



DEALER SENTIMENT INDEX

SECOND QUARTER 2022

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 Q2 2022 CADSI is based on 1,099 U.S. auto dealer respondents, comprising 568 franchised dealers and 531 independents. The survey was conducted from April 25th to May 9th, 2022.
- ✓ The next quarterly report will be released in September 2022. The CADSI was first published in Q2 2017.

Key Takeaways

U.S. automobile dealer sentiment in the second quarter of 2022 softened as U.S. auto dealers' attention turned to inflation, high costs and tight inventory.

The overall current market index decreased to 54 from 57, marking the fourth straight quarter-over-quarter decline in market sentiment. The current market index peaked at 67 in Q2 2021 and has been trending downward since. Still, at 54, the current market index remains above the positive threshold of 50 in the Cox Automotive Dealer Sentiment Index (CADSI).

Importantly, the cost index increased by 11 points in Q2 versus a year ago and reached a new record high of 76, suggesting that the overall cost of running a dealership continues to grow.

“U.S. auto dealers are certainly feeling the pressure of inflation and tight inventory,”

said Cox Automotive Chief Economist Jonathan Smoke. “Franchised dealers continue to be very profitable, but the steep drop in the market outlook index indicates dealers are less enthused about the future. The profit story is also different for independent dealers, as used vehicles have started depreciating again while all dealers are impacted by higher costs of doing business.”

While new-vehicle inventory remains tight, the view of new-vehicle sales improved, increasing from 50 to 52, meaning dealers are now more optimistic about new-vehicle sales. One year ago, the index score was 65, meaning significantly more dealers saw the market as good. The new-vehicle incentives index dropped by two points quarter over quarter to 21, the lowest level since the question was added to the CADSI in Q3 2019.

The used-vehicle sales index fell five points to 47. For franchised dealers, the used-vehicle sales index increased by one point for Q2, breaking a downward streak, but the index score remains below year-ago levels. For independent dealers, the index fell six points from the previous quarter to 42 and is down 14 points from a year ago. Overall, most dealers view the used-vehicle market as weak.

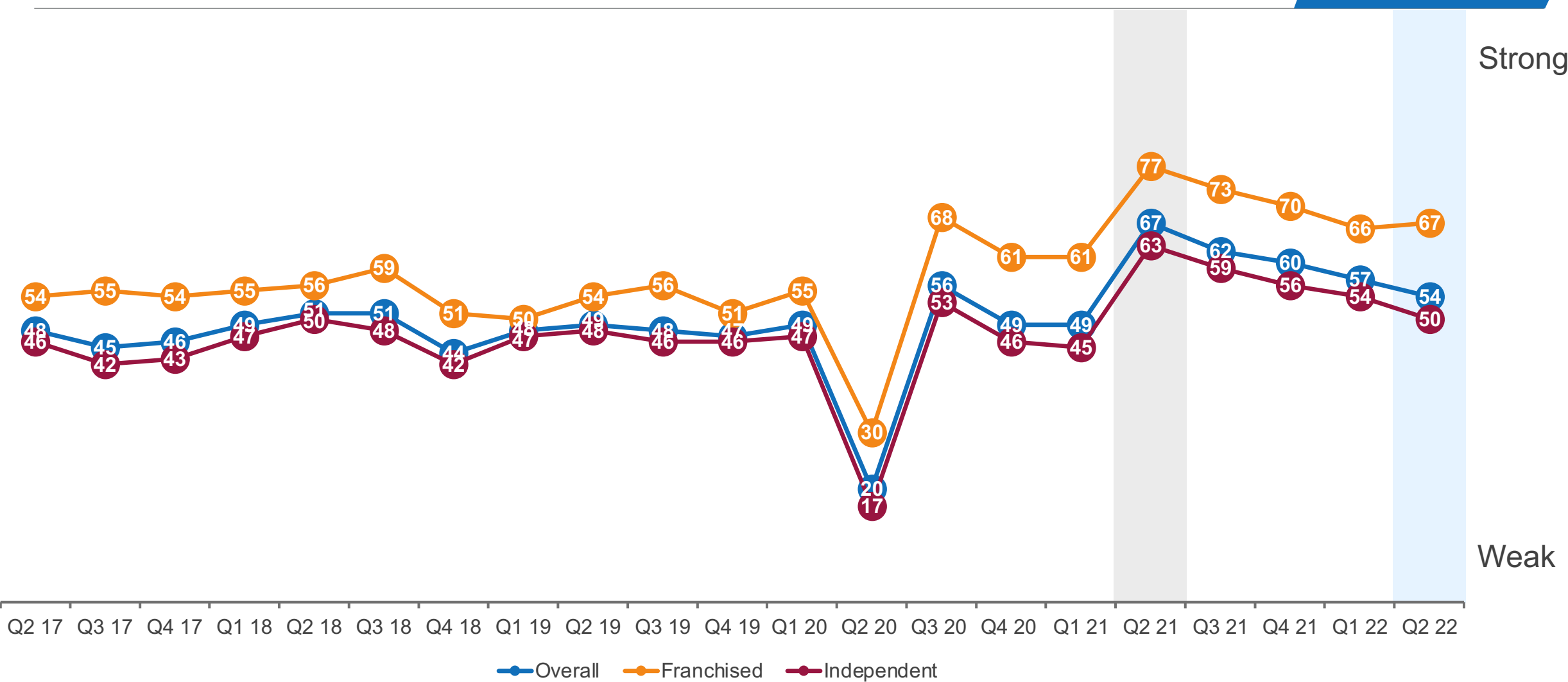
The top 5 factors holding back the business across all dealers saw minor shifts in Q2, but three factors – Economy, Expenses and Political Climate – saw significant quarter-over-quarter increases. Limited Inventory remains in the top spot. The Economy rose to No. 2 ahead of Market Conditions. Expenses ranked 4th overall; Political Climate rounded out the top 5 factors. Notably, COVID-19 is no longer a top factor holding back business, falling to No. 7.



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

Dealer Sentiment Index

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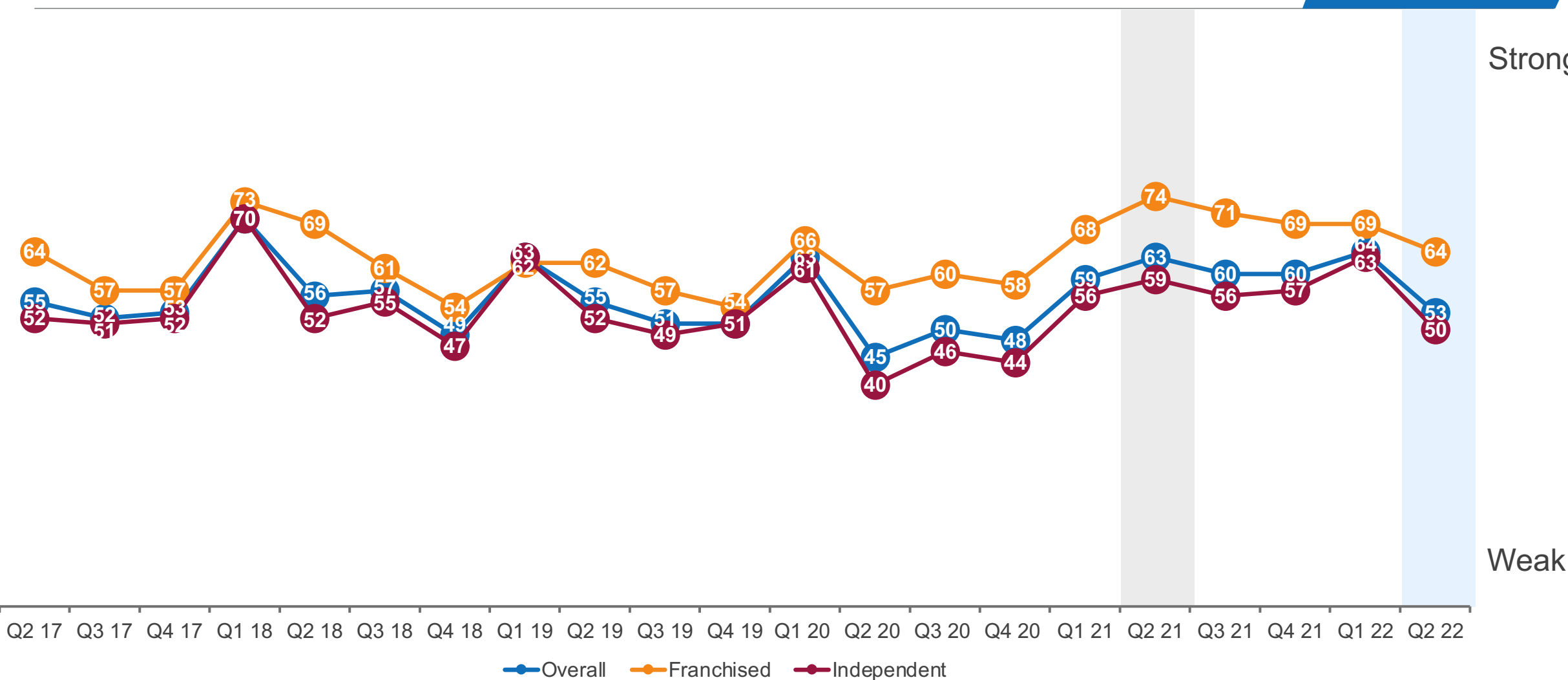


Note: Scale 1 - 100

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

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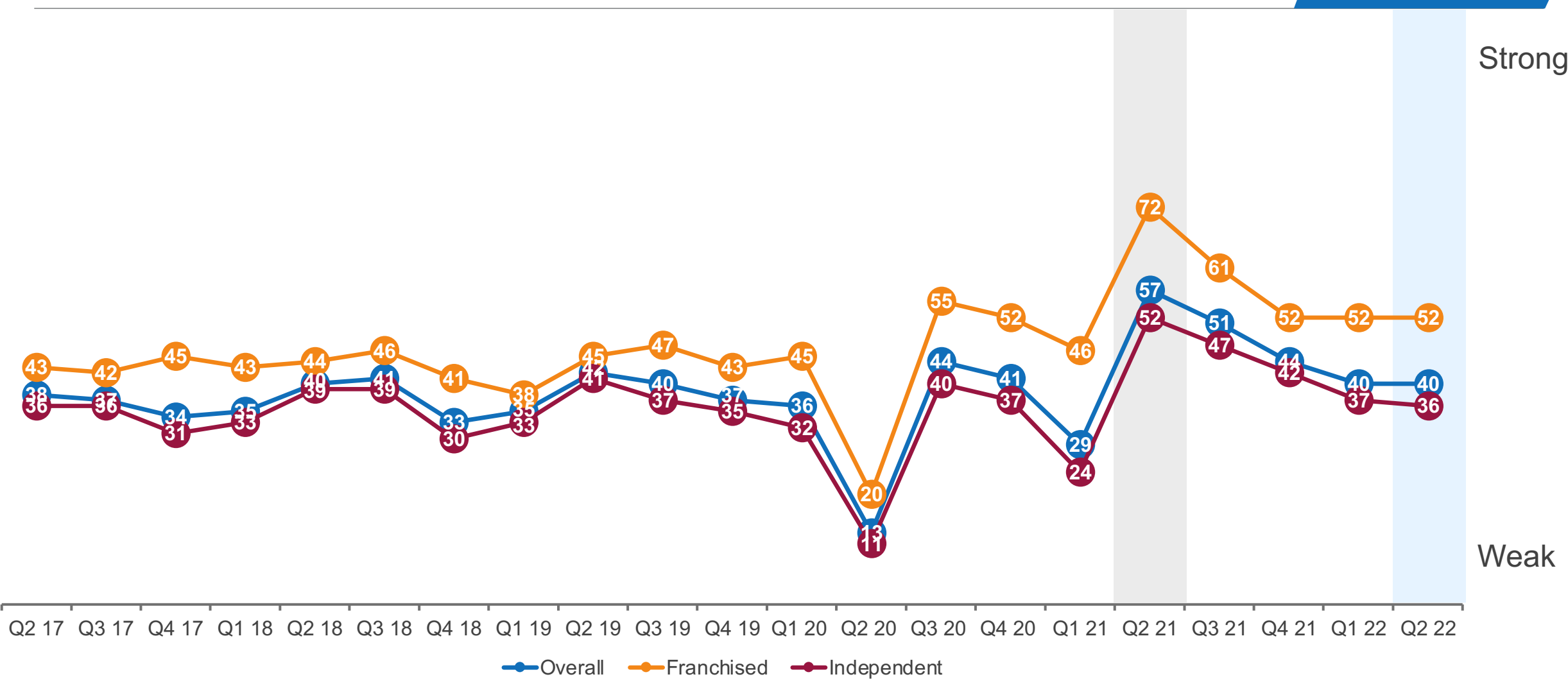
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Note: Scale 1 - 100

