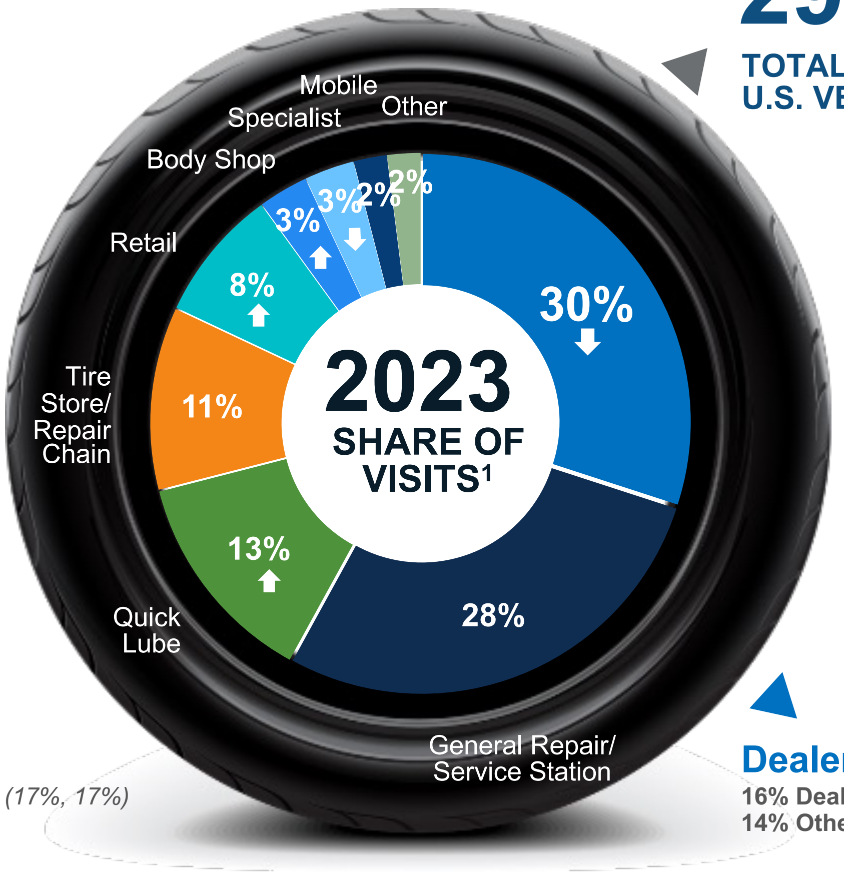


289.5M

TOTAL OF REGISTERED U.S. VEHICLES++

Dealerships

19% Dealership where purchased *(17%, 17%)*
16% Other Dealership *(16%, 13%)*



290.8M

TOTAL OF REGISTERED U.S. VEHICLES ++

Dealerships

16% Dealership where purchased
14% Other Dealership

++Source: 2022 Projected Hedges & Company US Vehicle Registration Data
Arrows indicate significant difference between waves at the 95% confidence level ( ) = 2018
¹ Based to service visits in the past 12 months (max 5)

General repair shops surpassed dealers as the most preferred service provider in 2023.

PREFERRED SERVICE PROVIDER

33% General Repair Shops
(2021: 32%)

31%↓ Dealer
(2021: 35%)

First time in study history that 'Dealer' was not #1

GENERAL REPAIR DOMINATES

TOP REASONS	GENERAL REPAIR	DEALER
Location	★	
Prior Experience	★	
Cost/Price	★	
Know My Vehicle		★
Convenient Hours	★	
Know Me	★	

