

Dealer Sentiment Index

FOURTH QUARTER 2020
COVID-19 RECOVERY



COX AUTOMOTIVE™



Dealer Sentiment Index

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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 2020 CADSI is based on 1,077 U.S. auto dealer respondents, comprising 584 franchised dealers and 493 independents. The survey was conducted from Nov. 4 to Nov. 15, 2020.

The next quarterly report will be released in March 2021. The CADSI was first published in Q3 2017.



Key Takeaways

Dealer sentiment significantly decreased in Q4, according to the latest Cox Automotive Dealer Sentiment Index (CADSI), returning to its pre-pandemic level overall.

The overall current market index dropped below the positive threshold into negative territory with a score of 49, a statistically-significant 7-point decrease from last quarter's 56. Year-over-year, the current market index was up by 2 points.

CADSI research for Q4 was undertaken from Nov. 4th to 15th, immediately after Election Day and at a time when COVID-19 cases were surging. Conversely, Q3 research was conducted in late July and early August, when vehicle sales were improving and dealerships were open for business, with some restrictions.

“Dealer sentiment declined in the fourth quarter as COVID-19 cases increased and market conditions became less perfect than the environment dealers enjoyed

in the third quarter,” said Cox Automotive Chief Economist Jonathan Smoke. “Relative to a year ago, sentiment remains marginally better and dealers describe both new and used sales as strong.”

The key drivers of sentiment saw marginal shifts in Q4. The 3-month market outlook index saw a 2-point decrease from the prior quarter to 48, indicating more than half of dealers see the market in the next 3 months as weak as opposed to strong. Independent dealers fell further below the 50 threshold to 44 in Q4, which means most independent dealers expect the market to be weak.

The costs index saw an increase compared to Q3, reflecting that dealers feel expenses are growing. Further, the price pressure index saw a statistically significant increase, indicating dealers feel pressure to lower their prices.

The view of new-vehicle sales was up and marginally higher in Q4 compared to Q3

and significantly higher compared to last year. The new-vehicle sales index rose to 66, indicating a strong market. New-vehicle inventory sentiment improved in Q4 with statistically significant growth in new vehicle inventory and inventory mix.

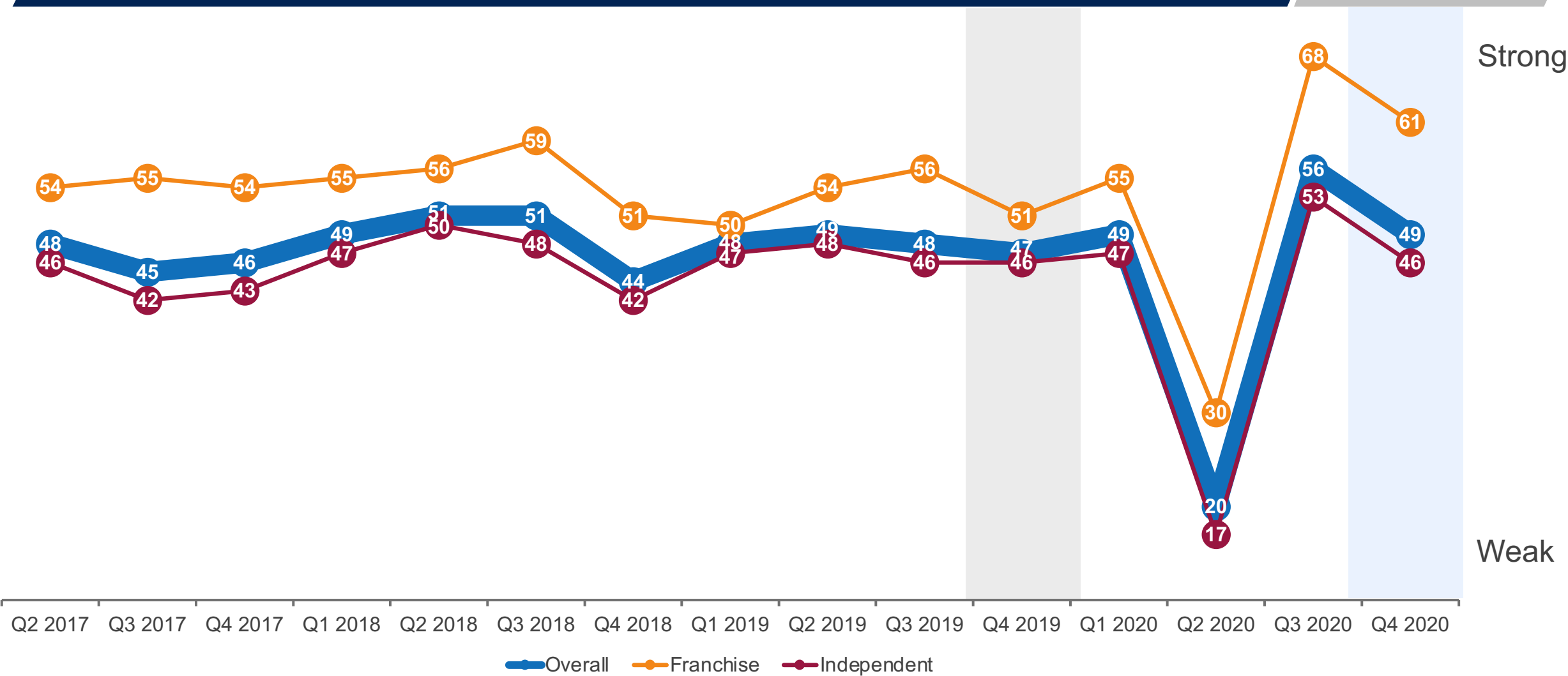
Used-vehicle sales was down compared to last quarter and last year. Despite the improvement in new sales, franchises continue to see the used market as stronger than the new market, with a 20-point gap for Q4.

The top 5 factors holding back the business across all dealers shifted modestly in Q4, with Business Impacts From COVID-19 reclaiming the top spot with 47% of dealers citing it, moving up from 2. Limited Inventory moved down to 2 from 1 last quarter. Political Climate rose to the 3rd spot from 5th in Q3. Economy stayed in the 4th spot from Q3 to Q4. Market Conditions dropped from 3 to 5.

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

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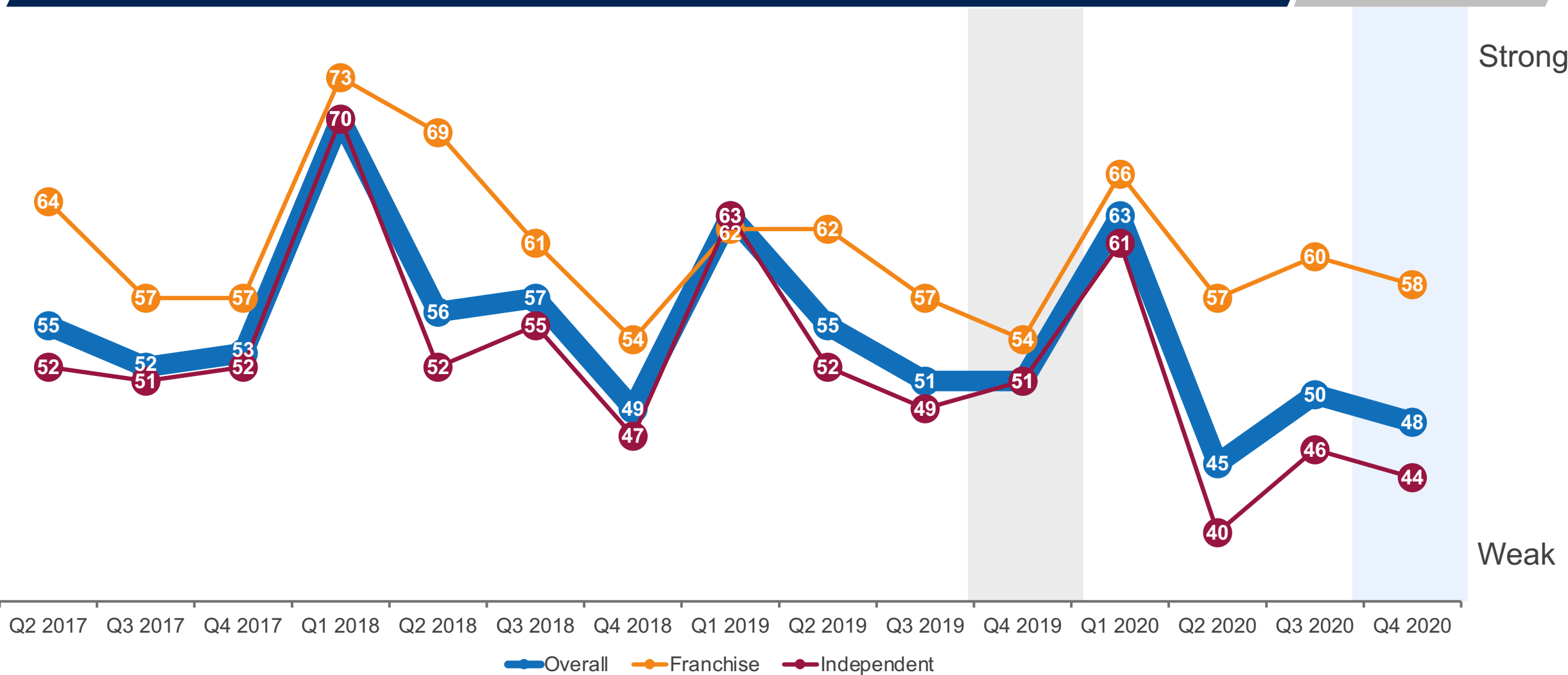


