

# Dealer Sentiment Index

First Quarter 2019



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## 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 Q1 CADSI is based on 1,164 dealer respondents. The survey was conducted from January 28th to February 8th, 2019.

The CADSI was first published in Q3 2017. The next quarterly report will be released in June 2019.

# Key Takeaways

Overall dealer sentiment rebounded this quarter according to the CADSI, but the current market index stayed in negative territory with a score of 48.

The improvement from last quarter's more negative score of 44 was statistically significant. Year-over-year, the current market index was down only one point.

Expectations for the next quarter also rebounded, more than reversing decline in dealer optimism in Q4 of 2018. The increase in expectations was statistically significant from last quarter, but the expectations index remains significantly lower than year-ago levels, when optimism was at an all-time high for the study.

Dealers cited the government shutdown, concerns about tax refunds and auto tariffs, and winter weather as all influencing their sentiment. Market conditions, consumer confidence, and interest rates are the key measurable

differences relative to this time last year when peak optimism was based largely on expectations of strong demand fueled by tax reform.

“We’ve seen a turnaround in dealer sentiment and the outlook for the future this quarter compared to the fourth quarter,” said Cox Automotive Chief Economist Jonathan Smoke. “However, gone is the euphoria we saw this time last year as views of new and used sales are lower.”

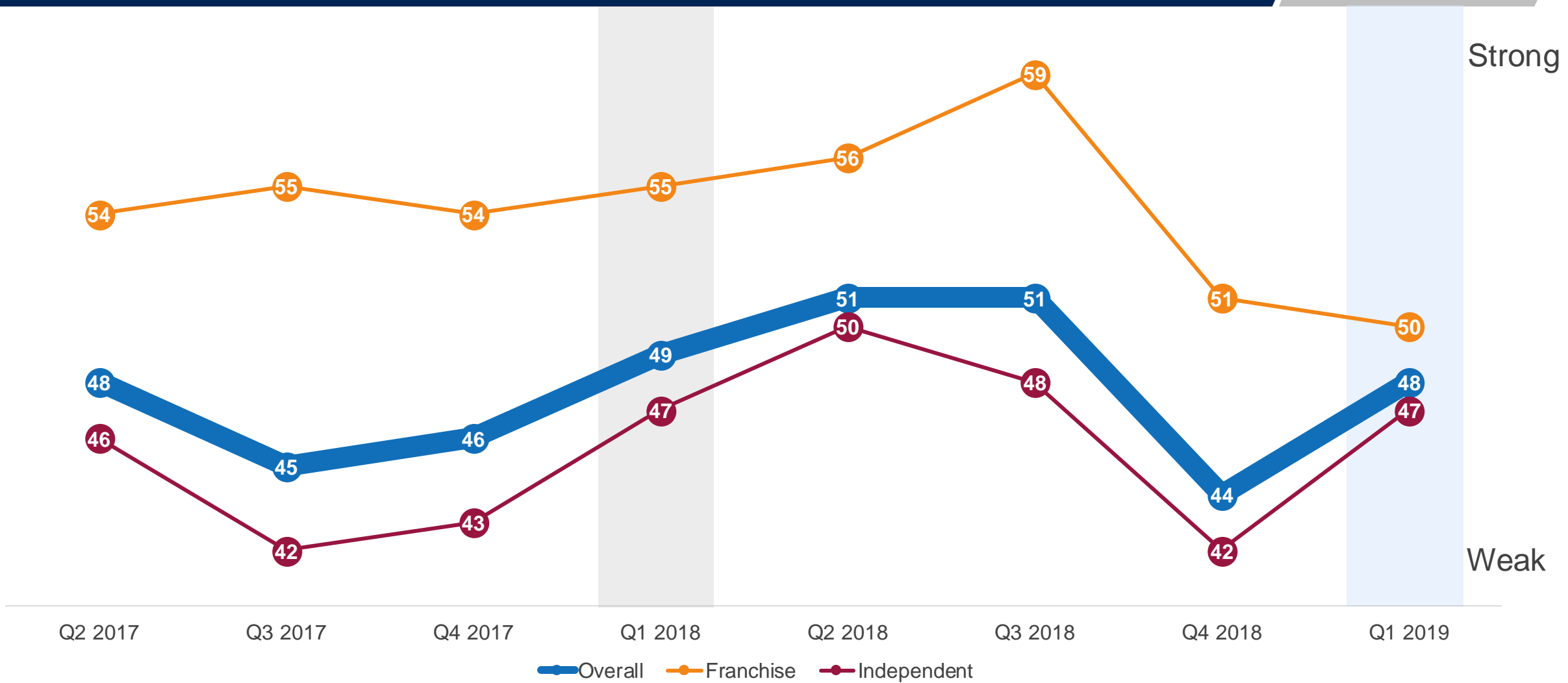
The top 5 factors holding back the business across all dealers remained the same in Q1 2019 as Q4 2018, but relative positions changed.

Market Conditions held the top spot as the most cited negative factor. Competition moved into second place, pushing Credit Availability for Consumers into third. Expenses moved into the fourth place as Limited Inventory slid to fifth.