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

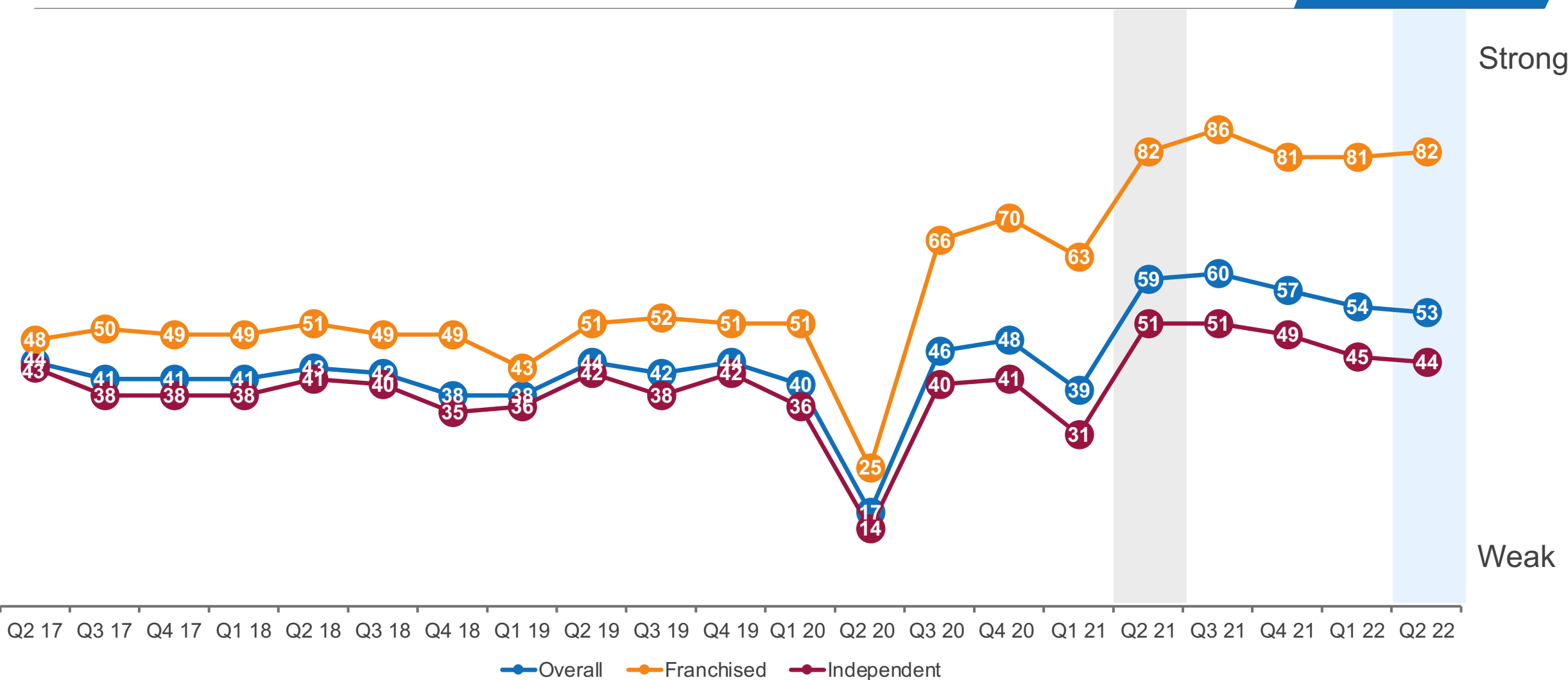
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Note: Scale 1 - 100

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

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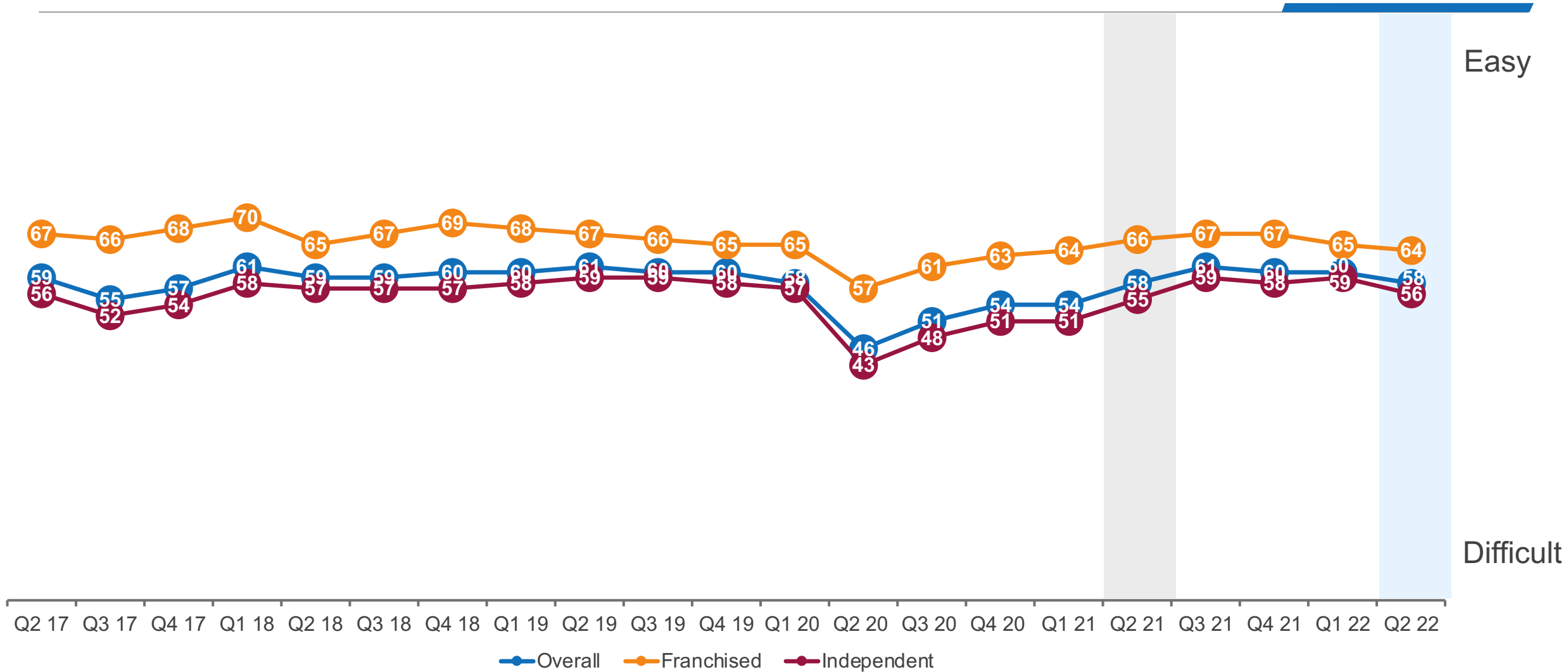


Note: Scale 1 - 100

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

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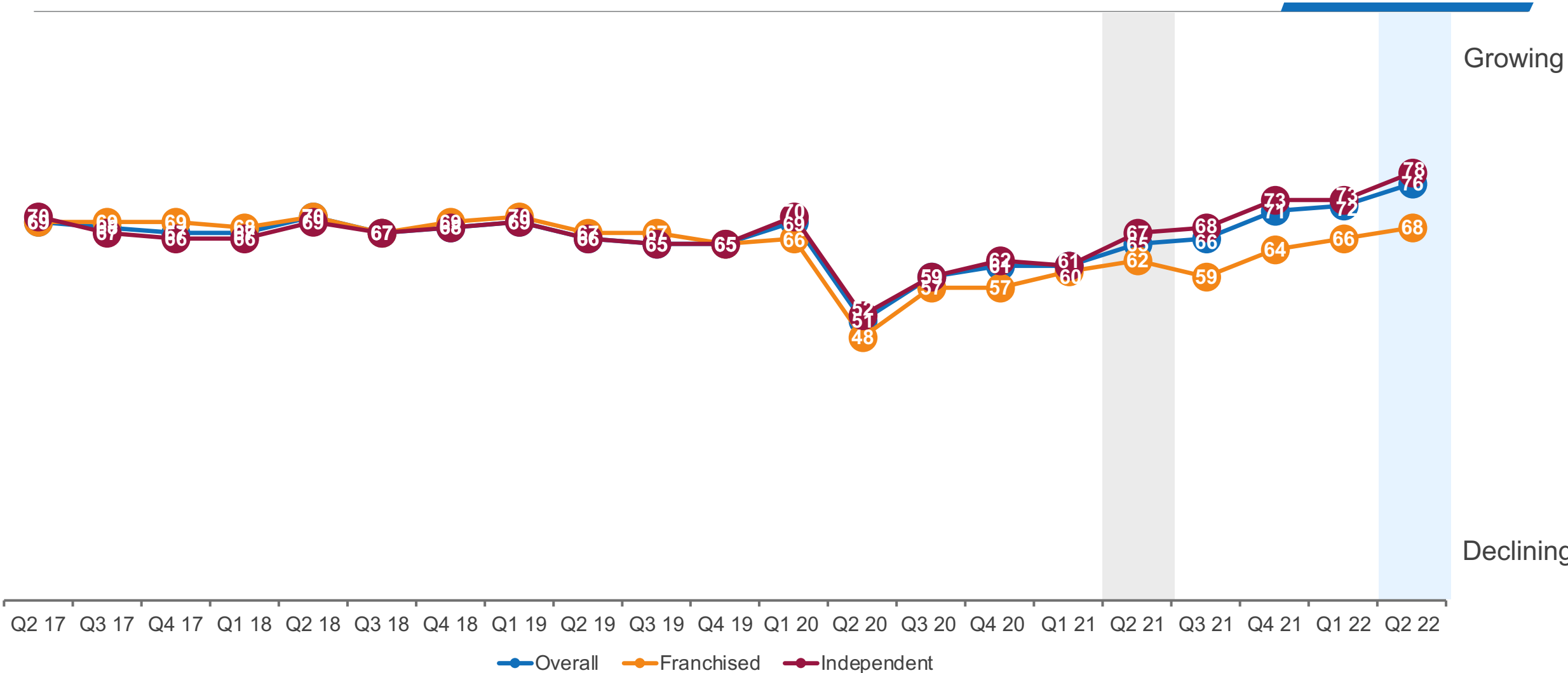
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Note: Scale 1 - 100