Note: Scale 1 - 100

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

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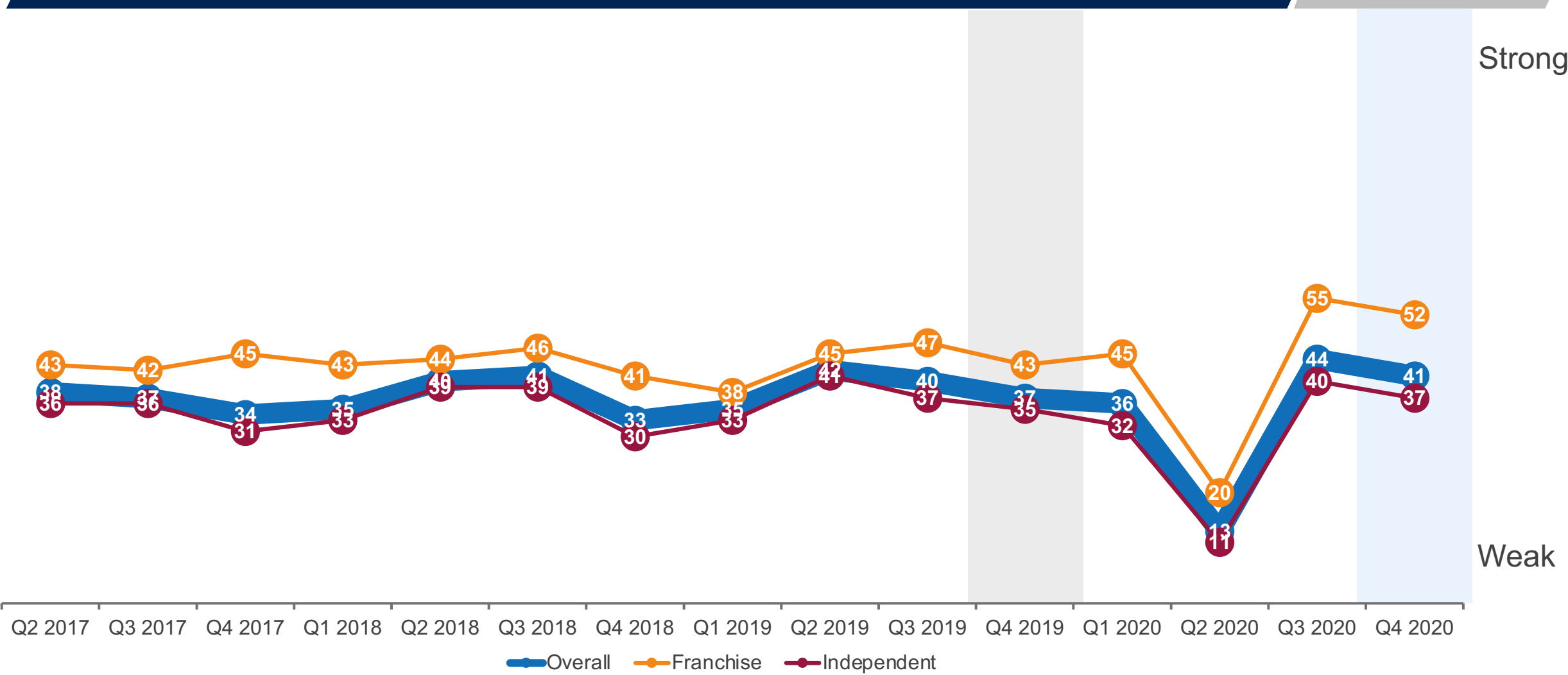


Note: Scale 1 - 100

Q4: How do you rate the customer traffic to your dealership over the past 3 months?

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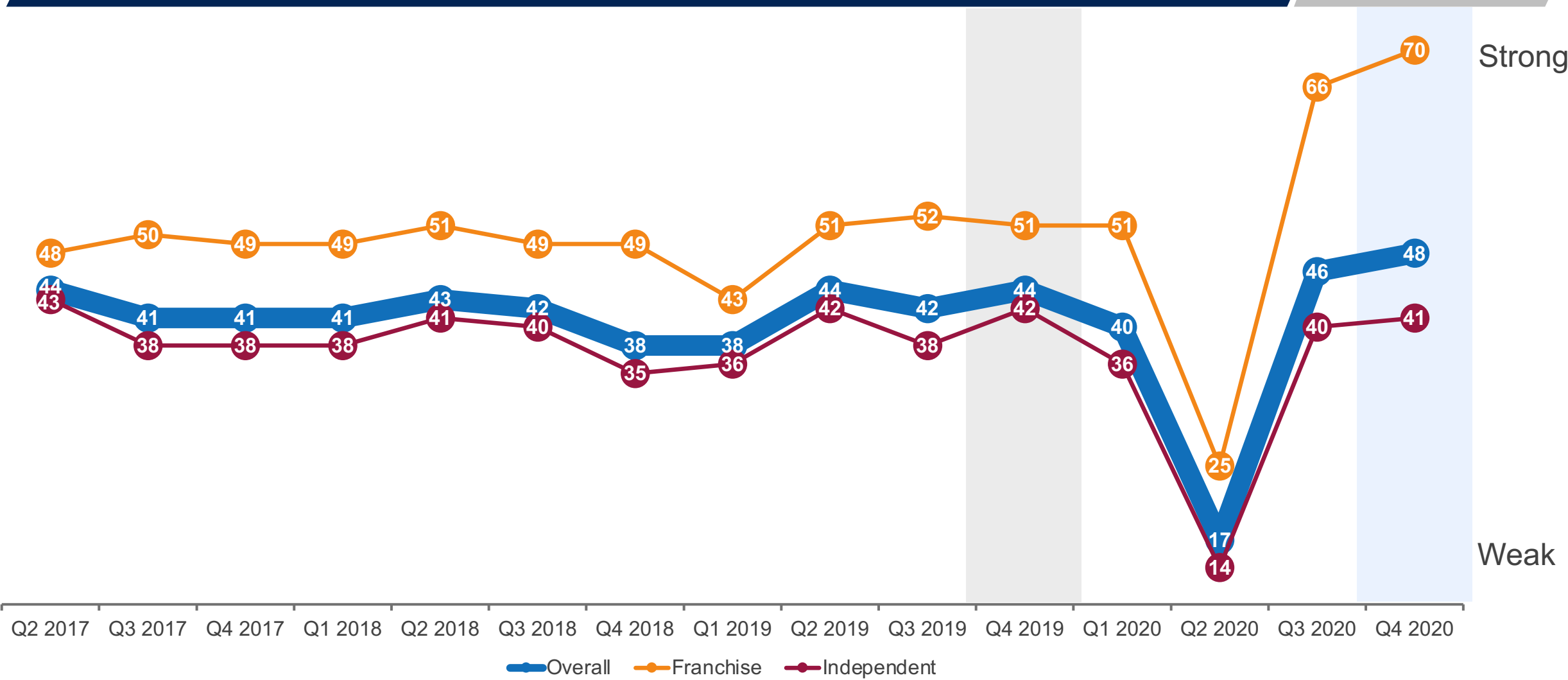