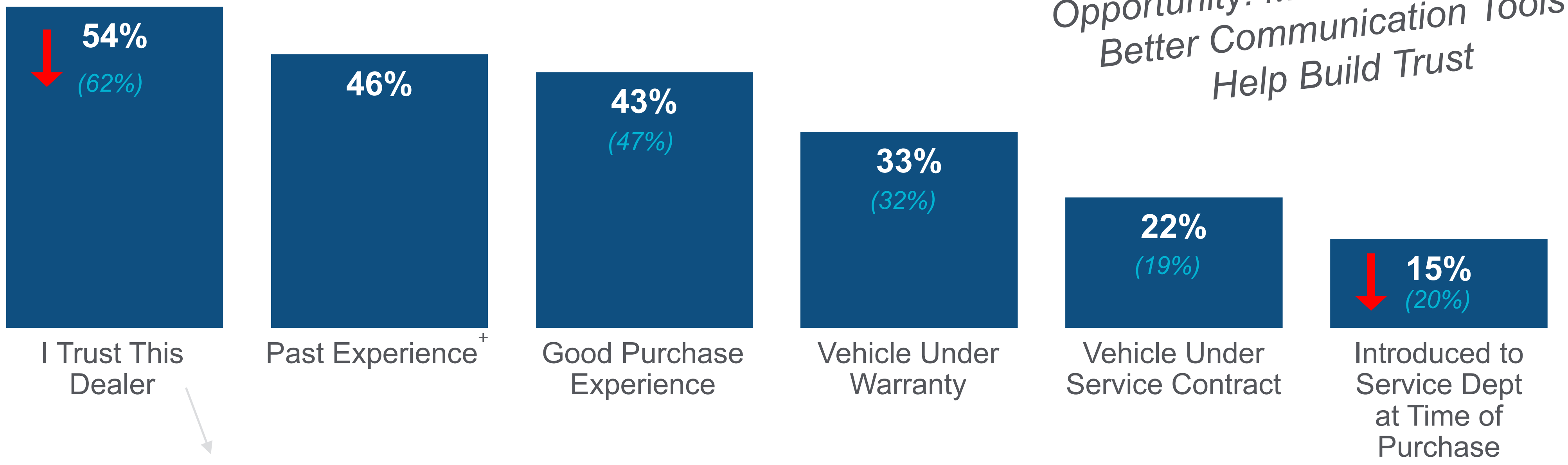
Arrows indicate significant difference between waves at the 95% confidence level

★ Indicates significantly higher than other group

Trust in dealers has eroded.

TOP REASONS FOR RETURNING TO DEALERSHIP WHERE PURCHASED

Opportunity: More Transparency, Better Communication Tools Help Build Trust



Those who selected "trust" are more likely to be highly satisfied and dealer service loyal than those who did not select "trust" (83% vs. 64%)

Arrows indicate significant difference between waves at the 95% confidence level
+ New answer option for 2023

3 FRUSTRATIONS WITH SERVICE MOSTLY DRIVEN BY COSTS

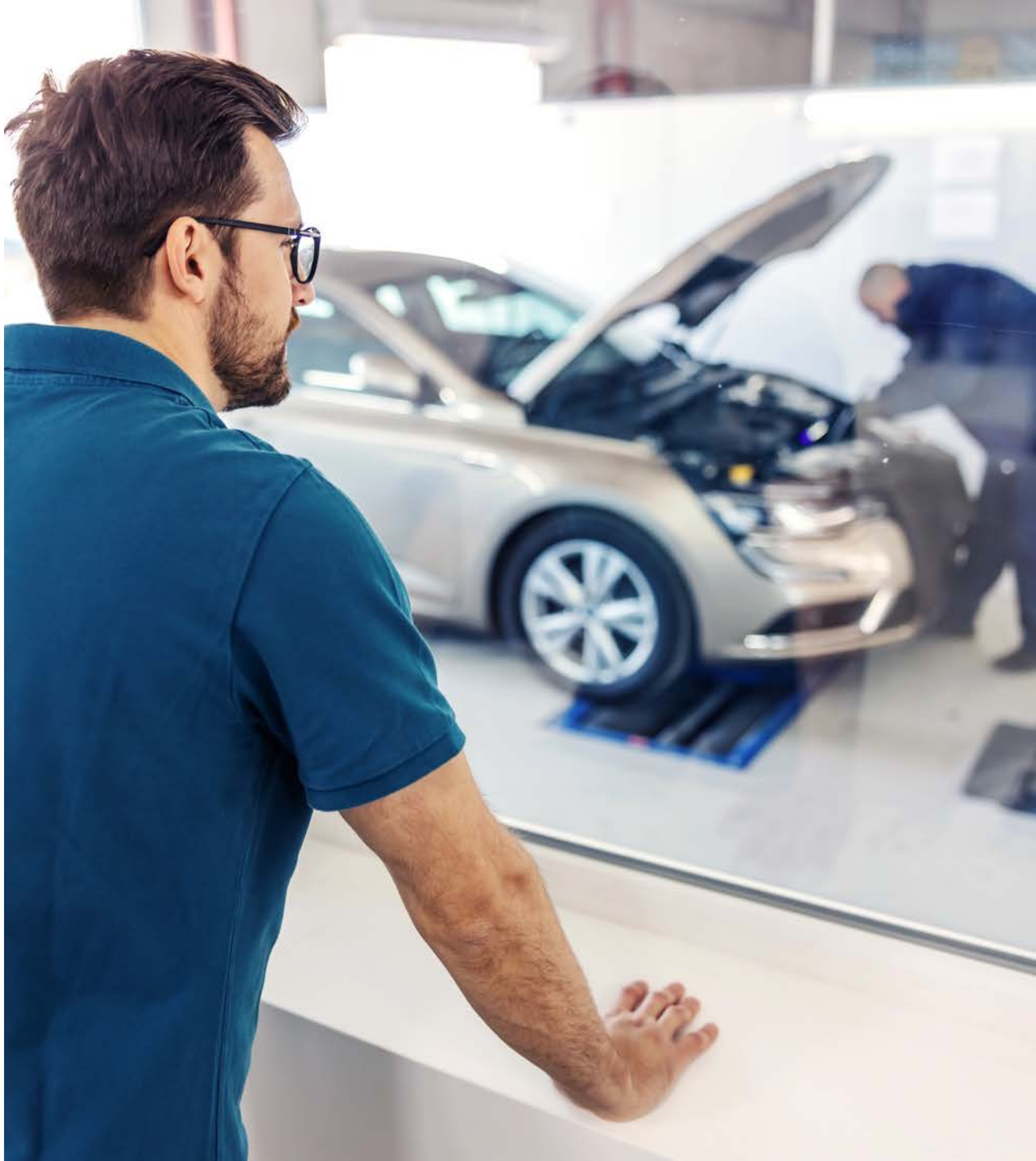
With service costs on the rise, price transparency can alleviate fears, improve customer relationships.