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

Dealer Sentiment Index SECOND QUARTER 2022

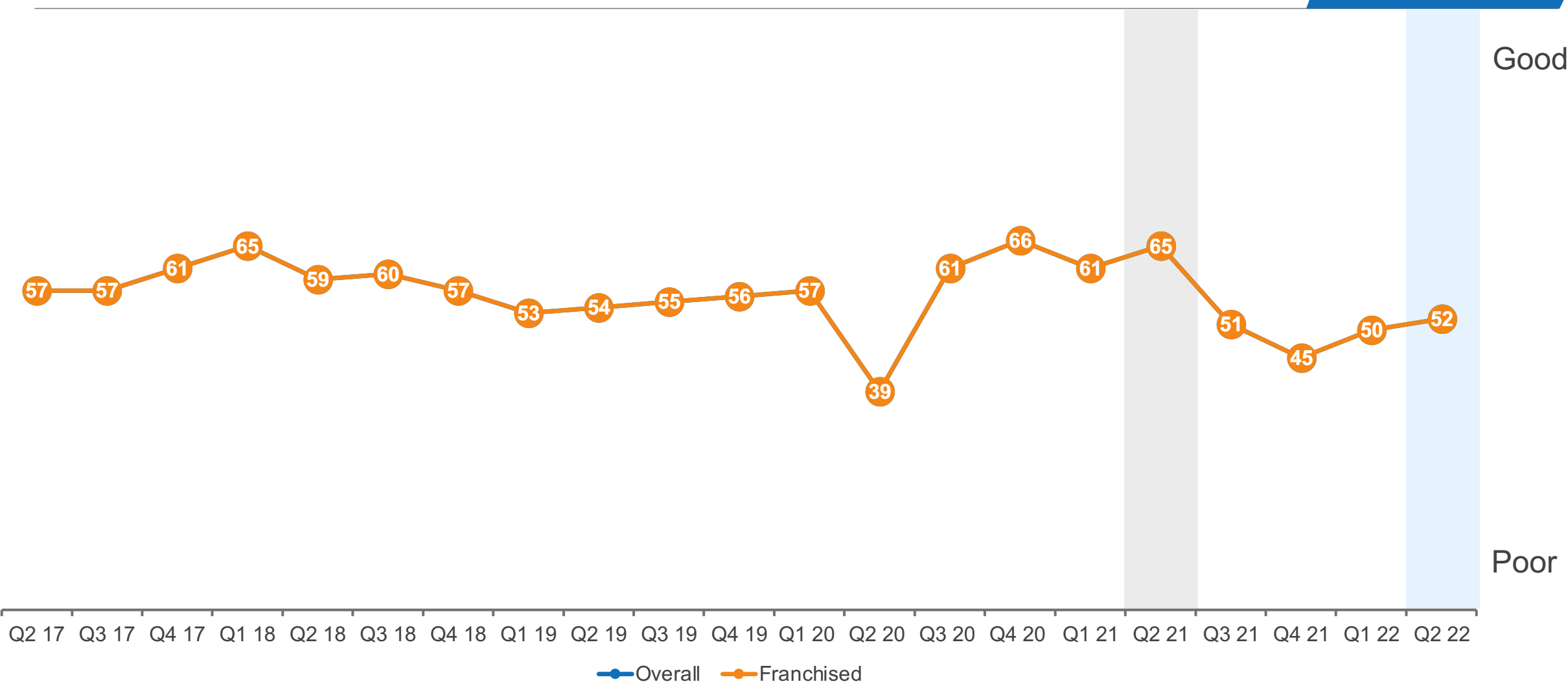


Note: Scale 1 - 100

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

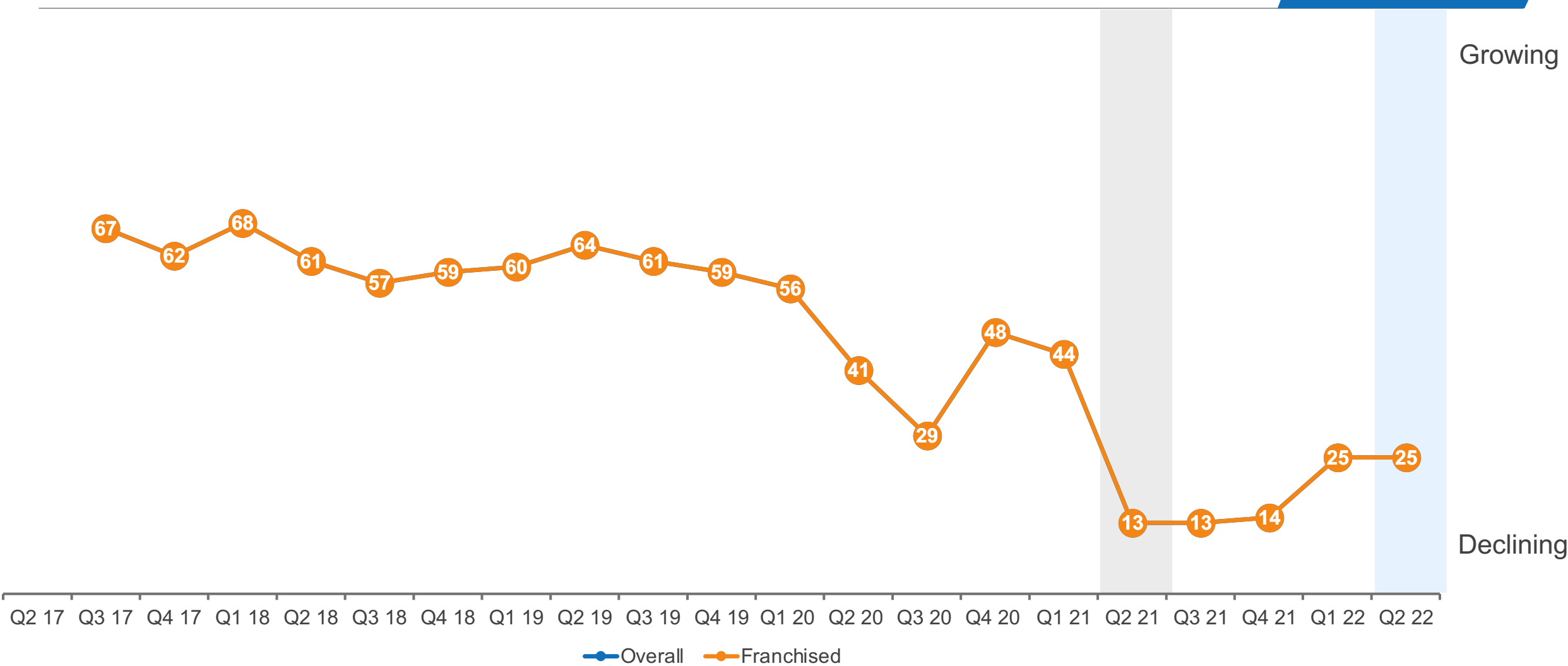
Dealer Sentiment Index

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Note: Scale 1 - 100

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



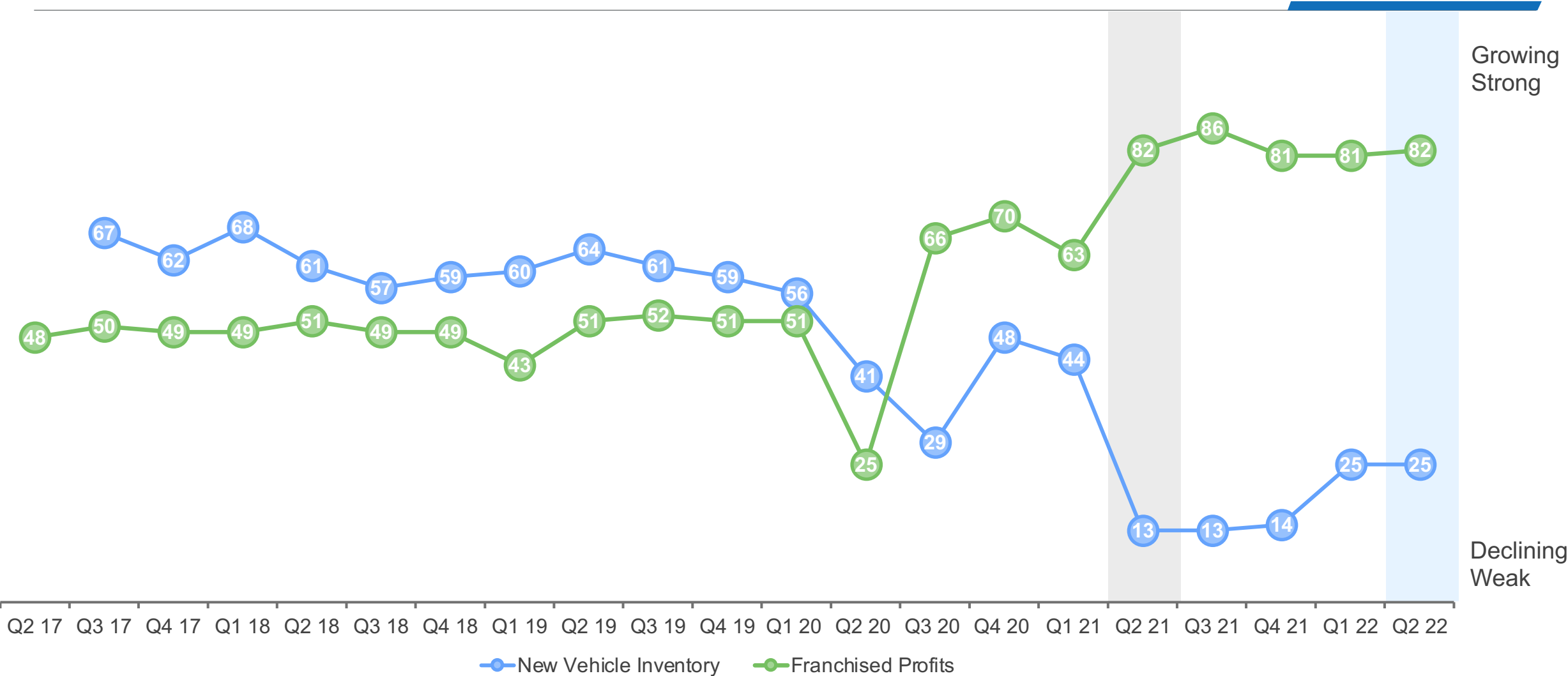
Note: Scale 1 - 100

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

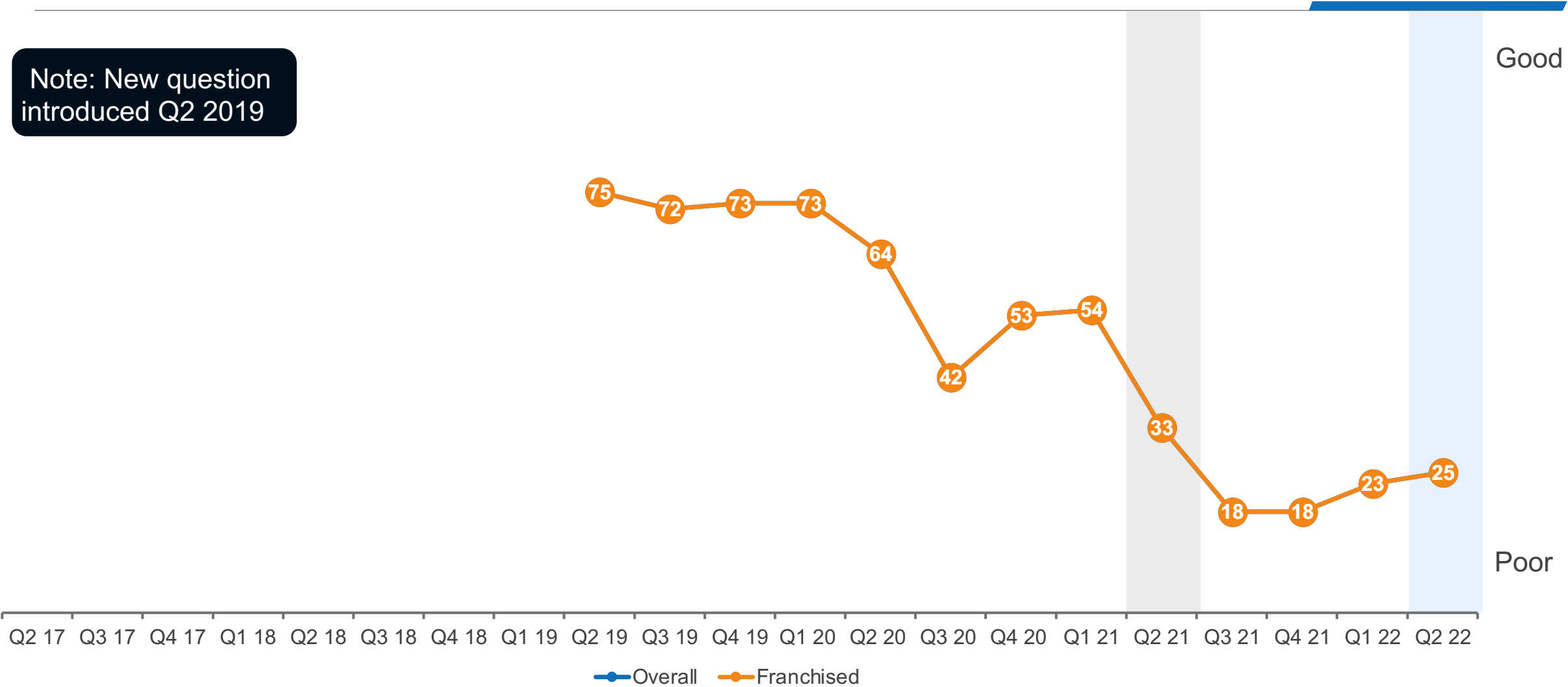
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Note: Scale 1 - 100