Note: Scale 1 - 100

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

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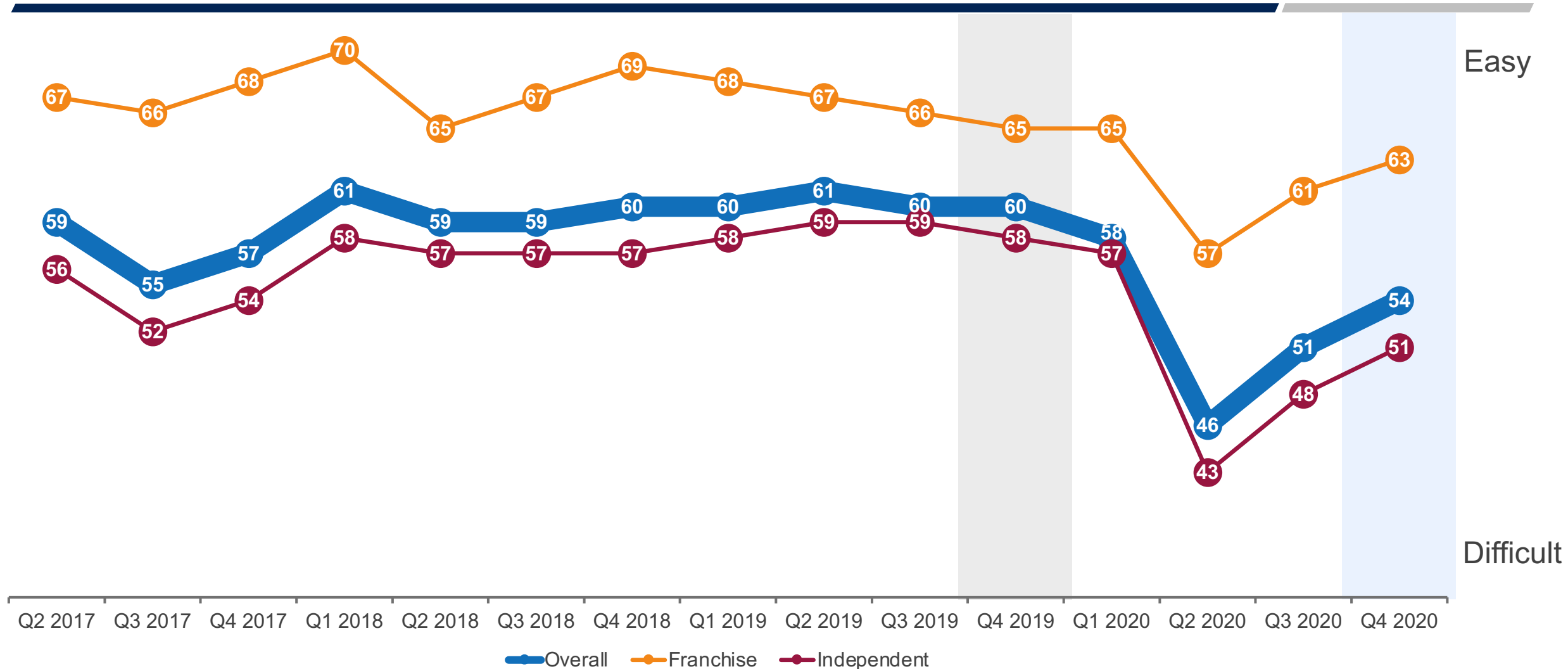


Note: Scale 1 - 100

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

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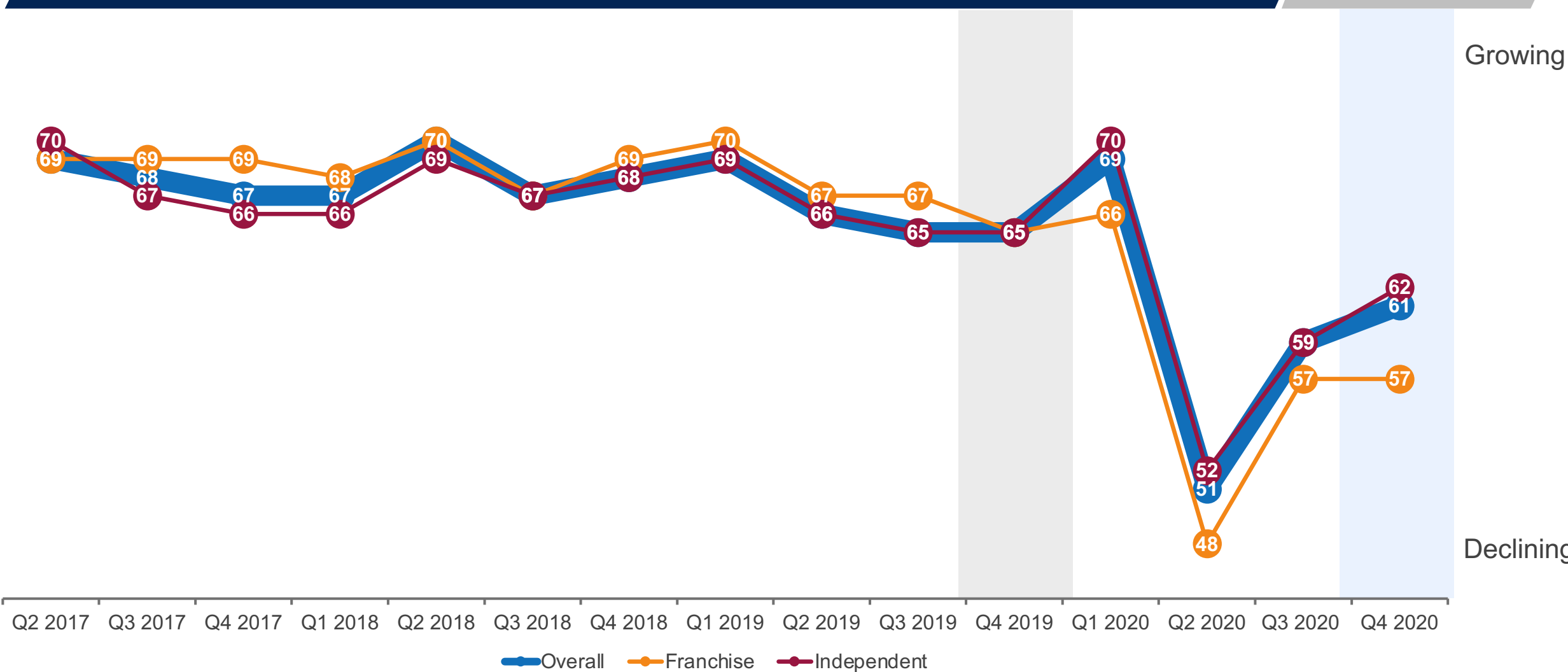


Note: Scale 1 - 100

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

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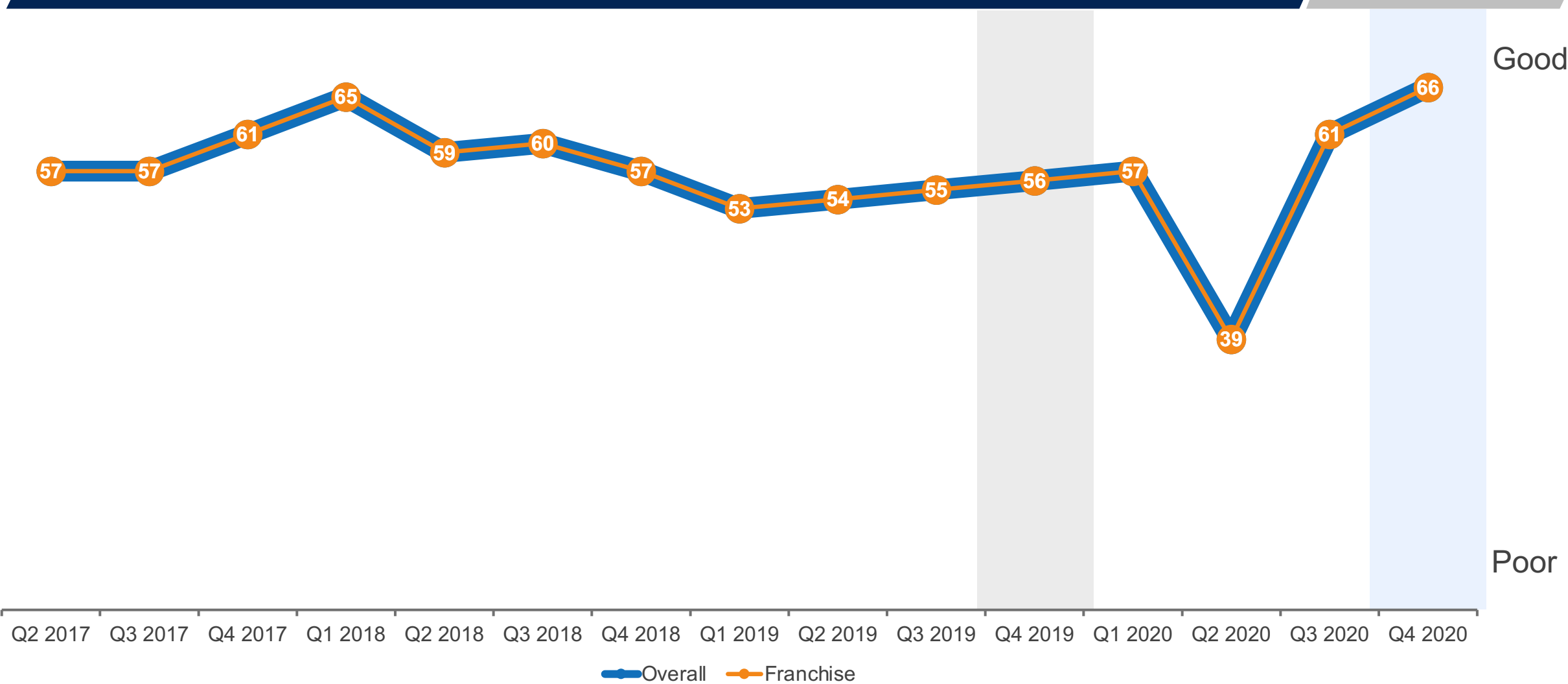