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

# Dealer Sentiment Index

FIRST QUARTER 2019

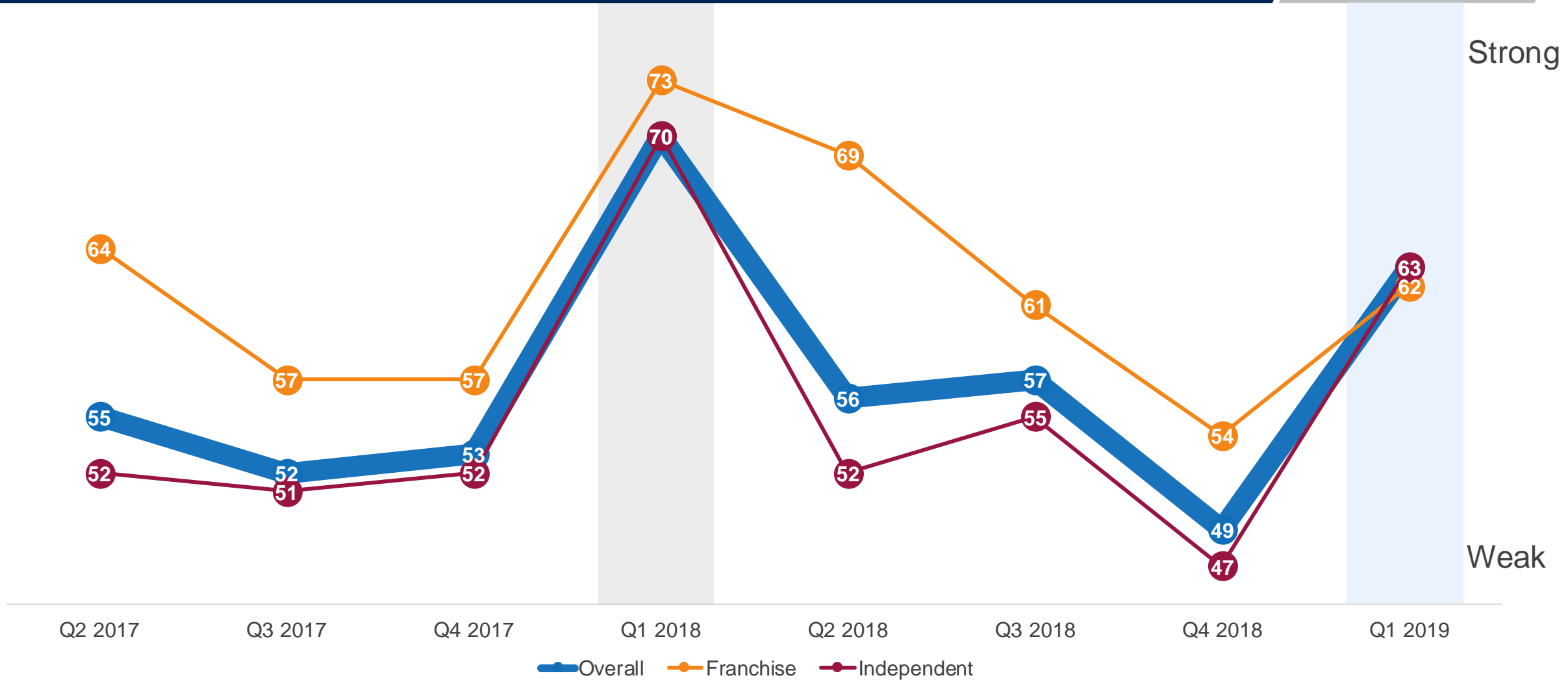


Note: Scale 1 - 100

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

# Dealer Sentiment Index

FIRST QUARTER 2019