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

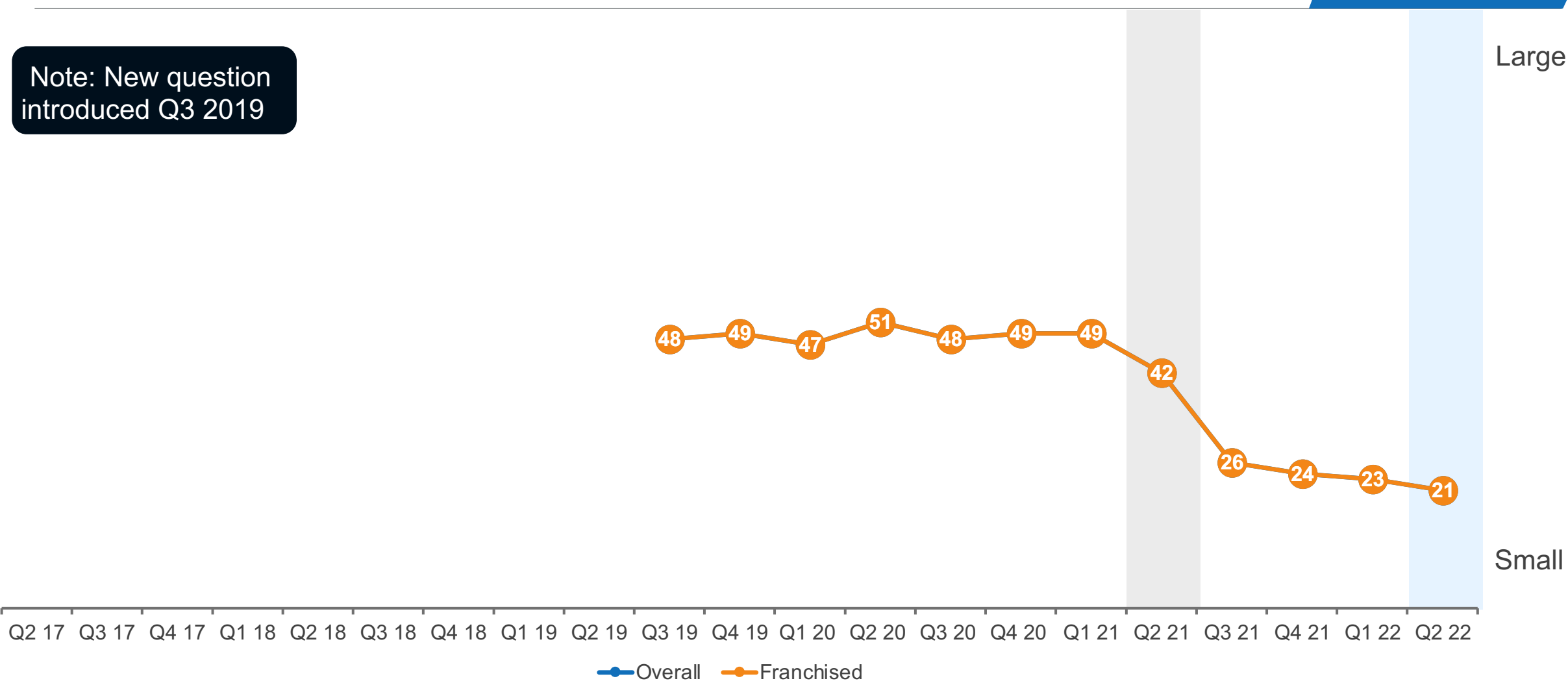
Note: New question introduced Q2 2019



Note: Scale 1 - 100

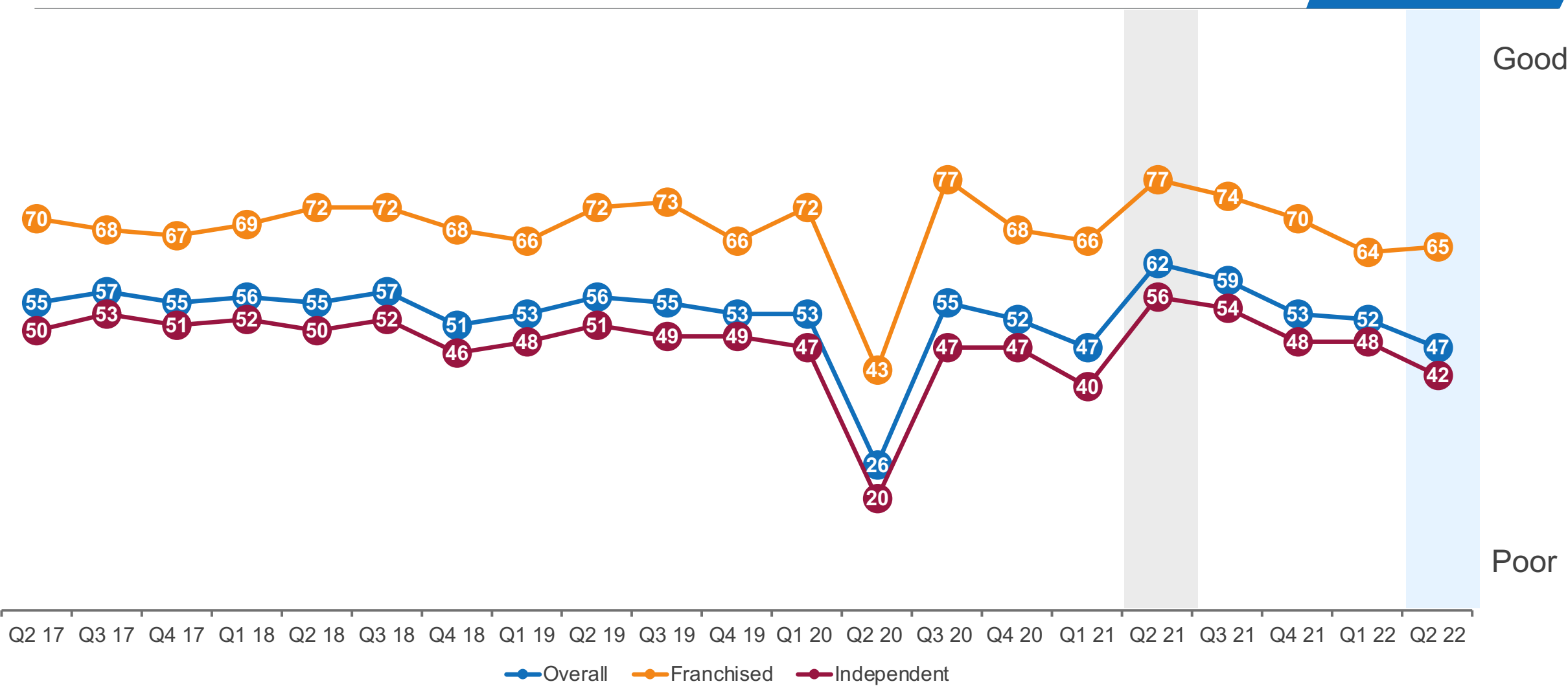
Q10: How would you describe the current level of OEM new-vehicle incentives?