Nearly half of owners were frustrated by dealer service.

48% **had at least 1 frustration with their dealer service experience**

TOP FRUSTRATIONS

1. Took longer than expected
2. Pushed additional services
3. Scheduling an appointment
4. Price higher than estimate
5. Had to wait for available appointment



Most reasons for not going back to dealer are *cost* related.

TOP REASONS FOR NOT RETURNING TO THE DEALERSHIP FOR SERVICE

1. Not convenient **location**
2. Total **cost** is unreasonable
3. They will **overcharge**
4. Unreasonable **labor charges**
5. Unreasonable **parts charges**

Top reasons same as 2021

Service work at dealerships, however, is on par with non-dealer providers.

Average cost per visit:

$258 vs. **$249**

Dealerships

Non-Dealer Service Provider

TOP REASON DEALERS THINK CUSTOMERS DON'T RETURN FOR SERVICE

51% have a fear of being overcharged

4 PREPARING FOR AN INCREASE IN EV SERVICE

Dealers understand the need to transition their fixed operations to support emerging technologies, train technicians and add servicing infrastructure.

Most dealers are adding trained technicians or infrastructure, but more is needed.

71%

Have **Added Techs** with High Voltage Training/Certifications to Service EVs

54%

Need More Electrical Trained Staff For EV Servicing

67%

Have **Added Infrastructure** to Support Servicing EVs

58%

Need More Infrastructure For EV Servicing

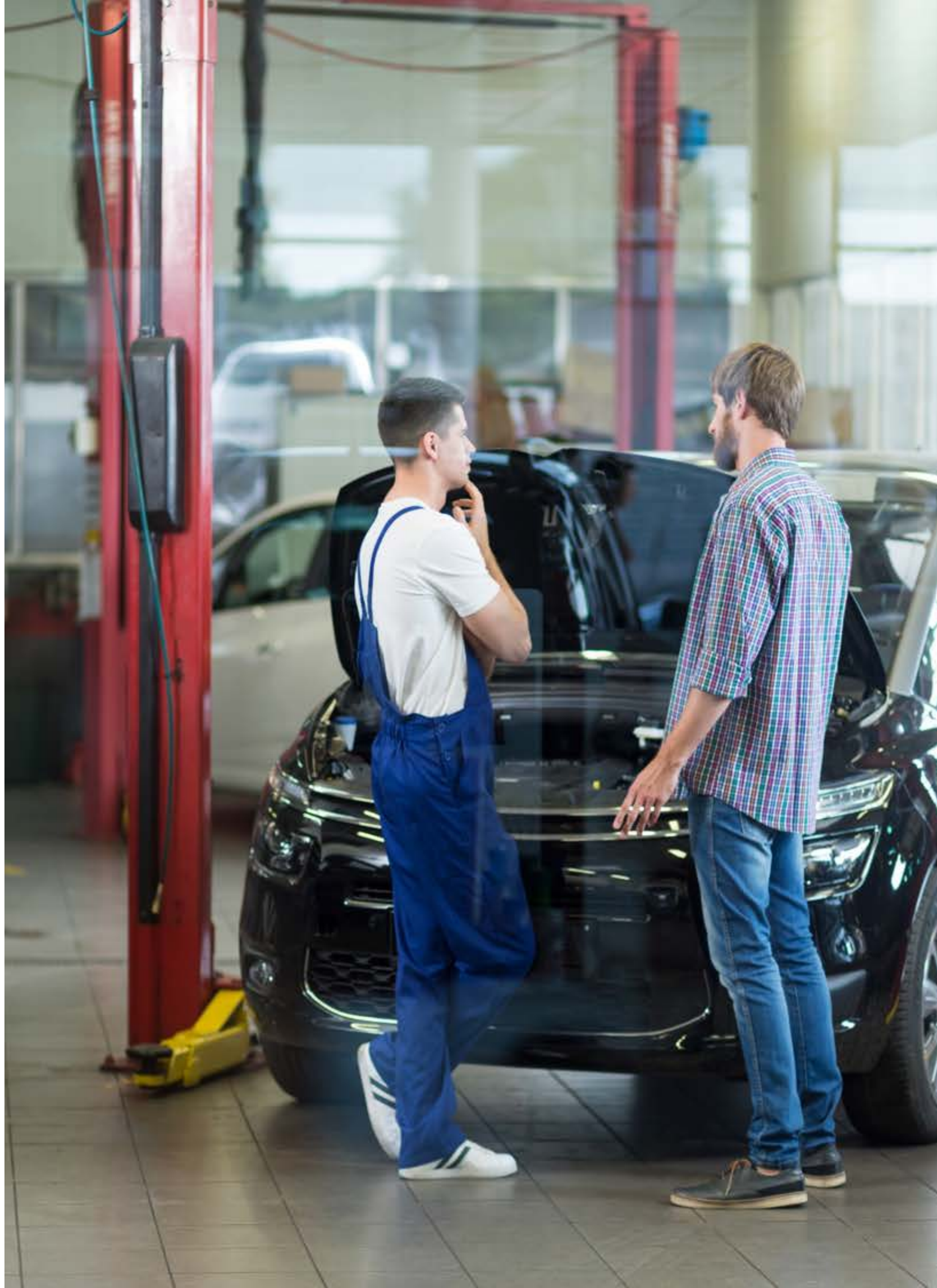
Dealers are slowly transitioning their fixed ops to service EVs and training technicians.

Plan to Service EVs | *Among Those Not Currently Servicing EVs*

36% Of dealers will begin servicing EVs within the next year

% of Technicians Trained to Work on EVs | *Among Those Currently Servicing EVs*

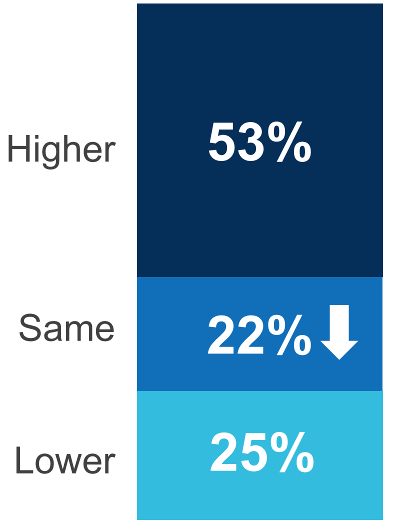
32% On average, at dealerships that service EVs, only one-third of technicians are trained to work on EVs.



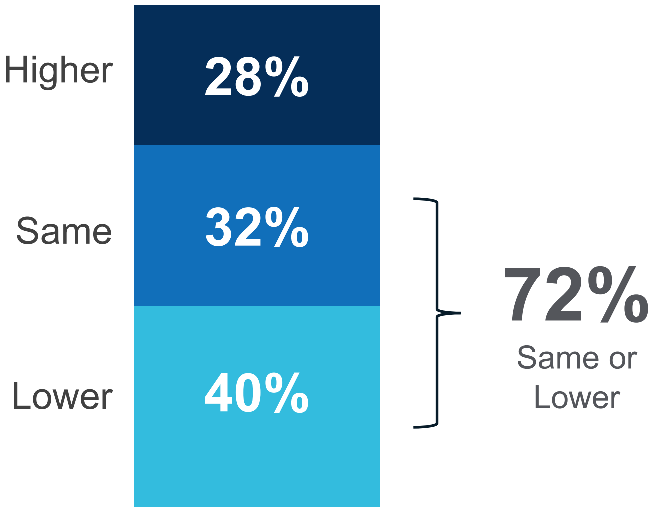
Half of dealers expect the average cost for repair on EVs to be higher, but the frequency of the repair to be the same or lower.