Note: Scale 1 - 100

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

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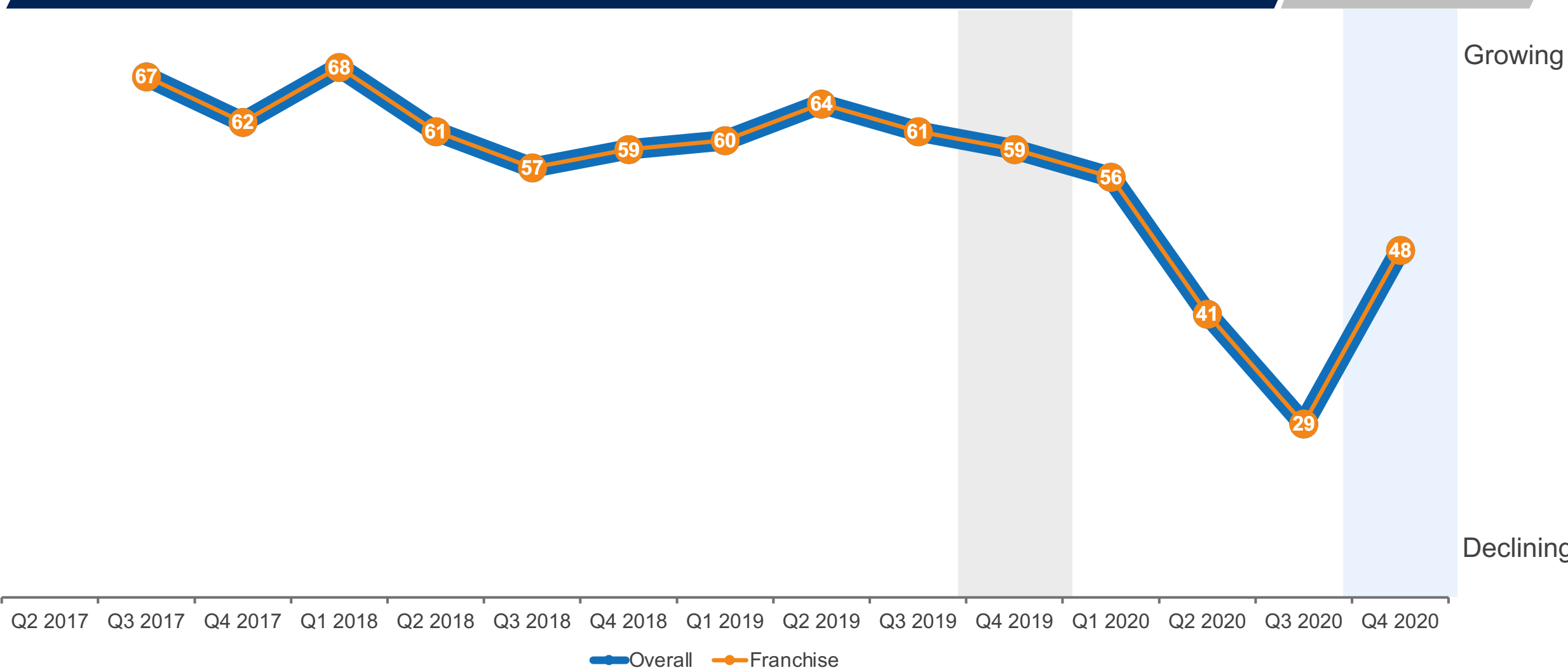


Note: Scale 1 - 100

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

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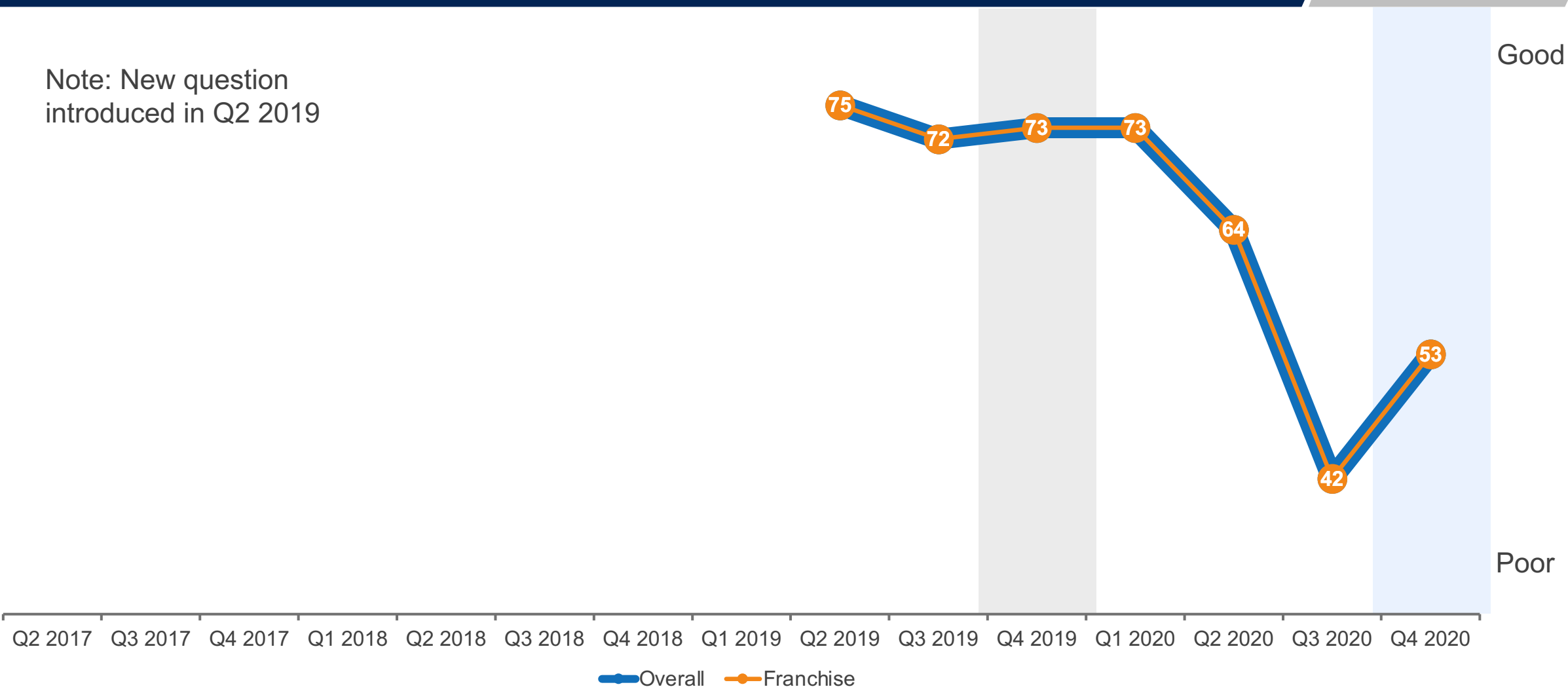


Note: Scale 1 - 100

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

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Note: New question introduced in Q2 2019

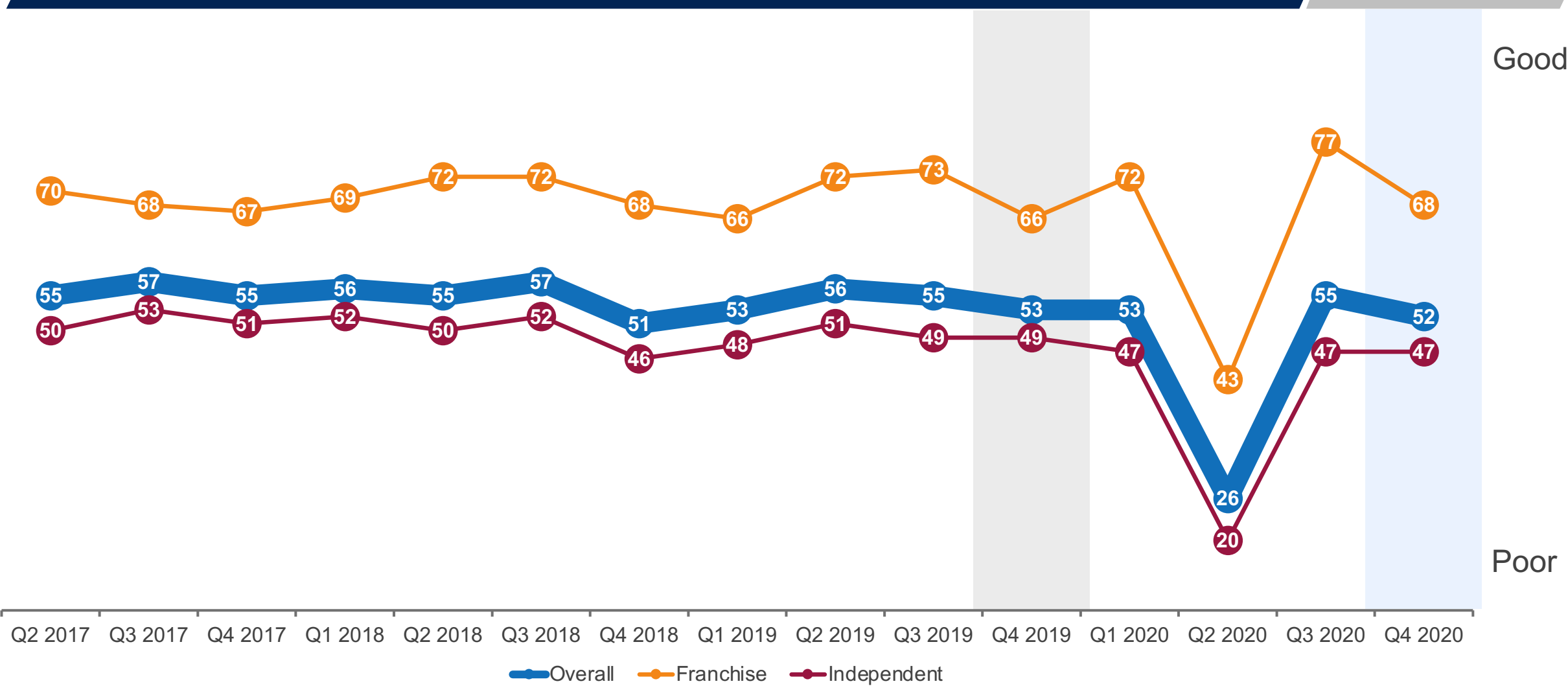


Note: Scale 1 - 100

Q10: How would you describe the current used-vehicle sales environment?