Note: New question introduced Q3 2019



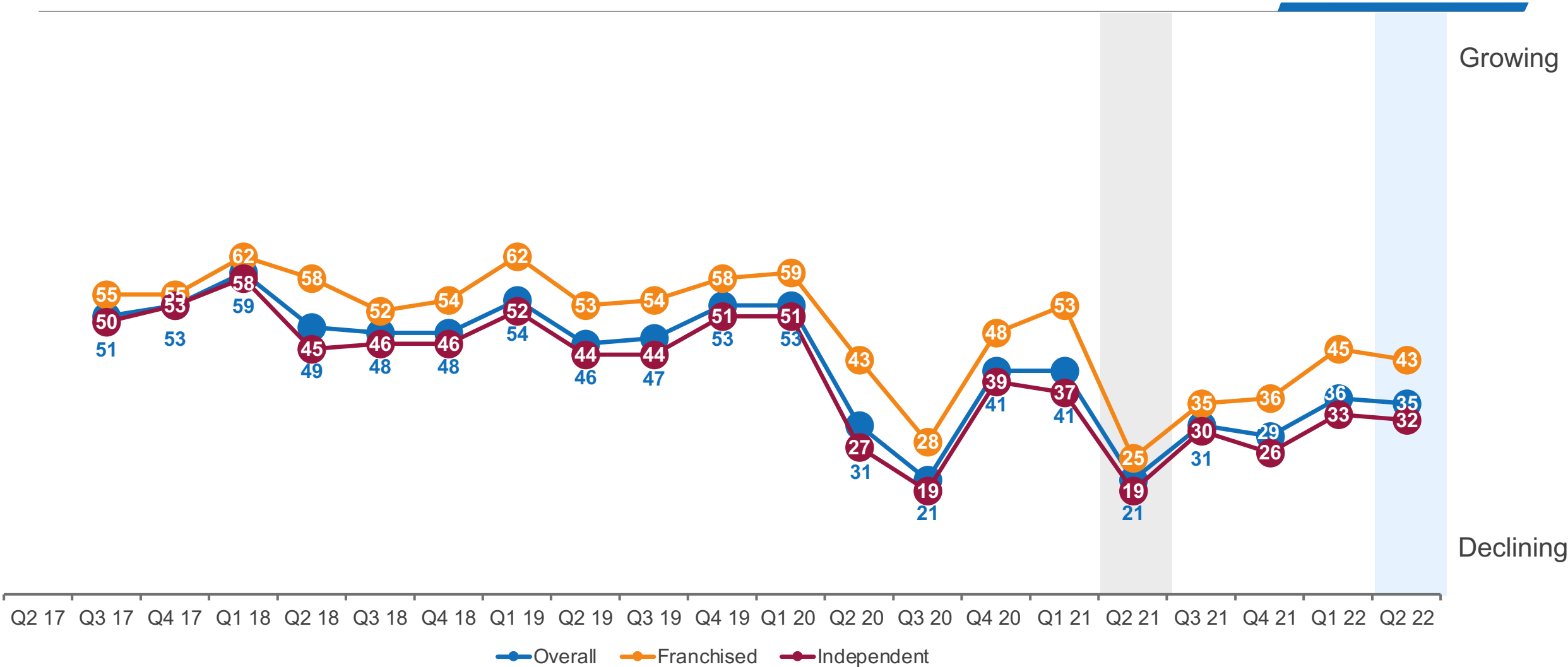
Note: Scale 1 - 100

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



Note: Scale 1 - 100

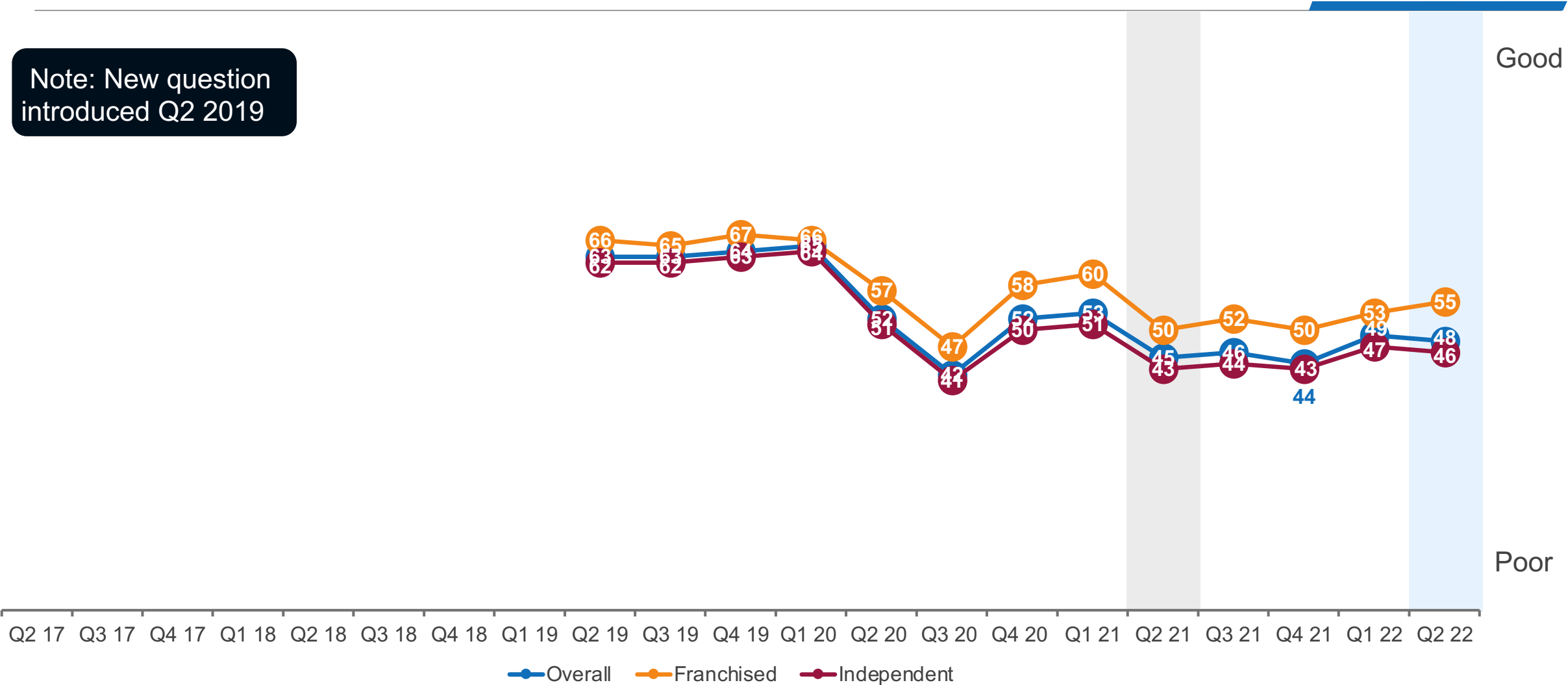
Q12: How would you describe the current used-vehicle inventory levels?



Note: Scale 1 - 100

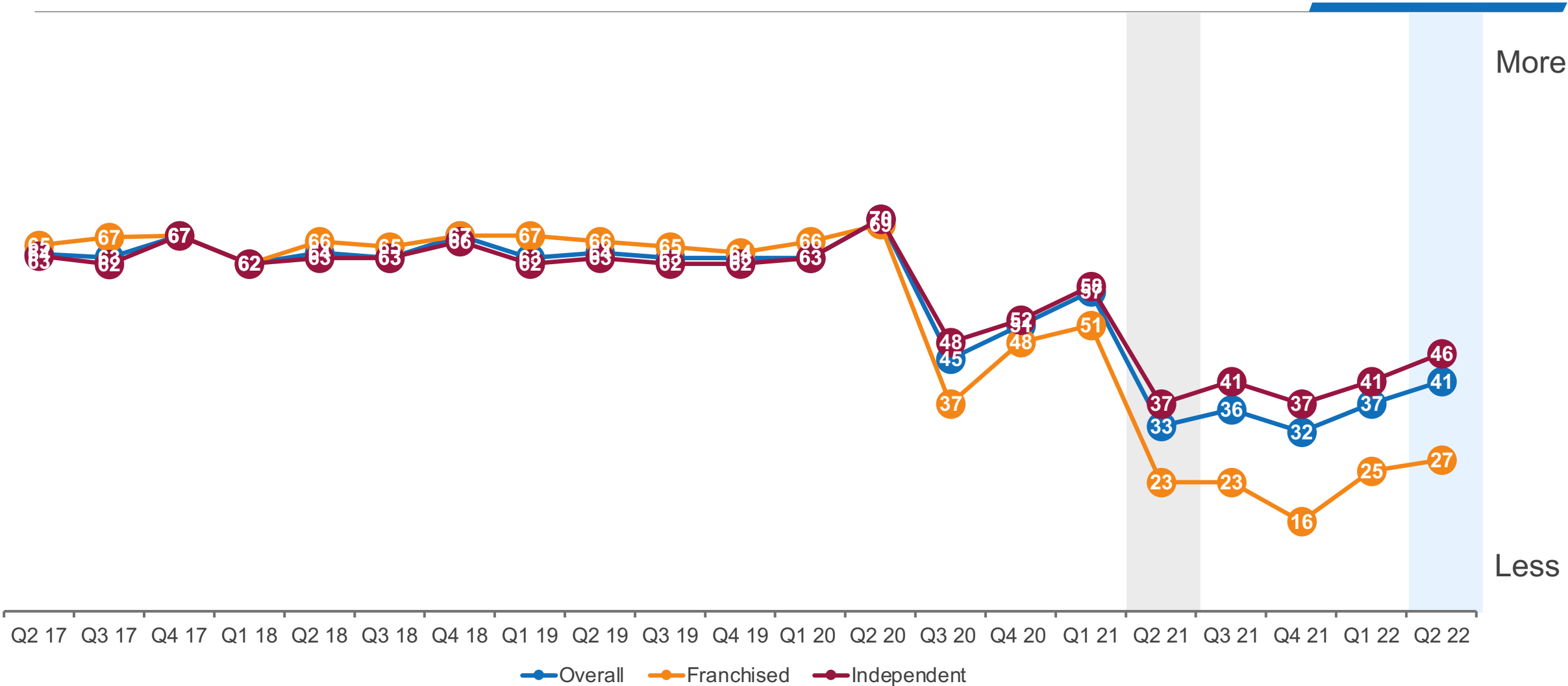
Q13: How would you describe the current used-vehicle inventory mix?

Note: New question introduced Q2 2019



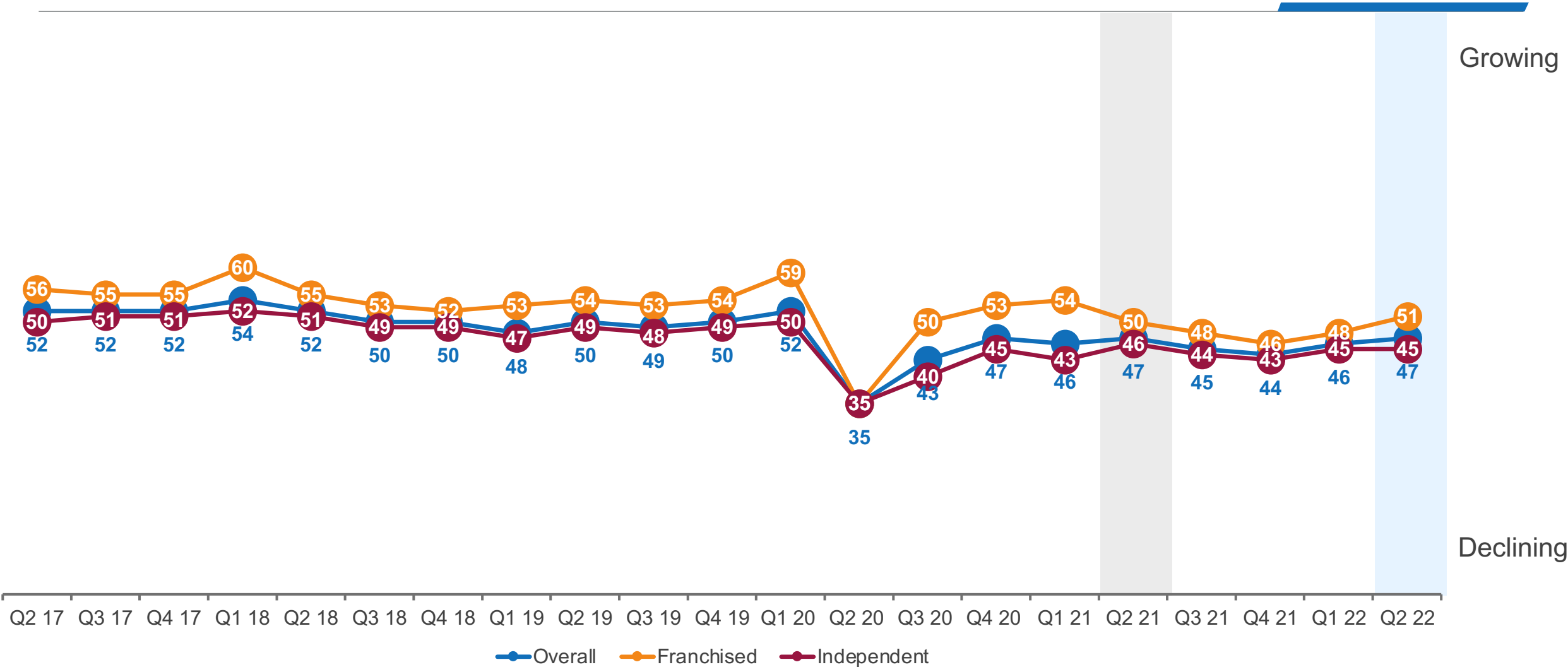
Note: Scale 1 - 100

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?