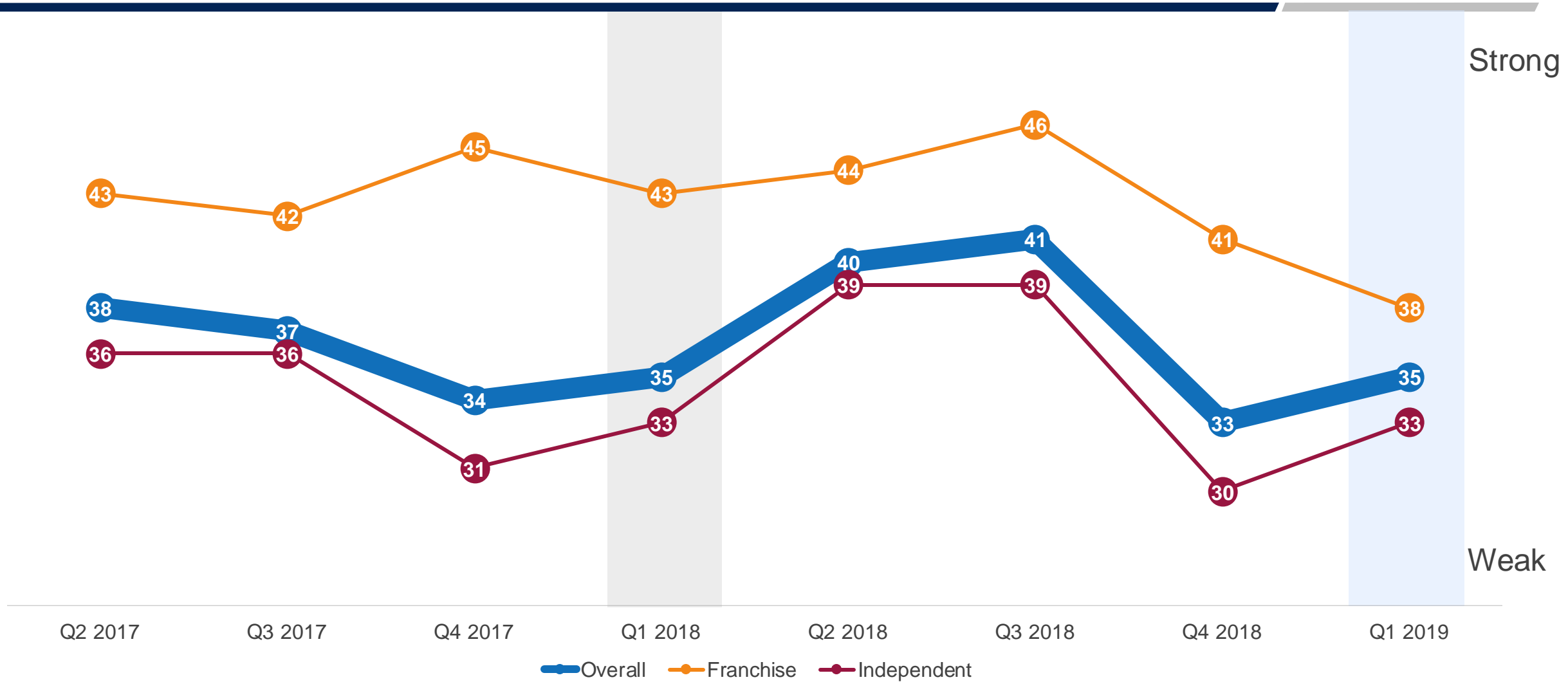


Note: Scale 1 - 100

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

# Dealer Sentiment Index

FIRST QUARTER 2019

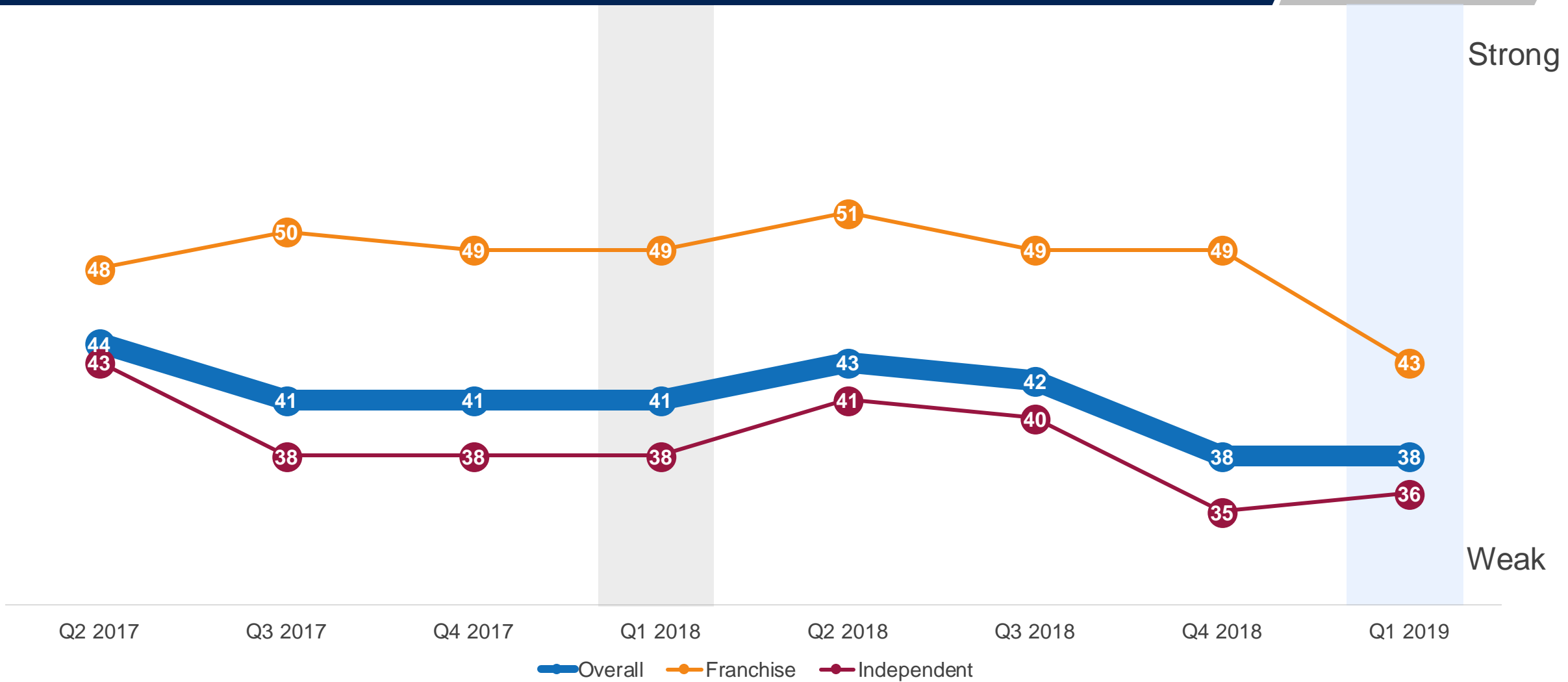


Note: Scale 1 - 100

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