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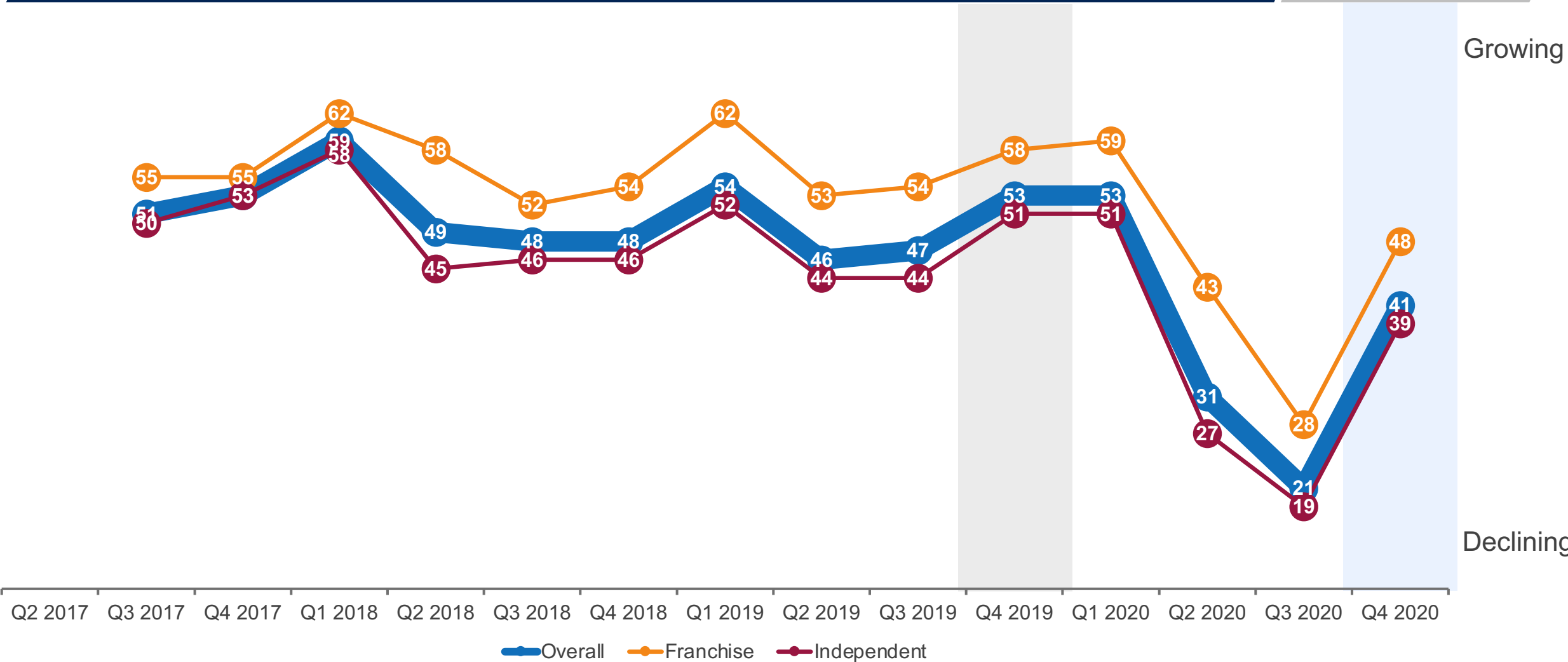


Note: Scale 1 - 100

Q11: How would you describe the current used-vehicle inventory levels?

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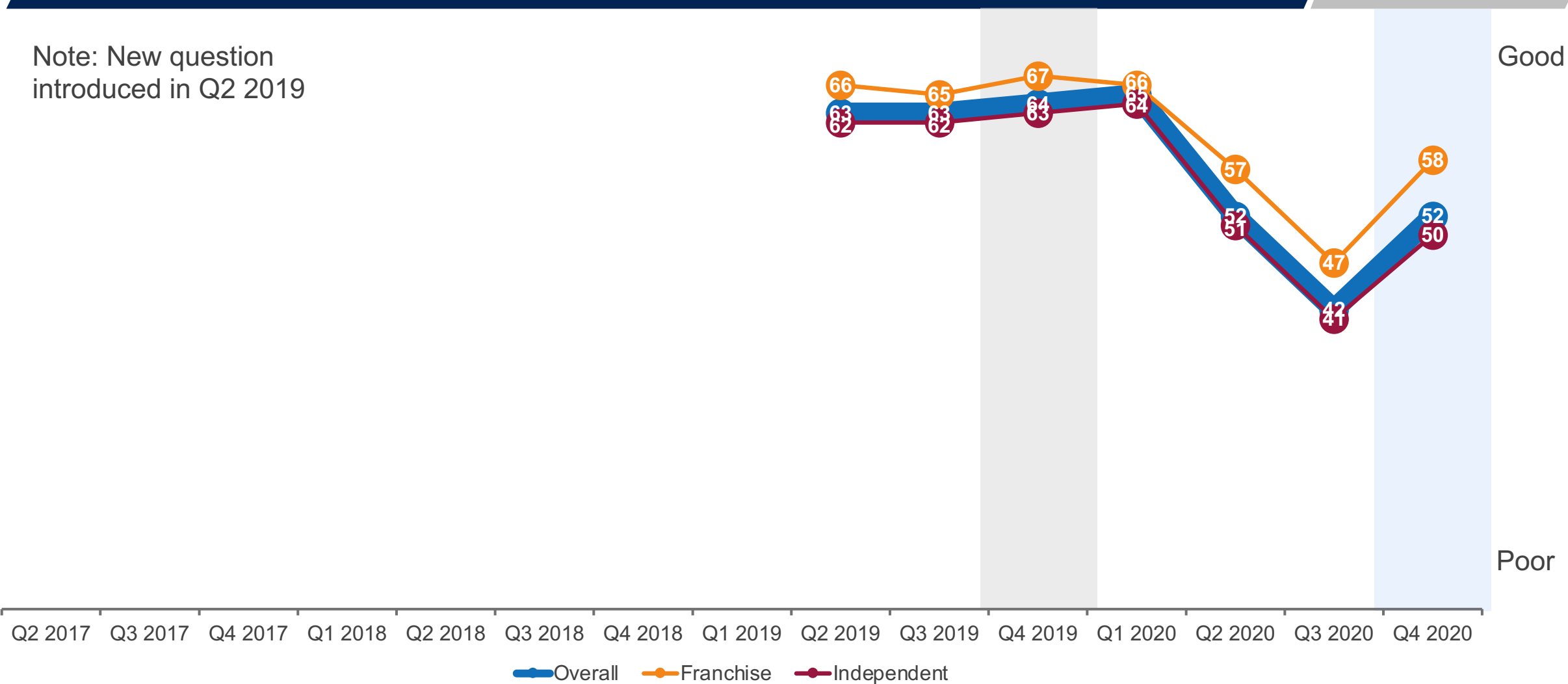


Note: Scale 1 - 100

Q22: How would you describe the current used-vehicle inventory mix?