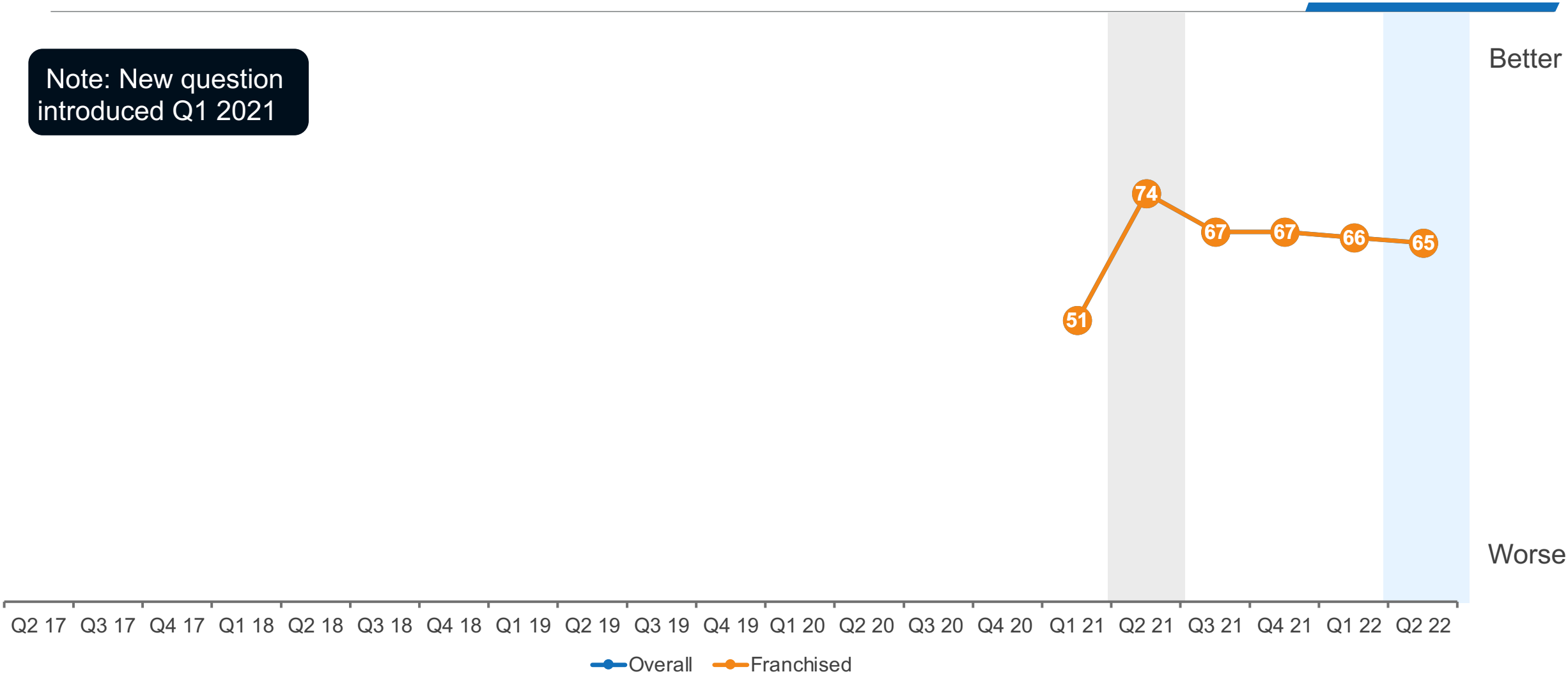


Note: Scale 1 - 100

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

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Note: New question introduced Q1 2021

