

A man and a woman in business attire are looking at a tablet together in a car interior. The woman is holding the tablet and pointing at the screen, while the man looks on. The background is a blurred car interior.

# DEALER SENTIMENT INDEX

SECOND QUARTER

— 2018 —

Cox  
AUTOMOTIVE™

## BACKGROUND

Data for the Cox Automotive Dealer Sentiment Index (CADSI) is gathered via a quarterly online survey of Franchise 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 CADSI is based on 1,053 dealer respondents. The survey was conducted from April 30 to May 14, 2018.

The CADSI was first published in Q3 2017 by Cox Automotive. The next quarterly report will be released in September 2018.



## KEY TAKEAWAYS

While dealers were more positive than negative in describing the current market, expectations for the future deteriorated substantially compared to the optimism reported in Q1.

Higher costs, inventory concerns and rising interest rates are likely driving dealers to believe the best times in this cycle may soon be in the rearview mirror.

Franchise dealers were more positive than independents in Q2. In fact, the decline in optimism was driven mostly by independents, who registered a score of 70 about the future in the Q1 survey and a barely-positive 52 in Q2.

Overall, the new-car sales environment scored a positive 59, a decline from the first quarter's 65. The used-car sales

environment scored 55, similar to last quarter. Franchises were far more positive about used sales, with a score of 72, compared to Independents, who had an index score of 50.

Market Conditions, Limited Inventory and Credit Availability for Consumers remain high on the list of factors holding back the business, while Interest Rates concerns jumped significantly.

Compared to Q1, dealers shifted from a majority expecting a positive impact to their business from tax reform to a majority now indicating they have experienced no impact. This shift likely contributed to the significant decline in the market outlook for the summer.