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Note: New question introduced in Q2 2019

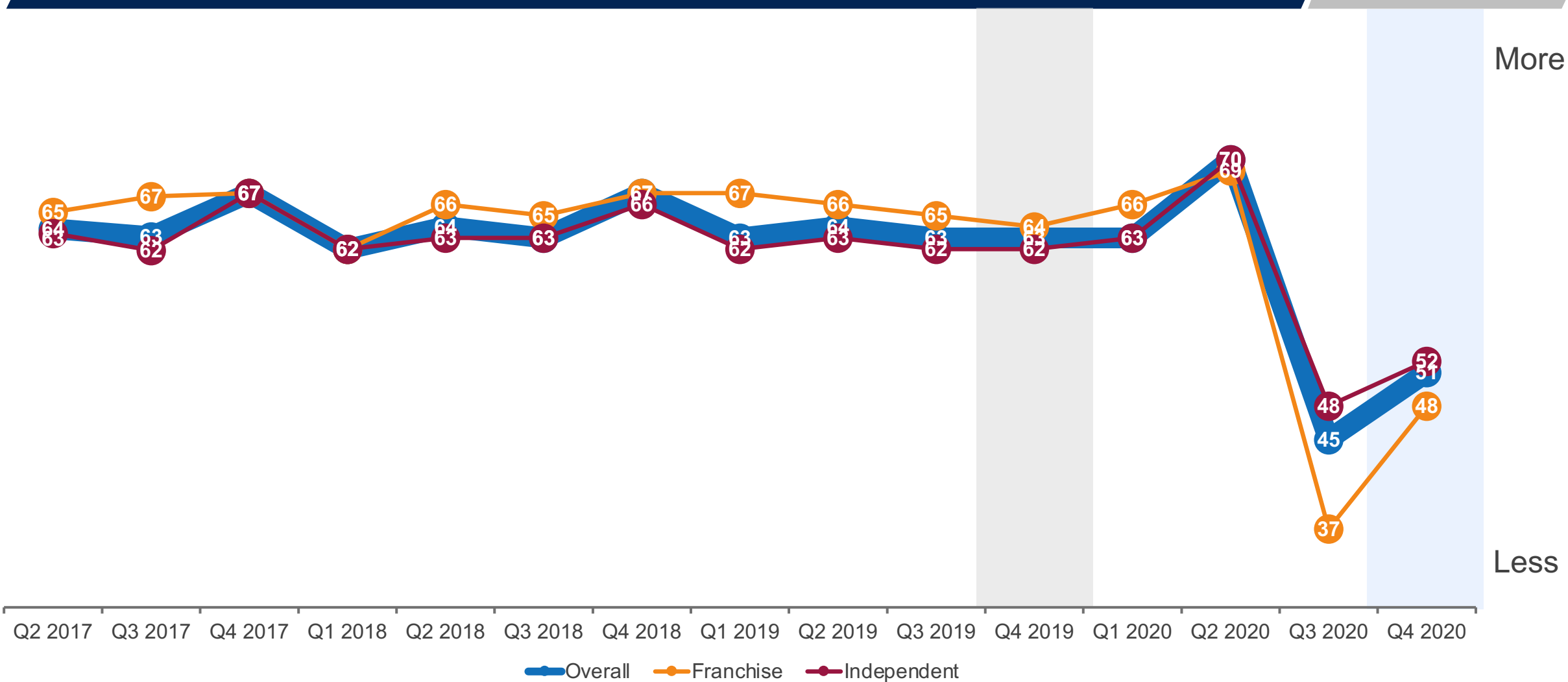


Note: Scale 1 - 100

Q13: How much pressure do you feel to lower your prices?

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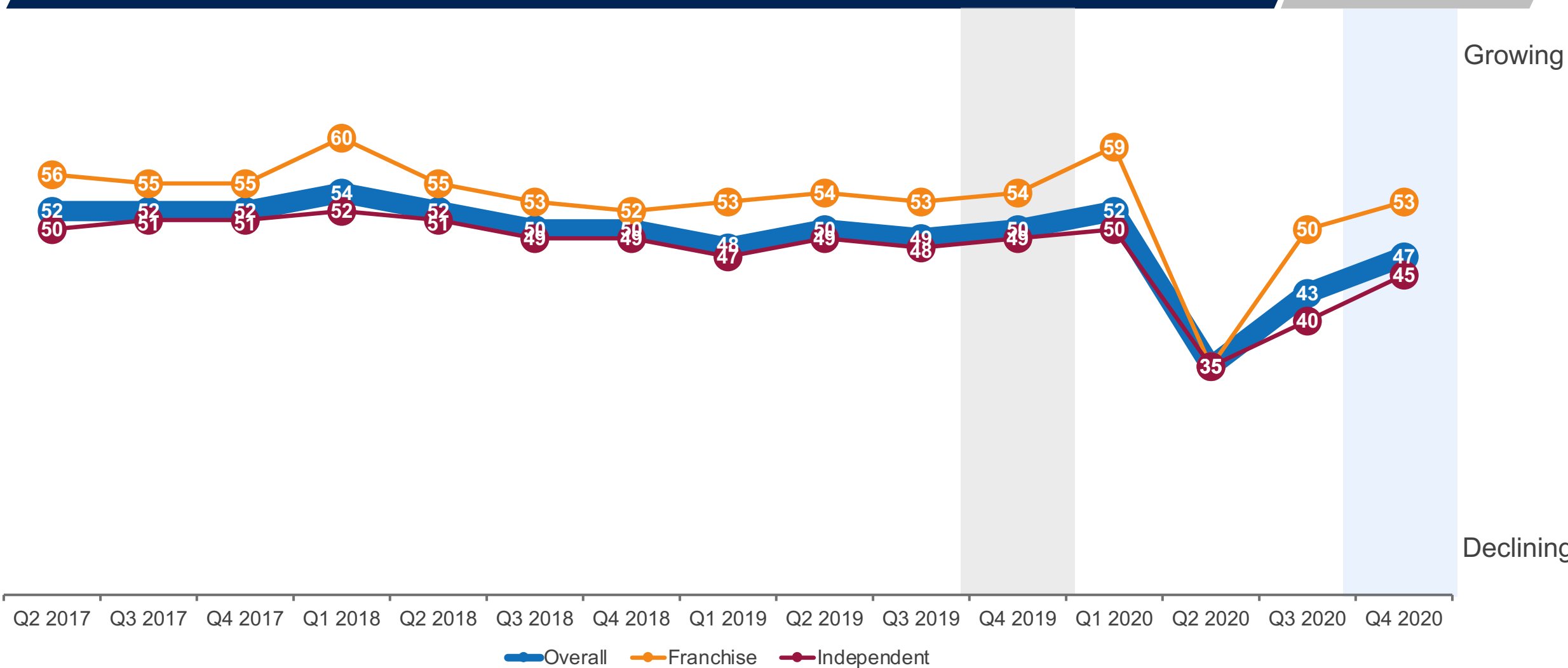


Note: Scale 1 - 100

Q14: How would you describe your dealership's current staffing levels?

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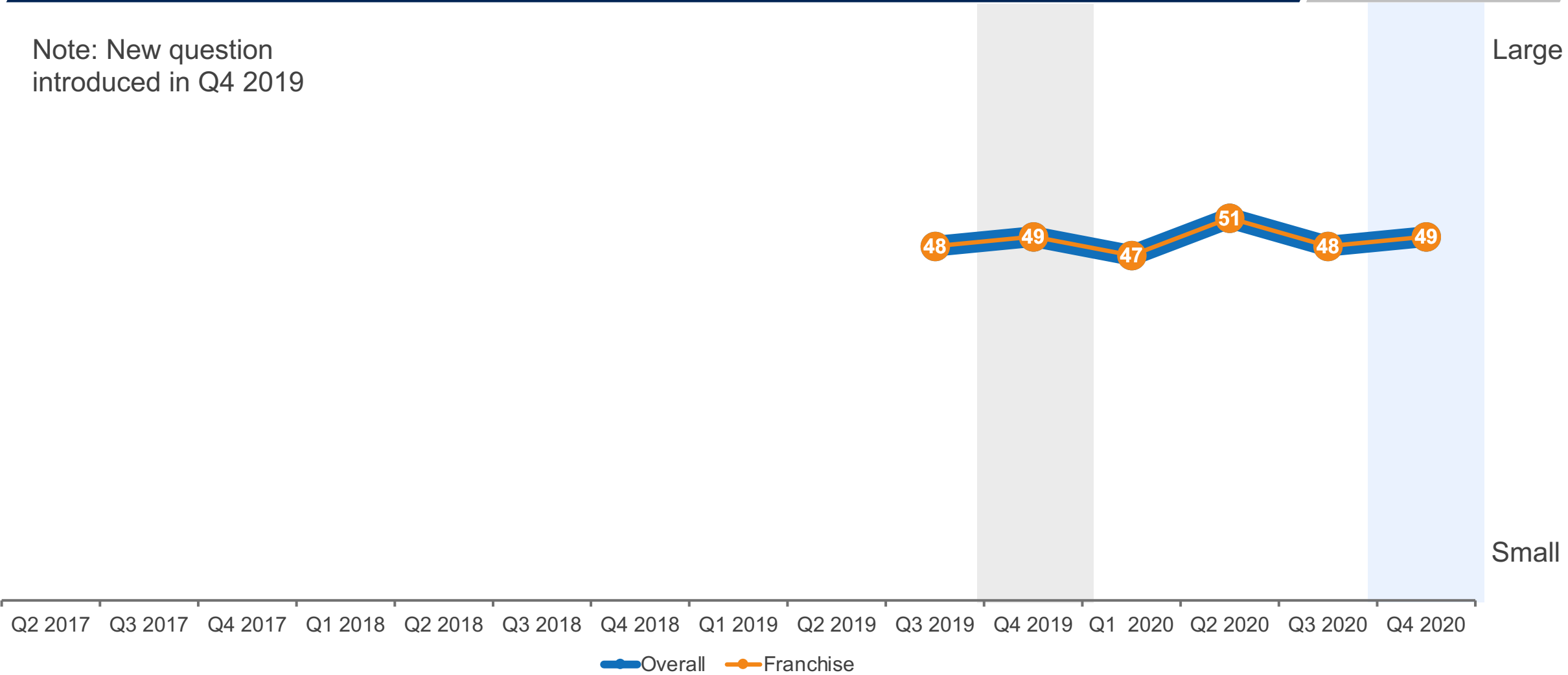


Note: Scale 1 - 100

Q15: How would you describe the current level of OEM new-vehicle incentives?