# Dealer Sentiment Index

FIRST QUARTER 2019

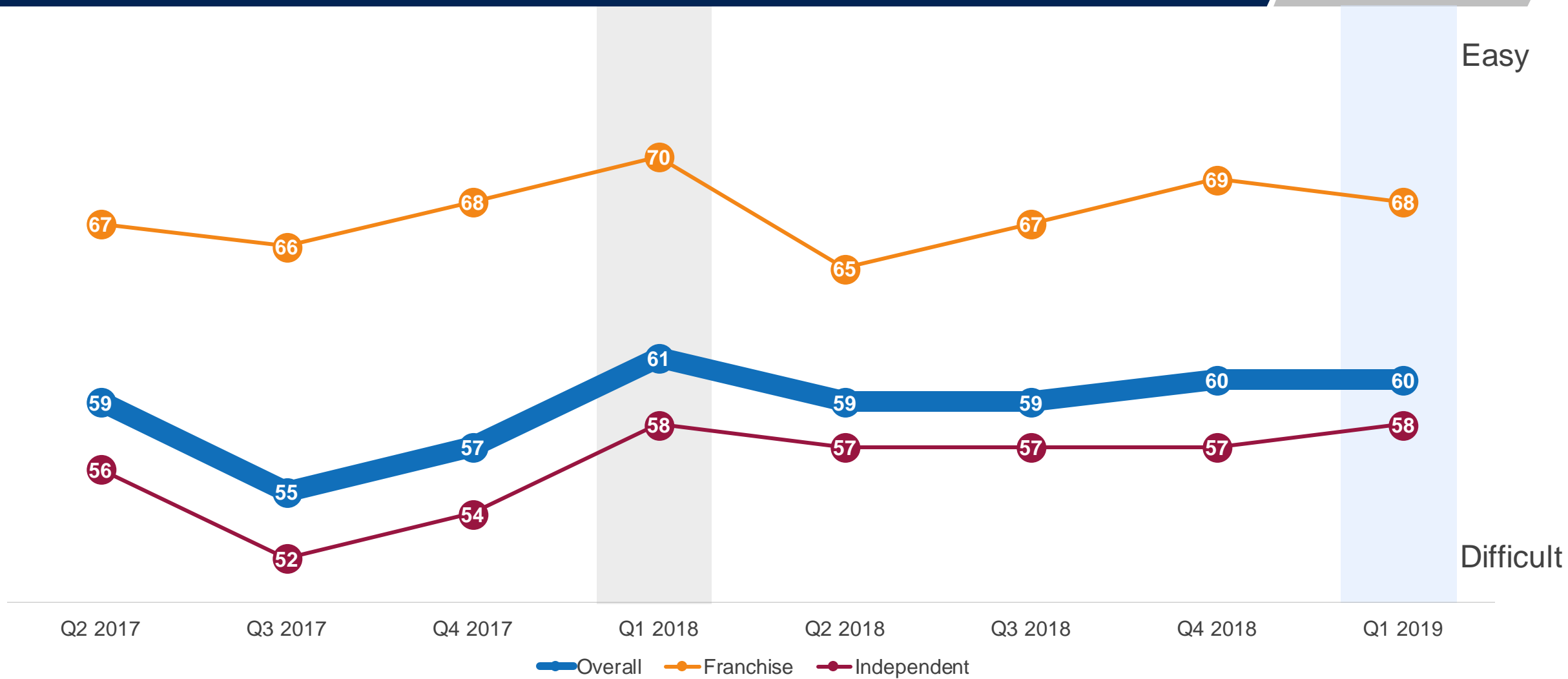


Note: Scale 1 - 100

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

# Dealer Sentiment Index

FIRST QUARTER 2019



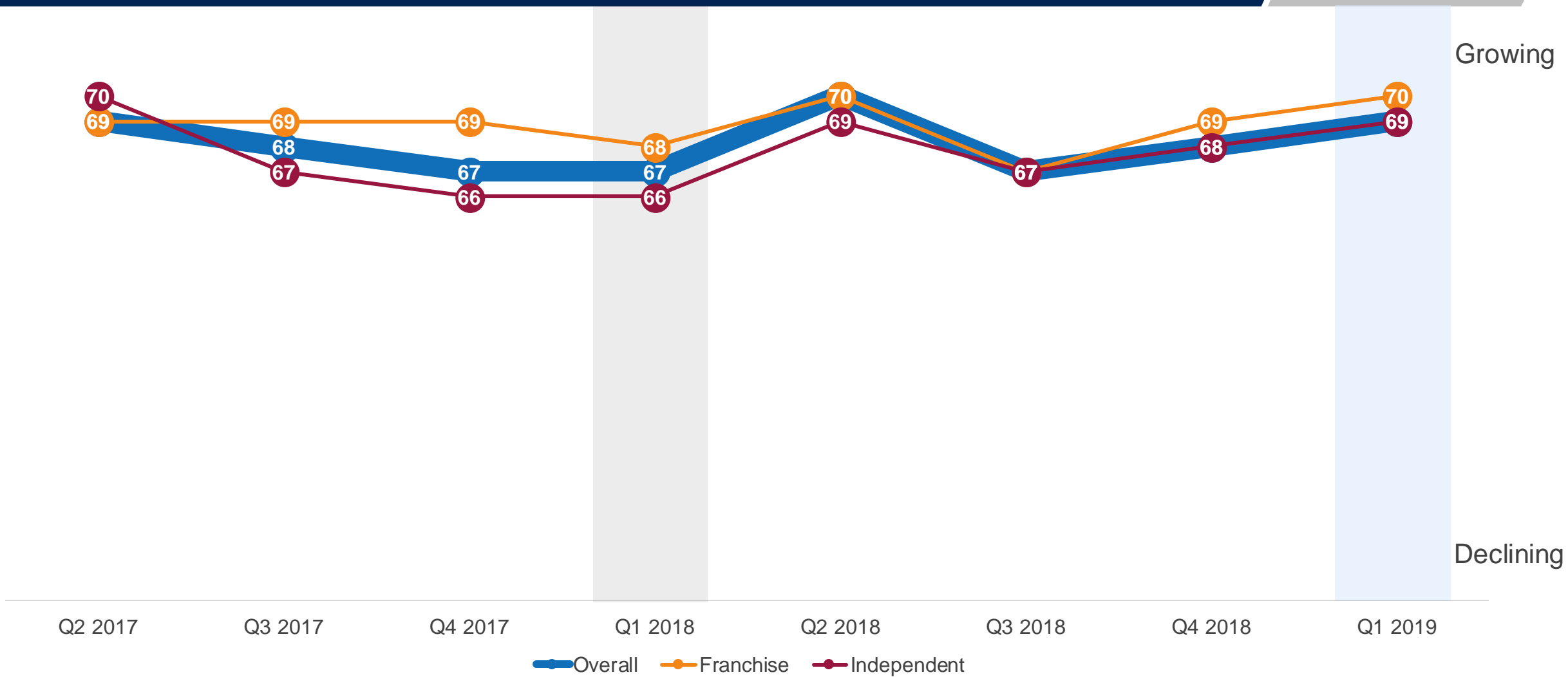
Note: Scale 1 - 100