Dealer Expectations of Cost and Service Visits For EVs

EXPECT THE AVERAGE COST PER EV REPAIR ORDER TO BE…



EXPECT THE # OF EV SERVICE VISITS PER YEAR TO BE…



Spoiler Alert: *EV owners reported, on average, 2.6 service visits per year compared to 2.3 for ICE owners.*

5 STICKER SHOCK AND LONG WAIT TIMES SURPRISE EV OWNERS

Dealers can build trust with EV owners by offering transparency in pricing and wait times.

EVs at dealer more often, have more services performed; owners spend more time per visit.

AVERAGE SERVICE VISITS IN PAST YEAR[1]

AVERAGE SERVICES PER VISIT[1]

AVERAGE TIME SPENT FOR MAINTENANCE AND REPAIR[1]

	Maintenance	Repair
ICE	2:25	2:51
EV	2:59	3:42[A]

A: EVs significantly higher than ICE

[1] Based to service visits in the past 12 months (max 5)
Base: Vehicles 0-5 years old: EV (n=246), ICE (n=1,050)

EV owners have fewer out-of-pocket occurrences but higher costs for those instances.

% OF VISITS PAID OUT OF POCKET BY VEHICLE AGE[1]

EV

TOP SERVICES PAYING FOR OUT OF POCKET

- Tires (rotation, replacement, repair)
- Vehicle aftermarket accessories
- General check-up

47%
0-3 YEARS OLD
($443[A])

65%
4+ YEARS OLD
($318)

TOP SERVICES PAYING FOR OUT OF POCKET

- Tires (rotation, replacement, repair)
- Software updates
- Battery

ICE

- Oil change/fluid check/air filter
- Tires (rotation, replacement, repair)
- Scheduled maintenance/interval service

49%
0-3 YEARS OLD
($173)

87%[B]
4+ YEARS OLD
($256)

- Oil change/fluid check/air filter
- Tires (rotation, replacement, repair)
- General check-up/tune-up

A: EVs OOP costs significantly higher than ICE
B: ICE frequency significantly higher than EV

[1] Based to service visits in the past 12 months (max 5)
Base: Vehicles 0-5 years old: EV (n=246), ICE (n=1,050)

( )=AVERAGE CUSTOMER PAY

EV owners more often have frustrations with service visits, most often when learning of cost or due to time required.

Reported at least 1 frustration with Dealer Service Experience[1]

39%	48%	56%[A]
ICE	Industry	EV

ICE OWNER
TOP FRUSTRATIONS

- Service too longer than expected
- Scheduling an appointment
- Tried to push additional services

EV OWNER
TOP FRUSTRATIONS

- Finding out how much they charge
- Service took longer than expected
- Scheduling an appointment
- Lack of amenities in the waiting area

[1] Based to service visits in the past 12 months (max 5)
Base: Vehicles 0-5 years old: EV (n=246), ICE (n=1,050)

A: EVs significantly higher than ICE

Frustration with service directionally higher among Tesla owners. Other EV owners most frustrated with costs.

Reported at least 1 frustration with Dealer Service Experience[1]

50%
Non-Tesla EV (A)

59%
Tesla (C)

All Other EV
TOP FRUSTRATIONS

- Finding out how much they charge (38%[A])
- Waiting area was uncomfortable, too crowded, or unpleasant (17%)
- Scheduling an appointment (17%)

Tesla
TOP FRUSTRATIONS

- Service took longer than expected (22%)
- Lack of amenities in the waiting area (16%)
- Scheduling an appointment (14%)

A: EV significantly higher than ICE
C: Tesla significantly higher than ICE and non-Tesla EVs

[1] Based to service visits in the past 12 months (max 5)
Base: Vehicles 0-5 years old: EV (n=246), ICE (n=1,050)

5 Key Takeaways

1. **THE SERVICE MARKET IS A GROWTH OPPORTUNITY:** ***Americans are going back to normal with more driving, while service costs continue to increase.***

2. **DEALERS ARE #1 BUT LOSE SHARE TO COMPETITORS:** ***Consumer trust dealerships less, and dealerships are no longer most-preferred service provider.***

3. **FRUSTRATIONS WITH SERVICE ARE MOSTLY DRIVEN BY COSTS:** ***With service costs on the rise, price transparency can alleviate fears, improve customer relationships.***

4. **DEALERS ARE PREPARING FOR AN INCREASE IN EV SERVICE:** ***Dealers understand the need to transition their fixed operations to support emerging technologies, train technicians and add service infrastructure.***

5. **STICKER SHOCK AND LONG WAIT TIMES SURPRISE EV OWNERS:** ***Dealers can build trust with EV owners by offering transparency in pricing and wait times.***

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THANK YOU

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