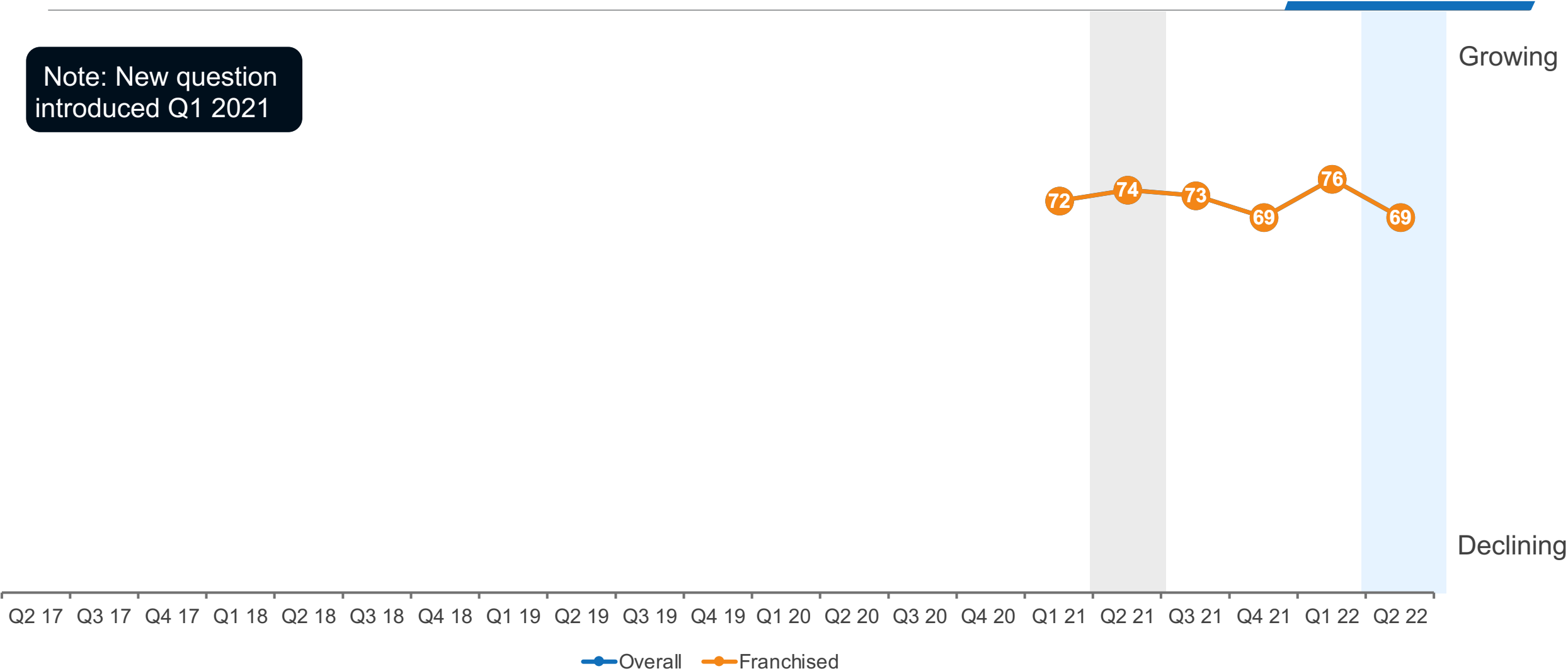


Note: Scale 1 - 100

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

Dealer Sentiment Index SECOND QUARTER 2022

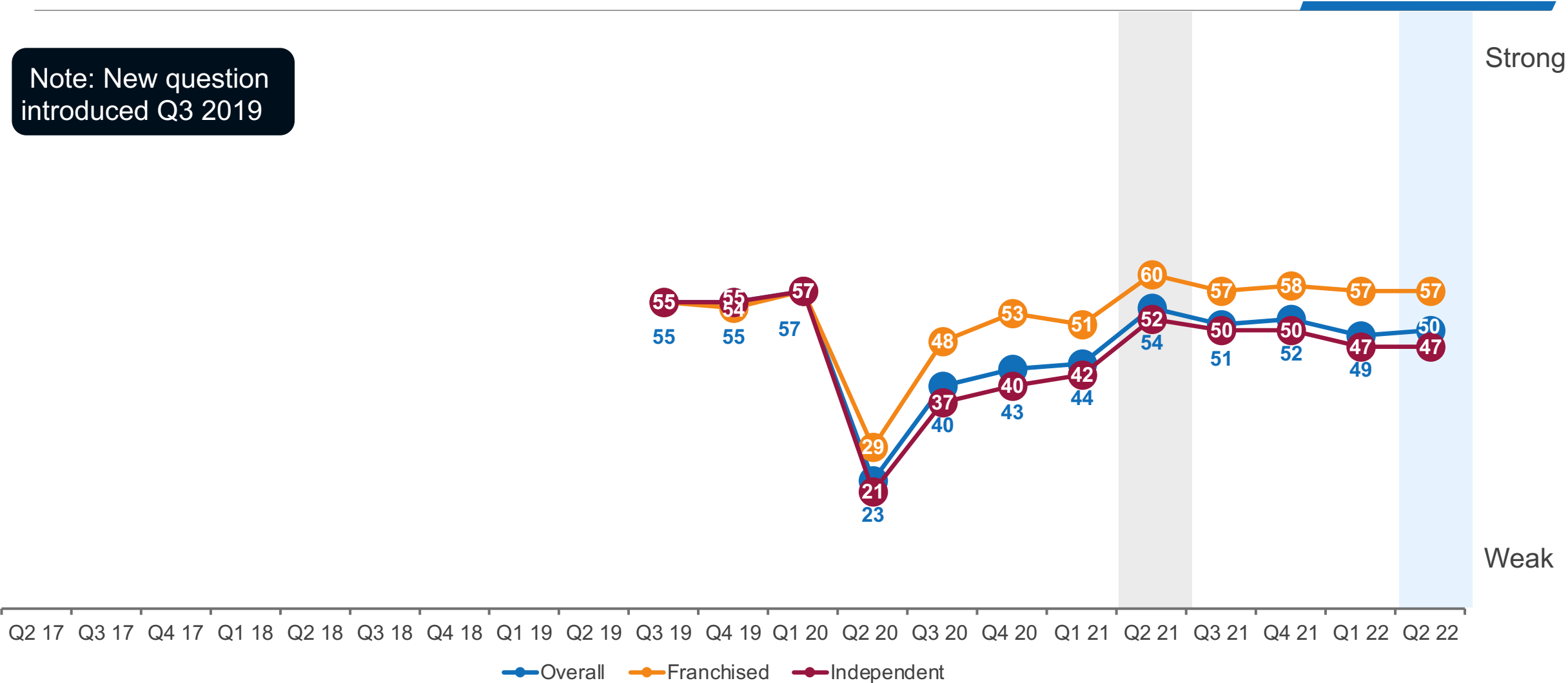
Note: New question introduced Q1 2021



Note: Scale 1 - 100

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

Note: New question introduced Q3 2019

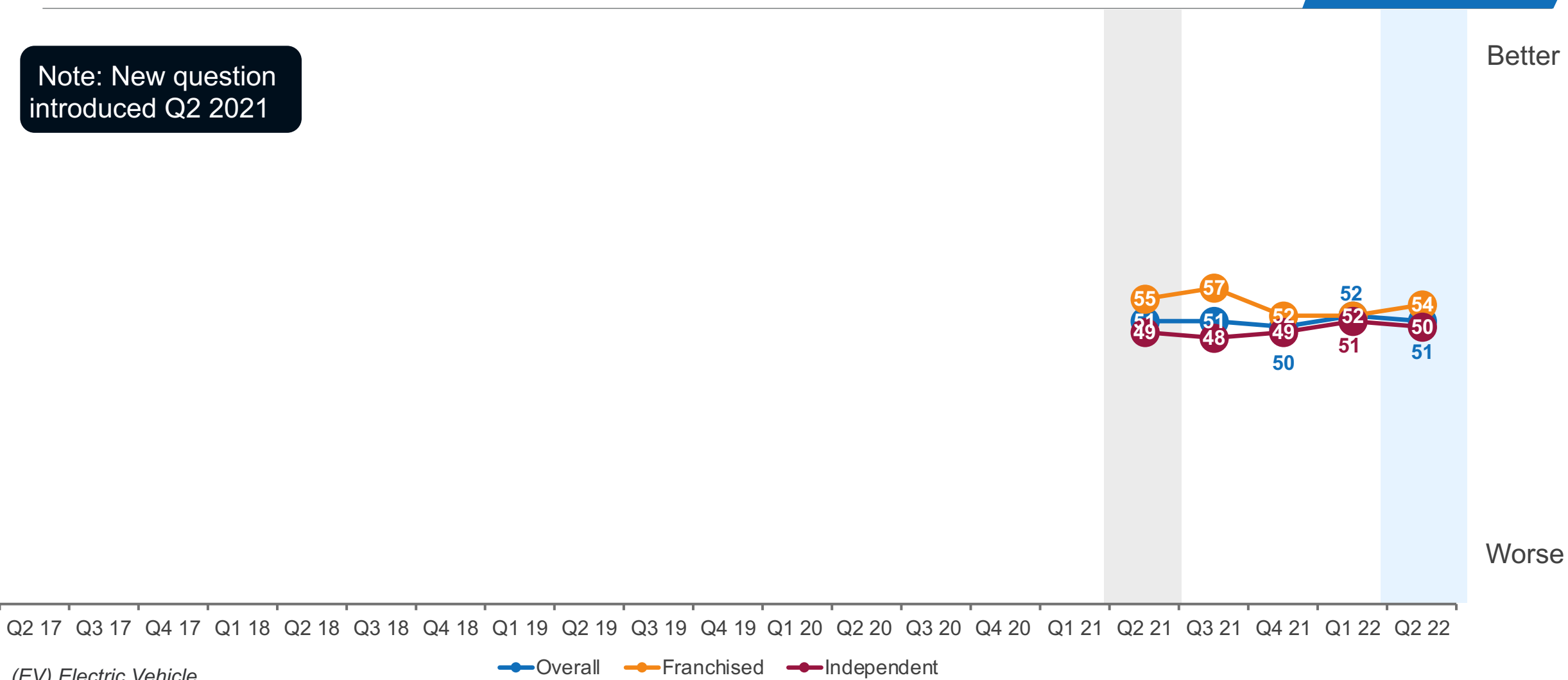


Note: Scale 1 - 100

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

Dealer Sentiment Index SECOND QUARTER 2022

Note: New question introduced Q2 2021



(EV) Electric Vehicle

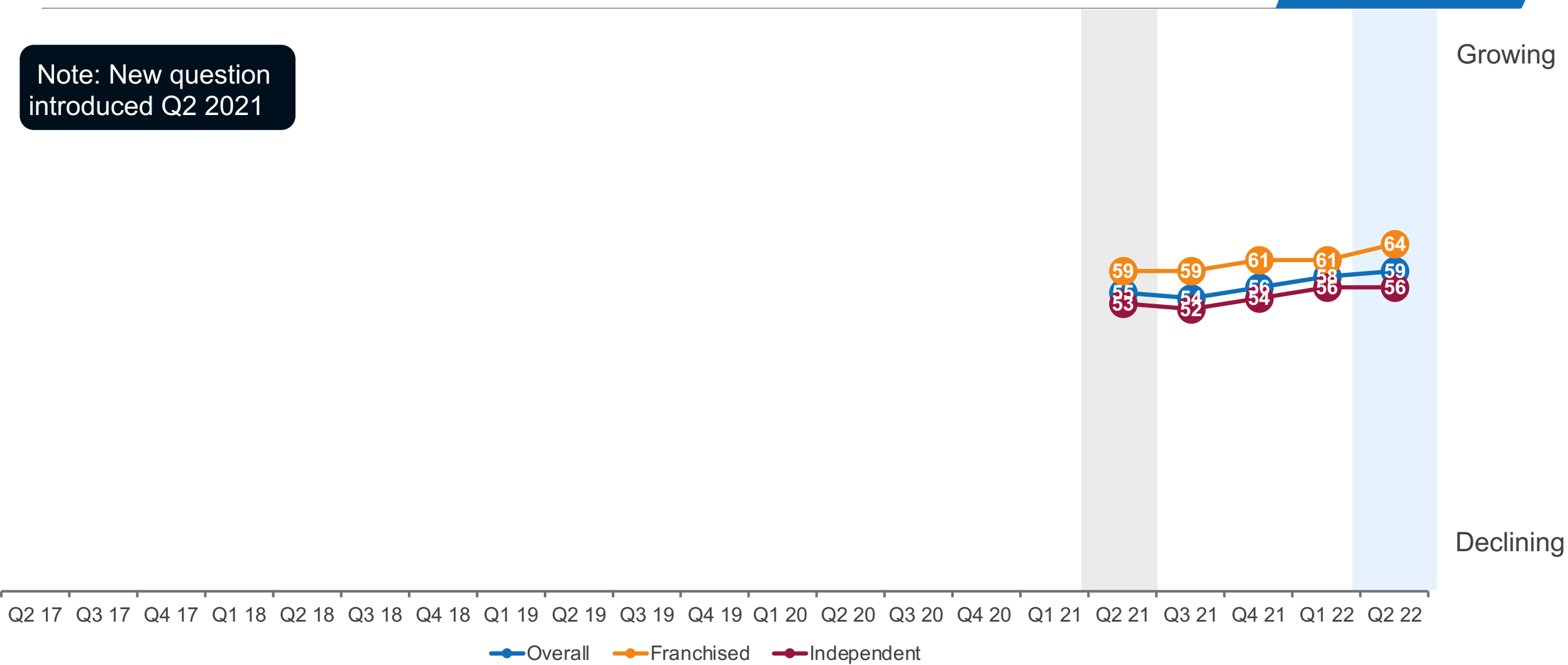
Note: Scale 1 - 100

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

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Note: New question introduced Q2 2021

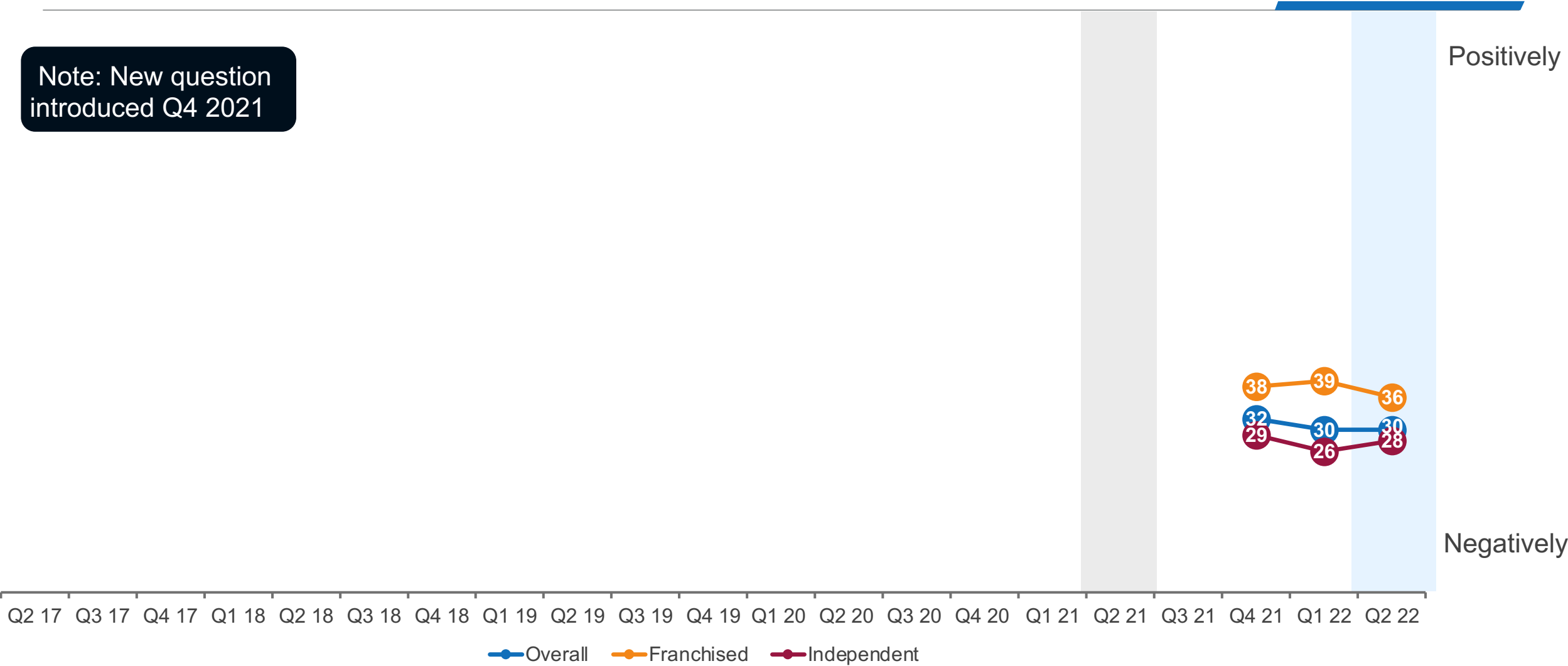


Note: Scale 1 - 100

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

Dealer Sentiment Index SECOND QUARTER 2022

Note: New question introduced Q4 2021



Note: Scale 1 - 100

Factors Holding Back Your Business?

OVERALL RANK

		Q2 '22	Q1 '22	Q2 '21	Q2 '20
1	Limited Inventory	61%	62%	64%	26%
2	Economy	46% ↑	37%	24%	60%
3	Market Conditions	44%	40%	34%	49%
4	Expenses	28% ↑	23%	19%	18%
5	Political Climate	28% ↑	20%	18%	22%
6	Consumer Confidence	22% ↑	15%	8%	42%
7	Business Impacts from COVID-19/Coronavirus	20% ↓	33%	28%	75%
8	Credit Availability for Consumers	17% ↑	13%	14%	22%
9	Interest Rates	17% ↑	5%	3%	2%
10	Competition	11%	13%	15%	12%
11	Staff Turnover	9%	11%	8%	5%
12	Weather	6% ↓	15%	3%	5%
13	Lack of Consumer Incentives From My OEM	6%	4%	2%	3%
14	Credit Availability for Business	5%	5%	4%	9%
15	Consumer Transparency in the Pricing	5%	5%	4%	5%
16	Regulations	4%	5%	6%	12%
17	Tariffs on Imported Vehicles and Parts	4%	4%	4%	2%

Significant decrease vs previous quarter



Significant increase vs previous quarter



Factors Holding Back Your Business?

OVERALL RANK

		Q2 '22	Q1 '22	Q2 '21	Q2 '20
18	OEM Priorities	4%	2%	2%	2%
19	OEM Mandates/Restrictions	3%	2%	3%	2%
20	Dealership Systems/Tools	3%	3%	3%	2%
21	Technology to Support Operations	3%	4%	2%	1%
22	Too Much Retail Inventory	2%	1%	1%	6%
23	Technology to Support Sales	1% ↓	3%	2%	3%

Significant decrease vs
previous quarter



Significant increase vs
previous quarter



Factors Holding Back Your Business?

FRANCHISED DEALERS

		Q2 '22	Q1 '22	Q2 '21	Q2 '20
1	Limited Inventory	67%	68%	67%	15%
2	Economy	38% ↑	30%	19%	53%
3	Market Conditions	32%	34%	24%	45%
4	Political Climate	25%	20%	19%	23%
5	Lack of Consumer Incentives From My OEM	22%	18%	10%	12%
6	Consumer Confidence	18%	13%	8%	38%
7	Interest Rates	16% ↑	4%	3%	2%
8	Business Impacts From COVID-19/Coronavirus	16% ↓	35%	25%	72%
9	Expenses	15%	11%	11%	13%
10	OEM Priorities	14%	9%	8%	7%
11	Staff Turnover	14%	16%	14%	9%
12	OEM Mandates/Restrictions	13%	9%	10%	8%
13	Competition	6%	6%	8%	10%
14	Credit Availability for Consumers	4%	6%	6%	8%
15	Regulations	4%	4%	6%	14%
16	Tariffs on Imported Vehicles and Parts	4%	4%	4%	2%
17	Weather	3% ↓	16%	4%	6%

Significant decrease vs previous quarter



Significant increase vs previous quarter



Factors Holding Back Your Business?

FRANCHISED DEALERS

		Q2 '22	Q1 '22	Q2 '21	Q2 '20
18	Consumer Transparency in Pricing	3%	3%	2%	3%
19	Technology to Support Operations	2%	2%	2%	1%
20	Technology to Support Sales	2%	2%	1%	2%
21	Dealership Systems/Tools	2%	2%	3%	1%
22	Credit Availability for Business	2%	1%	2%	2%
23	Too Much Retail Inventory	1%	1%	1%	4%

Significant decrease vs
previous quarter



Significant increase vs
previous quarter



Factors Holding Back Your Business?