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

# Dealer Sentiment Index

FIRST QUARTER 2019

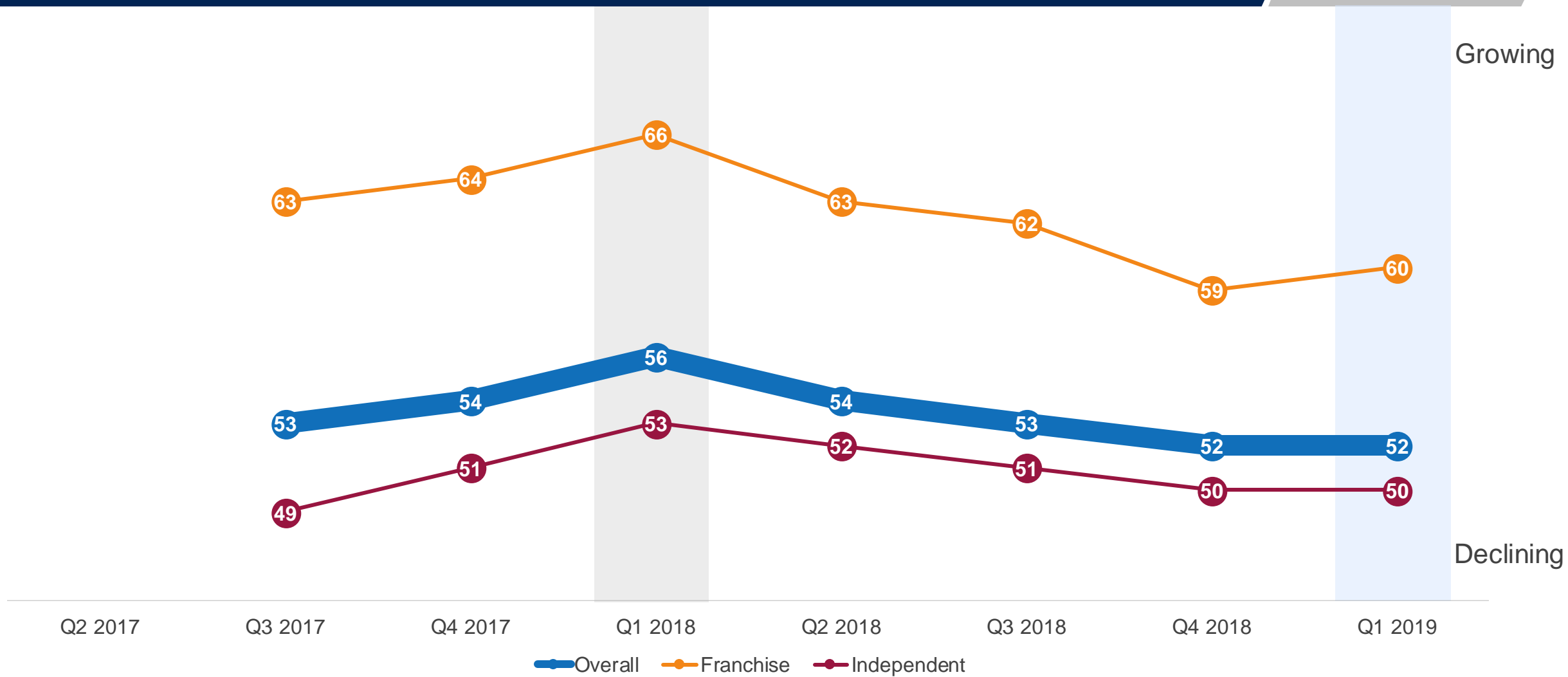


Note: Scale 1 - 100

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

# Dealer Sentiment Index

FIRST QUARTER 2019