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Note: New question introduced in Q4 2019

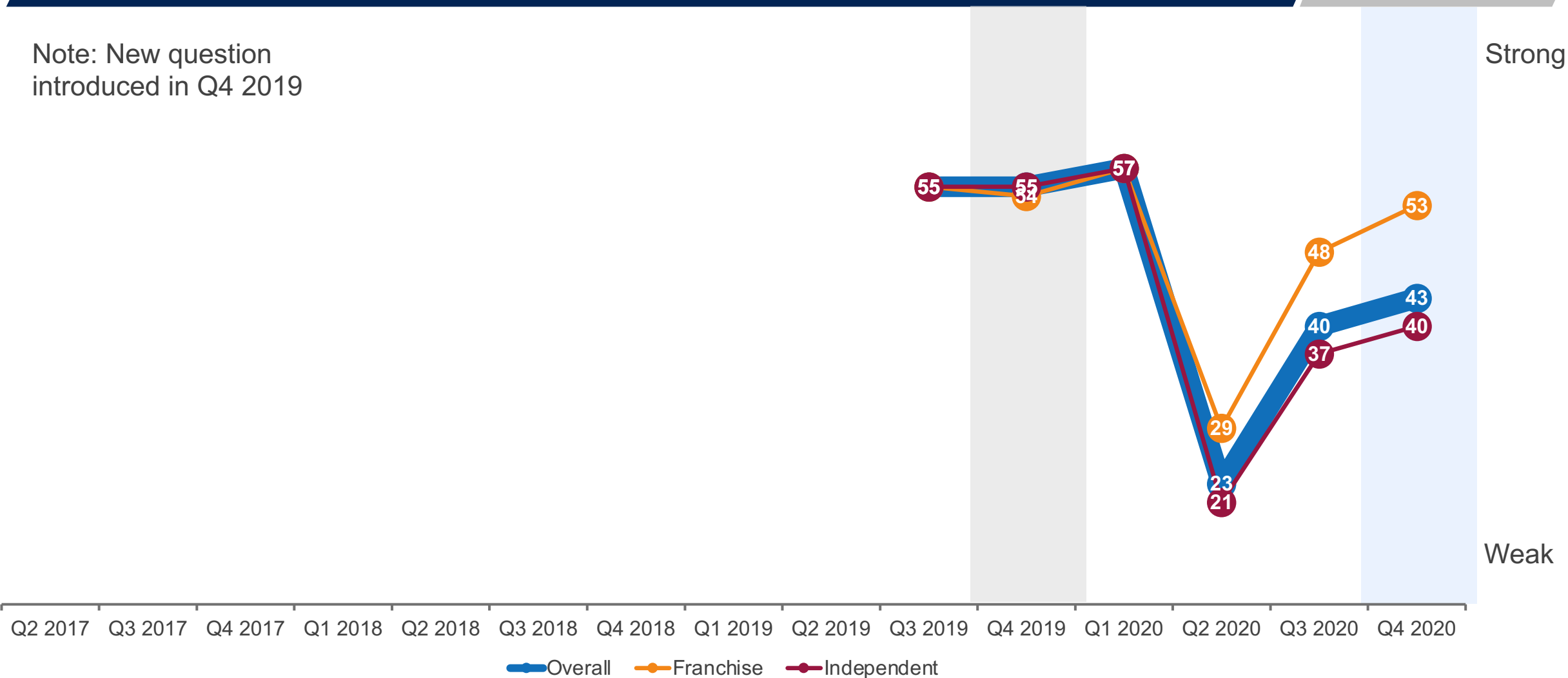


Note: Scale 1 - 100

Q16: How would you describe the current U.S. economy?

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Note: New question introduced in Q4 2019








Note: Scale 1 - 100

Factors Holding Back Your Business?

Dealer Sentiment Index

FOURTH QUARTER 2020

OVERALL RANK

		Q4 '20	Q3 '20	Q4 '19
1	Business Impacts From COVID-19/Coronavirus	47%  	49%	N/A
2	Limited Inventory	45%	60%	26%
3	Political Climate	40%	27%	18%
4	Economy	38%	39%	25%
5	Market Conditions	37%	40%	35%
6	Consumer Confidence	25% 	24%	19%
7	Credit Availability for Consumers	19% 	21%	27%
8	Expenses	17% 	20%	22%
9	Competition	17%	13%	33%
10	Weather	9%	3%	11%
11	Credit Availability for Business	8%	7%	6%
12	Regulations	7%	8%	8%
13	Consumer Transparency in Pricing	7%	5%	10%
14	Staff Turnover	5%	7%	8%
15	Interest Rates	4%	4%	7%
16	Dealership Systems/Tools	4%	4%	5%

Significant decrease vs
previous quarter



Significant increase vs
previous quarter



Factors Holding Back Your Business?

Dealer Sentiment Index

FOURTH QUARTER 2020

OVERALL RANK

		Q4 '20	Q3 '20	Q4 '19
17	Technology to Support Sales	3%	3%	N/A
18	Technology to Support Operations	3%	2%	N/A
19	Lack of Consumer Incentives From My OEM	2%	3%	4%
20	Too Much Retail Inventory	2%	2%	6%
21	OEM Priorities	2%	2%	N/A
22	Tariffs on Imported Vehicles and Parts	2%	2%	6%
23	OEM Mandates/Restrictions	1%	2%	4%

Significant decrease vs
previous quarter



Significant increase vs
previous quarter





Factors Holding Back Your Business?

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FRANCHISED DEALERS

		Q4 '20	Q3 '20	Q4 '19
1	Political Climate	48% 	30%	24%
2	Limited Inventory	44% 	59%	17%
3	Business Impacts From COVID-19/Coronavirus	39%	46%	N/A
4	Economy	33%	33%	26%
5	Market Conditions	29%	32%	38%
6	Consumer Confidence	24%	24%	21%
7	Competition	12%	10%	31%
8	Lack of Consumer Incentives From My OEM	10%	13%	15%
9	Expenses	10%	11%	18%
10	Credit Availability for Consumers	9%	11%	15%
11	Staff Turnover	8%	10%	16%
12	Weather	8%	4%	14%
13	OEM Priorities	7%	7%	N/A
14	OEM Mandates/Restrictions	6%	6%	14%
15	Regulations	6%	7%	4%
16	Consumer Transparency in Pricing	5%	4%	8%

Significant decrease vs
previous quarter



Significant increase vs
previous quarter



Factors Holding Back Your Business?

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FOURTH QUARTER 2020

FRANCHISED DEALERS

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

Significant decrease vs
previous quarter



Significant increase vs
previous quarter








Factors Holding Back Your Business?

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INDEPENDENT DEALERS

		Q4 '20	Q3 '20	Q4 '19
1	Business Impacts From COVID-19/Coronavirus	49% 	50%	N/A
2	Limited Inventory	46%	60%	30%
3	Economy	40%	41%	24%
4	Market Conditions	39%	43%	34%
5	Political Climate	37% 	25%	17%
6	Consumer Confidence	25%	24%	18%
7	Credit Availability for Consumers	23%	25%	31%
8	Expenses	20% 	24%	23%
9	Competition	18% 	14%	33%
10	Credit Availability for Business	10% 	9%	7%
11	Weather	9%	2%	10%
12	Consumer Transparency in Pricing	8%	6%	11%
13	Regulations	7%	9%	9%
14	Staff Turnover	5%	6%	5%

Significant decrease vs
previous quarter



Significant increase vs
previous quarter



Factors Holding Back Your Business?

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INDEPENDENT DEALERS

		Q4 '20	Q3 '20	Q4 '19
15	Interest Rates	4%	4%	6%
16	Technology to Support Sales	4%	3%	N/A
17	Technology to Support Operations	4%	2%	N/A
18	Dealership Systems/Tools	4%	5%	5%
19	Too Much Retail Inventory	3%	3%	6%
20	Tariffs on Imported Vehicles and Parts	1%	2%	5%