INDEPENDENT DEALERS

		Q2 '22	Q1 '22	Q2 '21	Q2 '20
1	Limited Inventory	59%	60%	63%	29%
2	Economy	49% ↑	39%	25%	62%
3	Market Conditions	48% ↑	43%	38%	50%
4	Expenses	33% ↑	28%	21%	20%
5	Political Climate	29% ↑	20%	17%	22%
6	Consumer Confidence	23% ↑	15%	9%	43%
7	Business Impacts From COVID-19/Coronavirus	21% ↓	33%	29%	76%
8	Credit Availability for Consumers	21% ↑	15%	16%	27%
9	Interest Rates	17% ↑	5%	3%	1%
10	Competition	13%	15%	17%	13%
11	Staff Turnover	7%	10%	7%	4%
12	Weather	7% ↓	14%	3%	5%
13	Credit Availability for Business	6%	6%	5%	11%
14	Consumer Transparency in Pricing	6%	6%	5%	6%

Significant decrease vs previous quarter




Significant increase vs previous quarter



Factors Holding Back Your Business?

INDEPENDENT DEALERS

		Q2 '22	Q1 '22	Q2 '21	Q2 '20
15	Regulations	5%	5%	6%	11%
16	Tariffs on Imported Vehicles and Parts	4%	4%	4%	3%
17	Dealership Systems/Tools	4%	4%	3%	2%
18	Technology to Support Operations	3%	4%	2%	1%
19	Too Much Retail Inventory	3%	2%	1%	6%
20	Technology to Support Sales	1% 	3%	2%	3%

Significant decrease vs
previous quarter



Significant increase vs
previous quarter



Area of Business with Staffing Issues

		Overall	Franchised (A)	Independent (B)
1	Sales	71%	68%	73%
2	Service	66%	70%	63%
3	Collision/Auto Body	33% ↑	19%	42% A ↑
4	Management	32% ↑	18%	40% A ↑
5	Parts	28%	29%	27%
6	Marketing	15%	3%	22% A
7	Finance and Insurance	14%	17%	11%
8	Other (please specify)	5%	7%	5%

Of those who said Staff Turnover was holding back their business.

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

Significant decrease vs
previous quarter



Significant increase vs
previous quarter





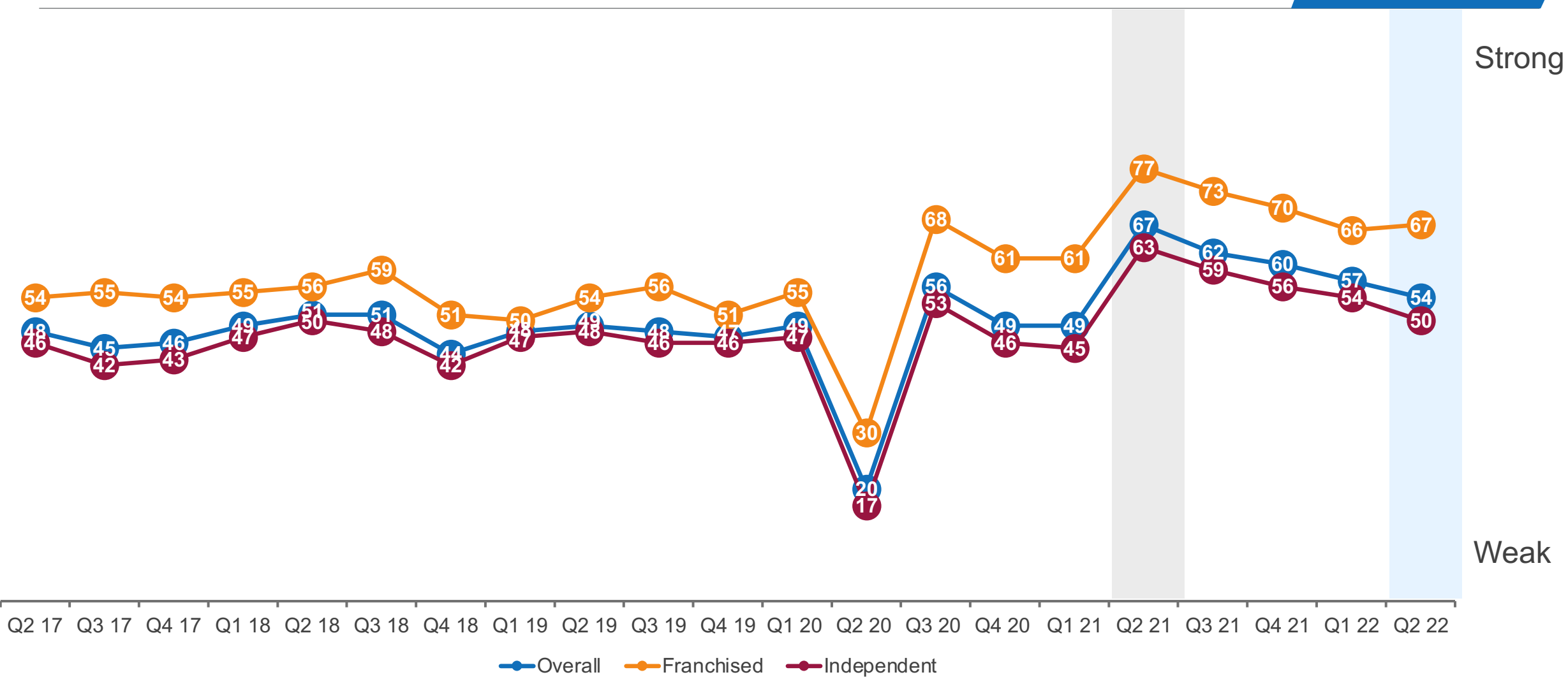
The Business Impact of COVID-19



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

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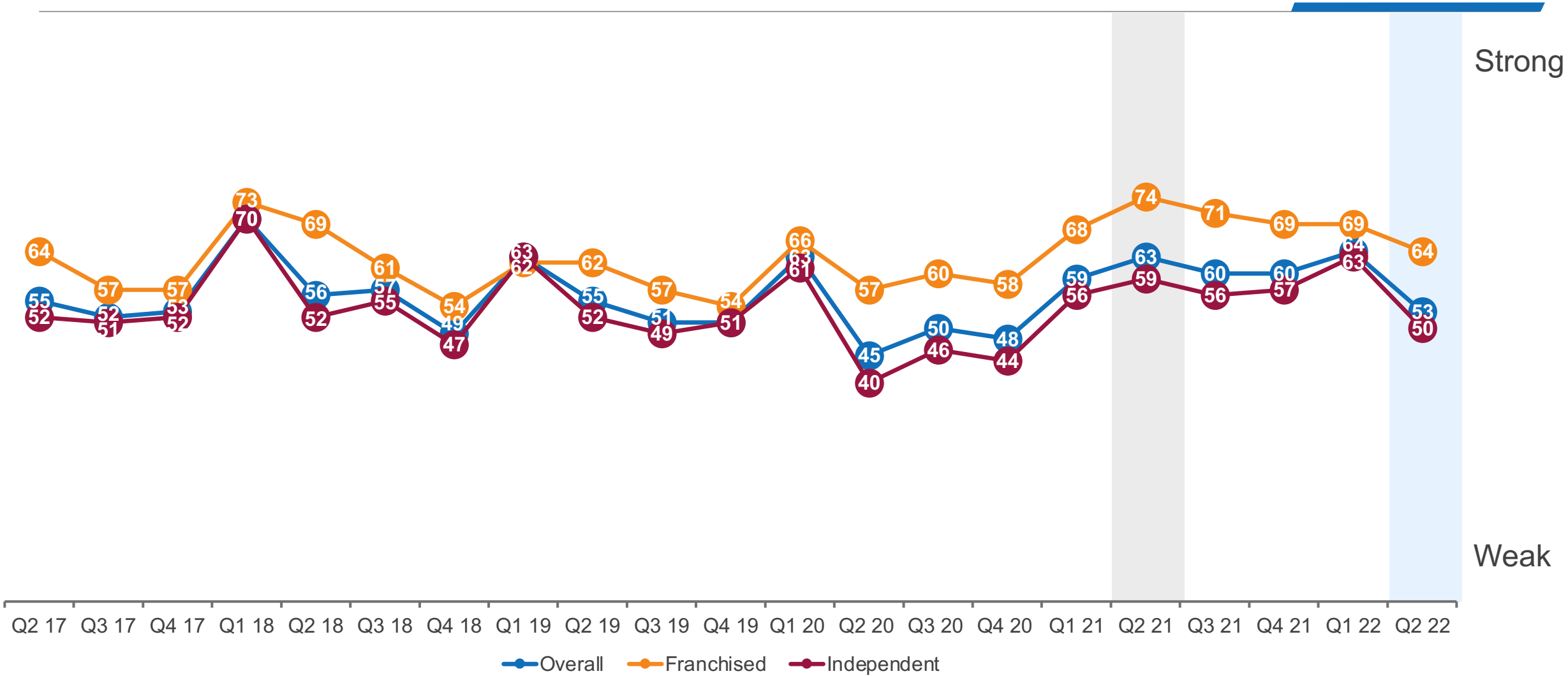


Note: Scale 1 - 100

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)	
	Q2 2022	Q1 2022	Q2 2022	Q1 2022	Q2 2022	Q1 2022	Q2 2022	Q1 2022	Q2 2022	Q1 2022
Finding/Buying inventory	43%	46%	39%	40%	45%	48% A	37%	43%	44%	47%
Staying in business in general	16%	14%	5%	2%	20% A	18% A	27% B	18%	14%	13%
Improving efficiency in general	10%	9%	13% B	14% B	9%	7%	8%	8%	10%	9%
Reducing expenses by cutting unnecessary costs	6%	5%	6%	3%	6%	6% A	7%	6%	6%	5%
Improving Sales and Service solutions	6%	6%	7%	8%	5%	6%	6%	6%	6%	6%
Retaining customers	6%	6%	11% B	13% B	4%	4%	5%	9%	6%	6%
Gaining market share	5%	6%	8% B	8% B	4%	5%	3%	2%	5%	6% A
Retaining employees	4%	5%	8% B	9% B	3%	4%	3%	5%	5%	5%
Selling the dealership	2%	1%	0%	1%	2% A	1%	2%	1%	1%	1%
Acquiring other storefronts	1%	1%	1%	1%	1%	0%	1%	1%	1%	1%
Other	1%	1%	2%	1%	1%	1%	1%	1%	2%	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	63	68	66	70
Market Next 3 Months	Strong/Weak	61	65	62	72
Customer Traffic	Strong/Weak	54	51	54	52
Profits	Strong/Weak	85	80	83	82
Dealer Credit	Easy/Difficult	67	64	63	60
Costs	Growing/Declining	68	69	67	70
New Vehicle Sales	Good/Poor	54	53	52	49
New Vehicle Inventory	Growing/Declining	23	20	29	28
New Vehicle Inventory Mix	Good/Poor	22	20	29	32
Used Vehicle Sales	Good/Poor	66	64	65	65
Used Vehicle Inventory	Growing/Declining	40	46	45	40



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 Mix	Good/Poor	54	56	58	50
Price Pressure	More/Less	29	24	28	30
Staffing	Growing/Declining	50	52	51	51
OEM incentives	Large/Small	19	21	21	24
Economy	Strong/Weak	54	57	58	57
Current Fixed Operations	Better/Worse	63	64	67	65
Future Fixed Operations	Growing/Declining	68	70	70	70
Current BEV Sales	Better/Worse	60	50	49	63
Future BEV Sales	Growing/Declining	64	65	57	73
Dealer Consolidation Impact	Positive/Negative	40	30	37	38



Note: Scale 1 – 100

GREEN: Significant increase from prior quarter

RED: Significant decrease from prior quarter

Dealer Sentiment Index

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