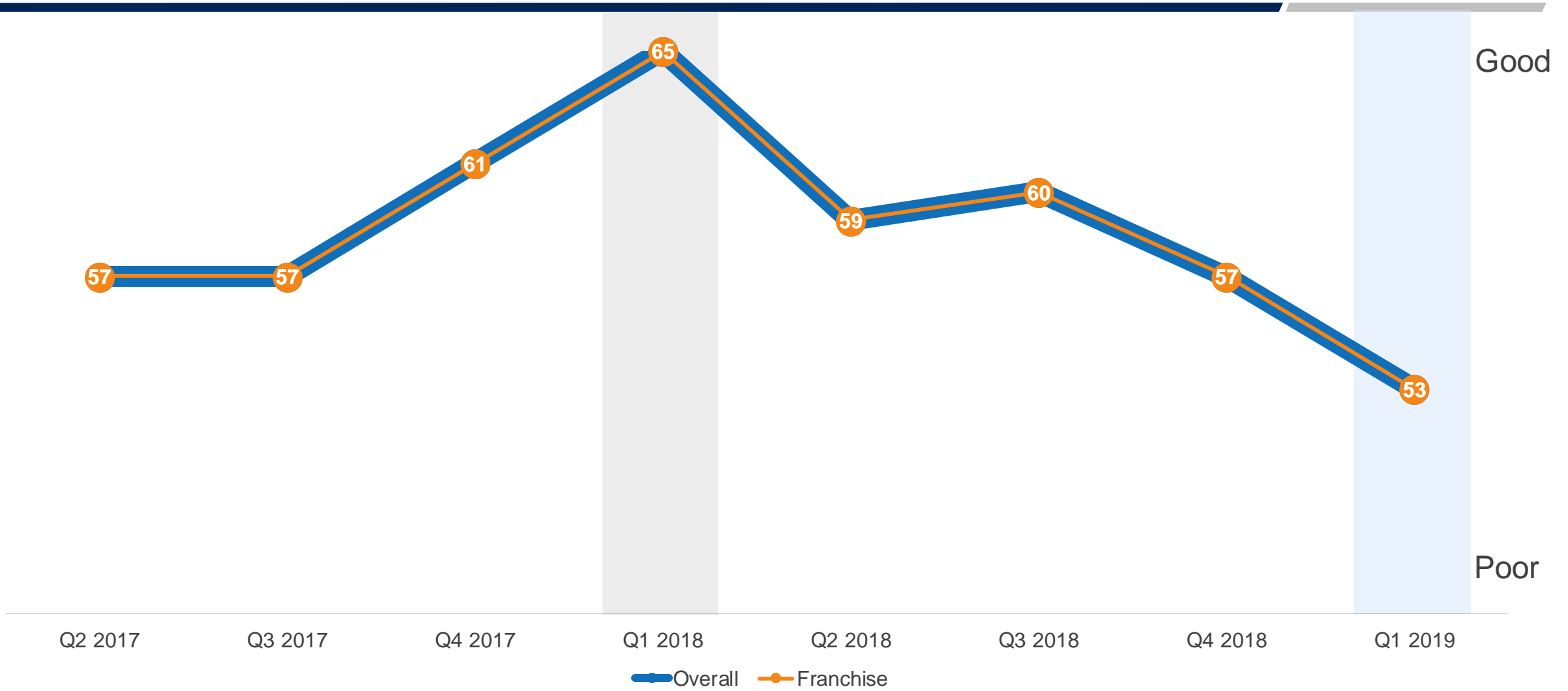


Note: Scale 1 - 100

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

# Dealer Sentiment Index

FIRST QUARTER 2019

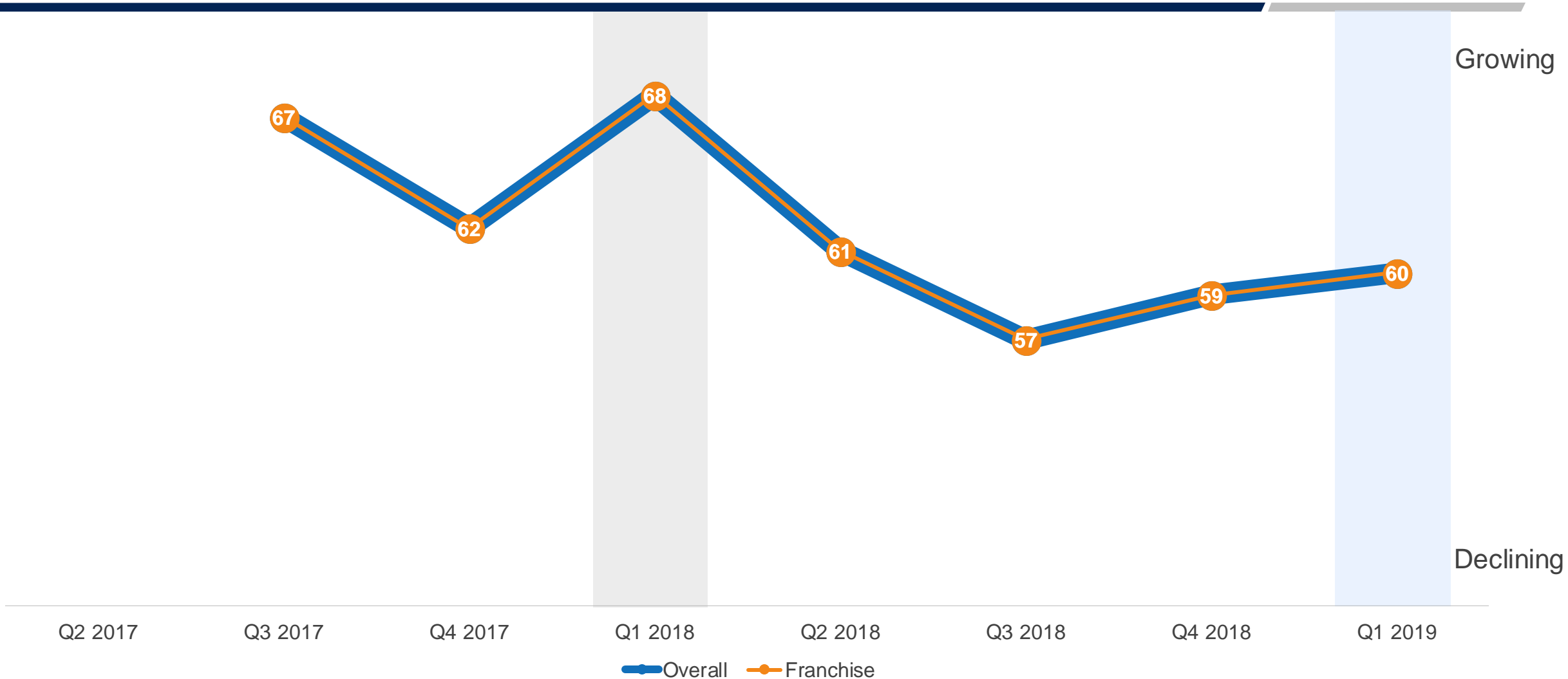


Note: Scale 1 - 100

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