Significant decrease vs
previous quarter



Significant increase vs
previous quarter



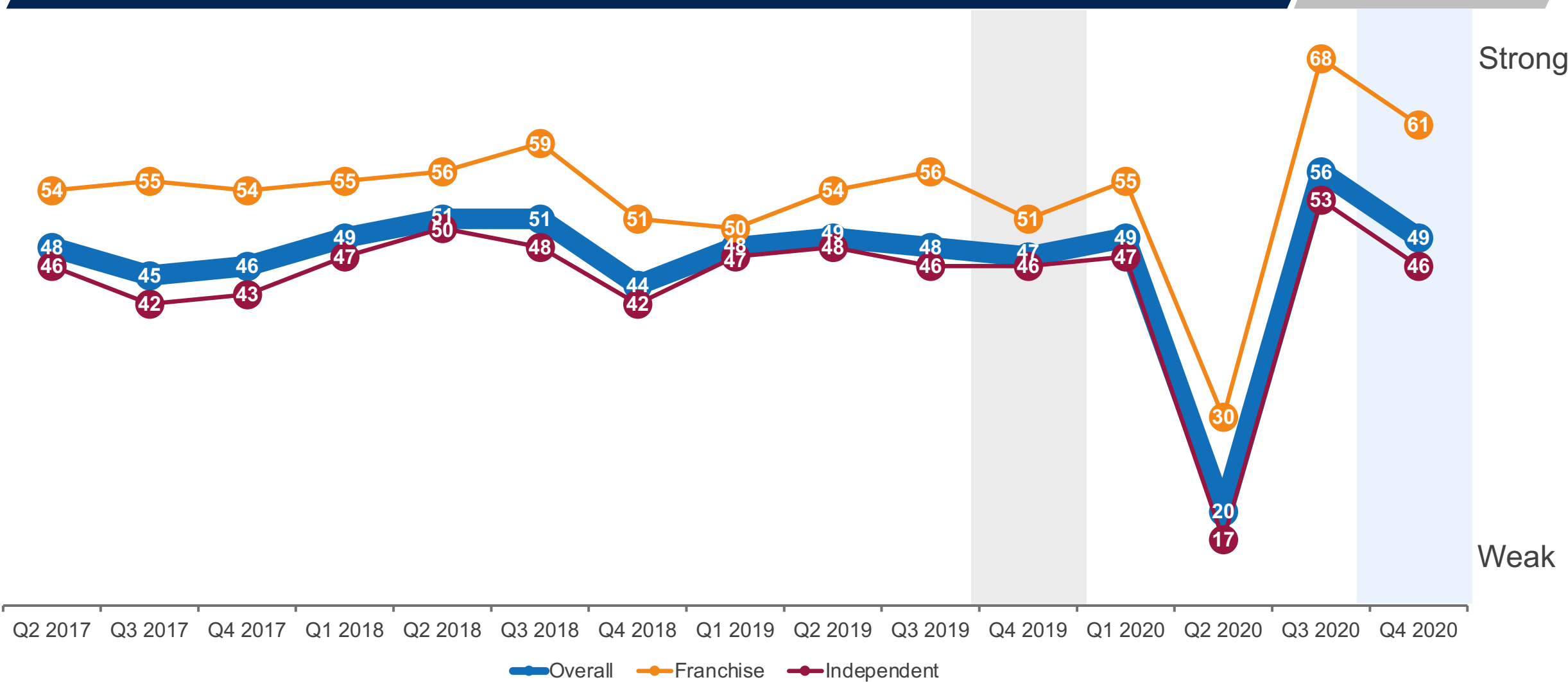
The Business Impact of COVID-19



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

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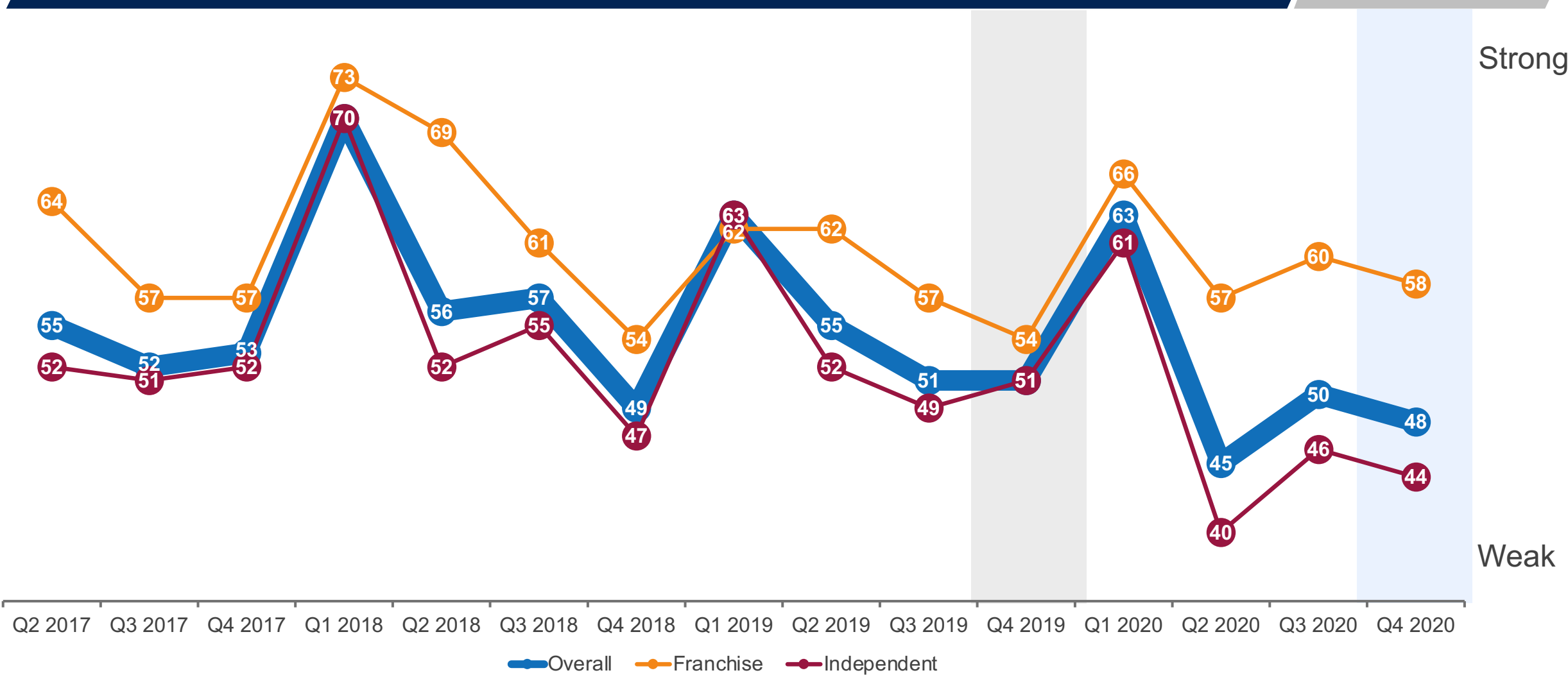


Note: Scale 1 - 100

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

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Note: Scale 1 - 100

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Top Priorities at This Time

	Overall Q3 / Q4	Franchised Q3 / Q4	Independent Q3 / Q4	High Tax States Q3 / Q4	All Other States Q3 / Q4
Finding/Buying inventory*	47% / 34%	36% / 24%	51% / 37% A	38% / 27%	49% / 36% B
Staying in business in general	19% / 22%	10% / 8%	22% / 26% A	23% / 23%	18% / 21%
Improving efficiency in general	8% / 11%	12% / 15% B	7% / 9%	10% / 9%	7% / 11%
Improving Sales and Service solutions	7% / 9%	11% / 12% B	5% / 8%	10% / 12% B	6% / 8%
Retaining customers	5% / 8%	10% / 14% B	3% / 6%	7% / 6%	5% / 8%
Gaining market share	4% / 7%	10% / 16% B	2% / 4%	3% / 8%	4% / 7%
Reducing expenses by cutting unnecessary costs	7% / 6%	6% / 4%	7% / 7%	7% / 11% B	7% / 5%
Retaining employees	1% / 2%	4% / 5% B	1% / 1%	0% / 3%	2% / 2%
Other	2% / 1%	1% / 2%	2% / 2%	2% / 1%	2% / 2%

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

*Option added in Q4 2020

Dealer Sentiment Index Q4 2020

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Regional View – Index Scores (Franchised Dealers)

Question	Answer	North-east	Mid-west	South	West
Current Market	Strong/Weak	64	59	60	64
Market Next 3 Months	Strong/Weak	57	53	61	61
Customer Traffic	Strong/Weak	61	50	48	49
Profits	Strong/Weak	74	71	67	68
Dealer Credit	Easy/Difficult	66	61	64	62
Costs	Growing/Declining	57	61	54	56
New Vehicle Sales	Good/Poor	68	65	69	62
New Vehicle Inventory	Growing/Declining	43	48	57	42
New Vehicle Inventory Mix	Good/Poor	47	52	62	47



Note: Scale 1 – 100

GREEN: Significant increase from prior quarter

RED: Significant decrease from prior quarter

Dealer Sentiment Index

FOURTH QUARTER 2020

Regional View – Index Scores (Franchised Dealers)

Question	Answer	North-east	Mid-west	South	West
Used Vehicle Sales	Good/Poor	68	71	66	65
Used Vehicle Inventory	Growing/Declining	43	50	53	42
Used Vehicle Inventory Mix	Good/Poor	61	59	60	51
Price Pressure	More/Less	42	46	53	51
Staffing	Growing/Declining	50	55	55	51
OEM incentives	Large/Small	51	47	50	50
Economy	Strong/Weak	53	55	54	50



Note: Scale 1 – 100

GREEN: Significant increase from prior quarter

RED: Significant decrease from prior quarter

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The image shows a large, modern glass skyscraper with a curved facade, reflecting the sky and surrounding environment. In the foreground, there is a blue and white signpost with the 'COX' logo in large, white, three-dimensional letters. Below the logo, there are two directional arrows with phone numbers: a left-pointing arrow with '(P) 6205 6305' and an up-pointing arrow with '(P) 6325'. The background is a clear blue sky.

◀ (P) 6205 6305

▲ (P) 6325



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