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

OVERALL SCORE

51

Q1 2018: 49

0

50

100

Weak

Average

Strong



FRANCHISE DEALERS

Q1 2018: 55



INDEPENDENT DEALERS

Q1 2018: 47



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

OVERALL SCORE

56

Q1 2018: 70

0

50

100

Weak

Average

Strong



69

FRANCHISE DEALERS

Q1 2018: 73



52

INDEPENDENT DEALERS

Q1 2018: 70

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

OVERALL SCORE

40

Q1 2018: 35

0

50

100

Weak

Average

Strong



FRANCHISE DEALERS

Q1 2018: 43



INDEPENDENT DEALERS

Q1 2018: 33



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

OVERALL SCORE

43

Q1 2018: 41

0

50

100

Weak

Average

Strong



FRANCHISE DEALERS

Q1 2018: 49



INDEPENDENT DEALERS

Q1 2018: 38

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

OVERALL SCORE

59

Q1 2018: 61

0

50

100

Difficult

Average

Easy



FRANCHISE DEALERS

Q1 2018: 70



INDEPENDENT DEALERS

Q1 2018: 58



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

OVERALL SCORE

70

Q1 2018: 67

0

50

100

Declining

Average

Growing



FRANCHISE DEALERS

Q1 2018: 68



INDEPENDENT DEALERS

Q1 2018: 66

# Q7: How would you describe your dealership's current fixed capital investment levels?

OVERALL SCORE

54

Q1 2018: 56

0

50

100

Declining

Average

Growing



FRANCHISE DEALERS

Q1 2018: 66



INDEPENDENT DEALERS

Q1 2018: 53



# Q8: How would you describe the current new-vehicle sales environment?

OVERALL SCORE

59

Q1 2018: 65

0

50

100

Poor

Average

Good



FRANCHISE DEALERS

Q1 2018: 65



INDEPENDENT DEALERS

Q1 2018: N/A

**Q9:** *How would you describe your dealership's current new-vehicle inventory levels?*

OVERALL SCORE

61

Q1 2018: 68

0

50

100

Declining

Average

Growing



FRANCHISE DEALERS

Q1 2018: 68



INDEPENDENT DEALERS

Q1 2018: N/A



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

OVERALL SCORE

55

Q1 2018: 56

0

50

100

Poor

Average

Good



FRANCHISE DEALERS

Q1 2018: 69



INDEPENDENT DEALERS

Q1 2018: 52

# Q11: How would you describe your dealership's current used-vehicle inventory levels?

OVERALL SCORE

49

Q1 2018: 59

0

50

100

Declining

Average

Growing



FRANCHISE DEALERS

Q1 2018: 62



INDEPENDENT DEALERS

Q1 2018: 58



# Q12: How much pressure do you feel to lower your prices?

OVERALL SCORE

64

Q1 2018: 62

0

50

100

Less

Average

More



FRANCHISE DEALERS

Q1 2018: 62



INDEPENDENT DEALERS

Q1 2018: 62

# Q13: How would you describe your dealership's current staffing levels?

OVERALL SCORE

52

Q1 2018: 54

0

50

100

Declining

Average

Growing



FRANCHISE DEALERS

Q1 2018: 60



INDEPENDENT DEALERS

Q1 2018: 52



# What Are The Top Factors Holding Your Business Back?

OVERALL RANK

1	Market Conditions	43%	
2	Limited Inventory	36%	↑
2	Credit Availability for Consumers	36%	
4	Competition	28%	↓
5	Expenses	25%	
6	Interest Rates	16%	↑
7	Consumer Confidence	15%	
8	Consumer Transparency in Pricing	14%	
9	Regulations	12%	
10	Staff Turnover	11%	
11	Credit Availability for Business	9%	
12	Too Much Retail Inventory	7%	
12	Dealership Systems/Tools	7%	
14	OEM Mandates/Restrictions	6%	



# What Are The Top Factors Holding Your Business Back?

FRANCHISE DEALER RANK

1	Market Conditions	47%	↑
2	Competition	36%	
3	Credit Availability for Consumers	24%	
3	OEM Mandates/Restrictions	24%	
5	Limited Inventory	23%	↑
5	Expenses	23%	
7	Staff Turnover	22%	
8	Interest Rates	21%	↑
9	Consumer Confidence	19%	
10	Consumer Transparency in Pricing	18%	
11	Regulations	10%	
12	Dealership Systems/Tools	9%	
13	Too Much Retail Inventory	6%	
14	Credit Availability for Business	3%	





# What Are The Top Factors Holding Your Business Back?

INDEPENDENT DEALER RANK

1	Market Conditions	42%	
2	Limited Inventory	41%	↑
3	Credit Availability for Consumers	40%	
4	Expenses	26%	
5	Competition	25%	↓
6	Interest Rates	14%	↑
6	Consumer Confidence	14%	
8	Consumer Transparency in Pricing	13%	
8	Regulations	13%	
10	Credit Availability for Business	11%	
11	Staff Turnover	8%	↑
11	Too Much Retail Inventory	8%	
13	Dealership Systems/Tools	6%	



# TAX REFORM *Impact*





**Q:** *How has recent tax reform impacted your business' profitability this quarter?*

OVERALL SCORE

61

Q1 2018: 77

0

50

100

Negative

Average

Positive



FRANCHISE DEALERS

Q1 2018: 83



INDEPENDENT DEALERS

Q1 2018: 76

# Tax Reform Overall Impact On Business (Breakout Numbers)

OVERALL	Q1	Q2
Positive Impact	59%	29% ↓
No Impact	36%	64% ↑
Negative Impact	5%	7%

FRANCHISE	Q1	Q2
Positive Impact	68%	34% ↓
No Impact	31%	59% ↑
Negative Impact	1%	7% ↑

INDEPENDENT	Q1	Q2
Positive Impact	57%	28% ↓
No Impact	38%	65% ↑
Negative Impact	5%	7%





# Reason Tax Reform Has a POSITIVE Impact On Business?

OVERALL RANK

		Q1	Q2
1	Customer have more disposable income	74%	70%
2	U.S. Economy is stronger	63%	63%
3	Lower effective income tax for dealership	44%	46%
4	Dealership can invest more in the business	36%	41%
5	Dealership is more profitable	49%	33% ↓
6	Dealership can invest more in employees	28%	30%

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