# Dealer Sentiment Index

FIRST QUARTER 2019

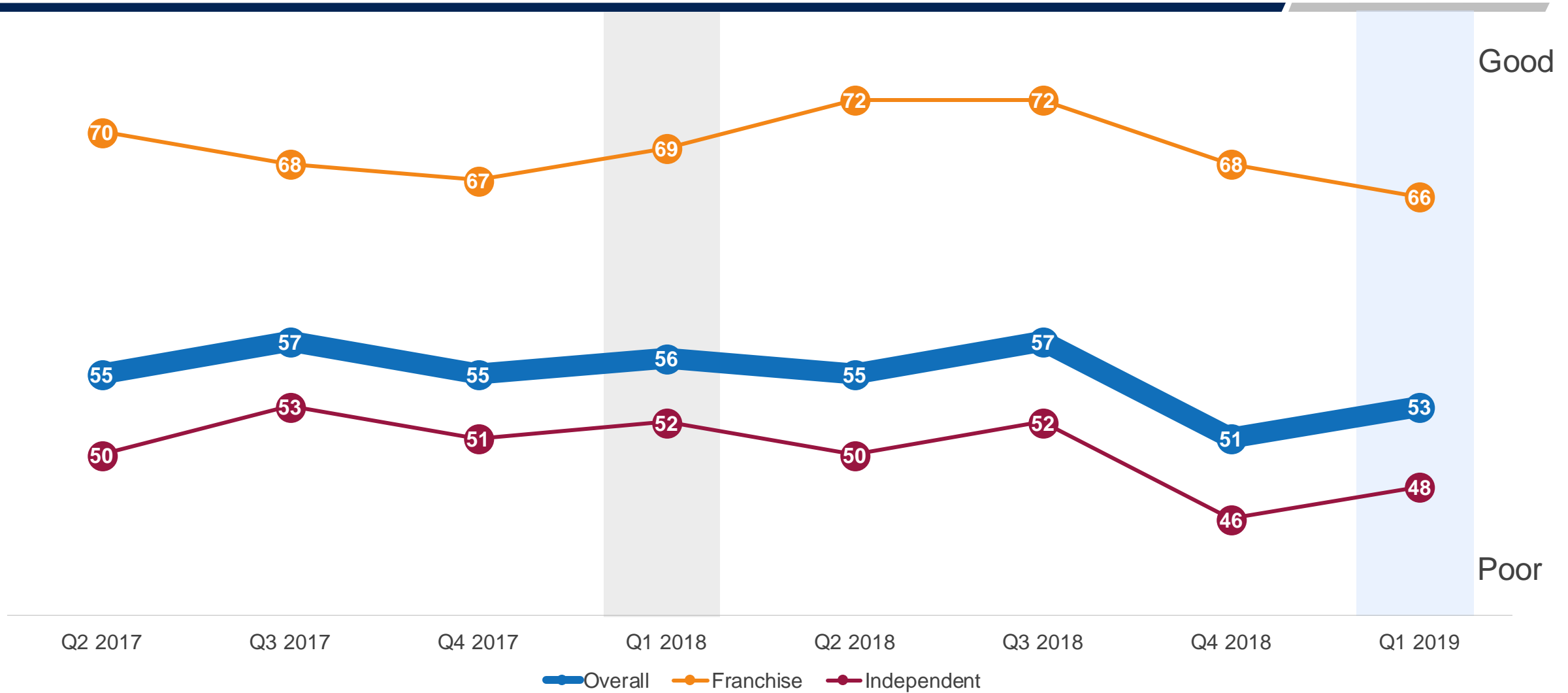


Note: Scale 1 - 100

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

# Dealer Sentiment Index

FIRST QUARTER 2019

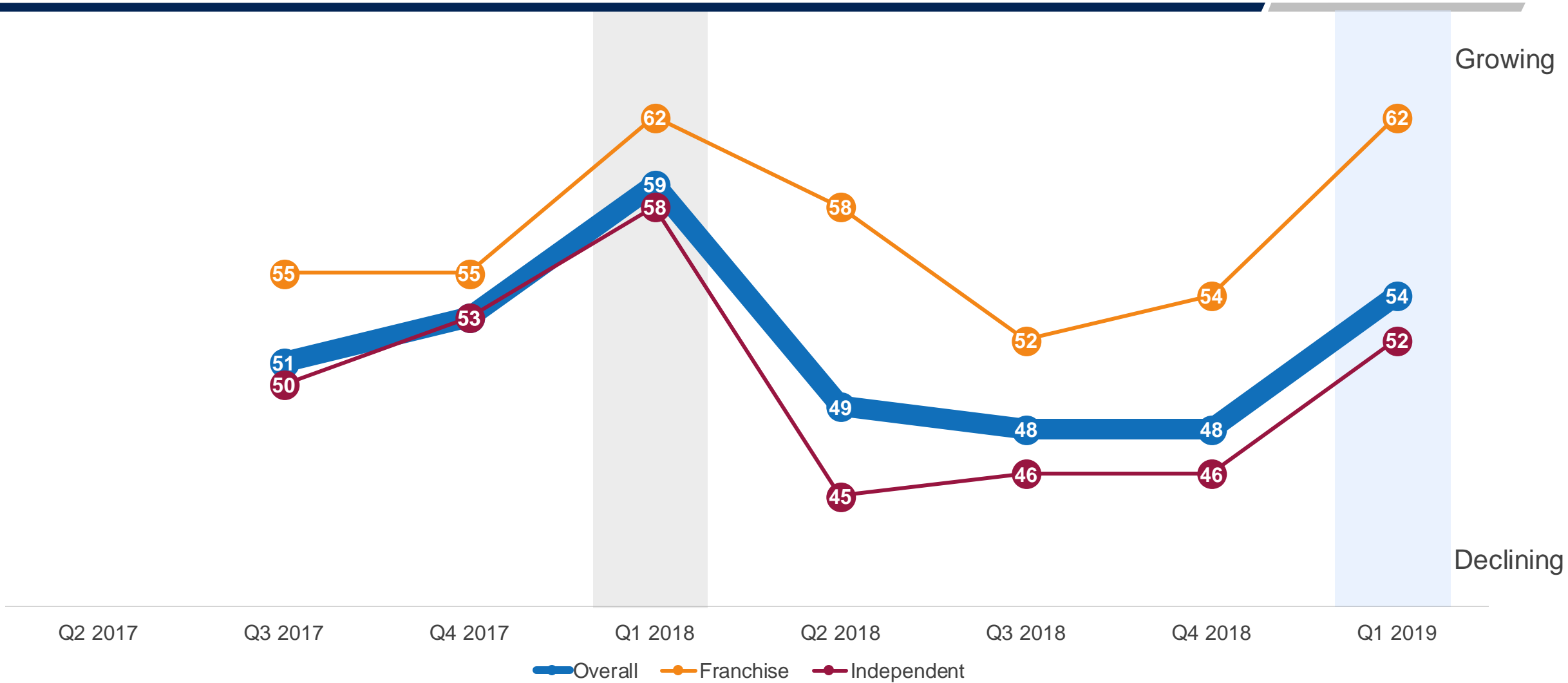


Note: Scale 1 - 100

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

# Dealer Sentiment Index

FIRST QUARTER 2019

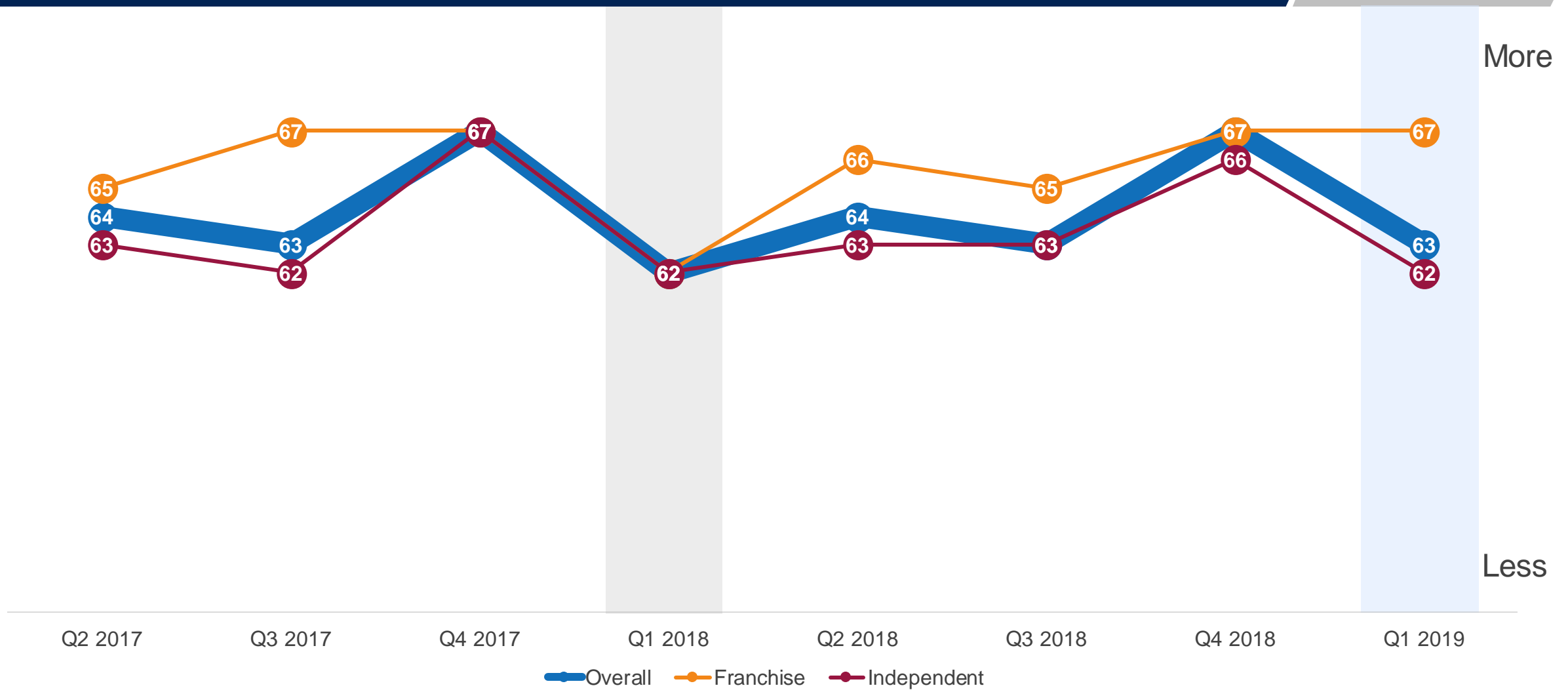


Note: Scale 1 - 100

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

# Dealer Sentiment Index

FIRST QUARTER 2019

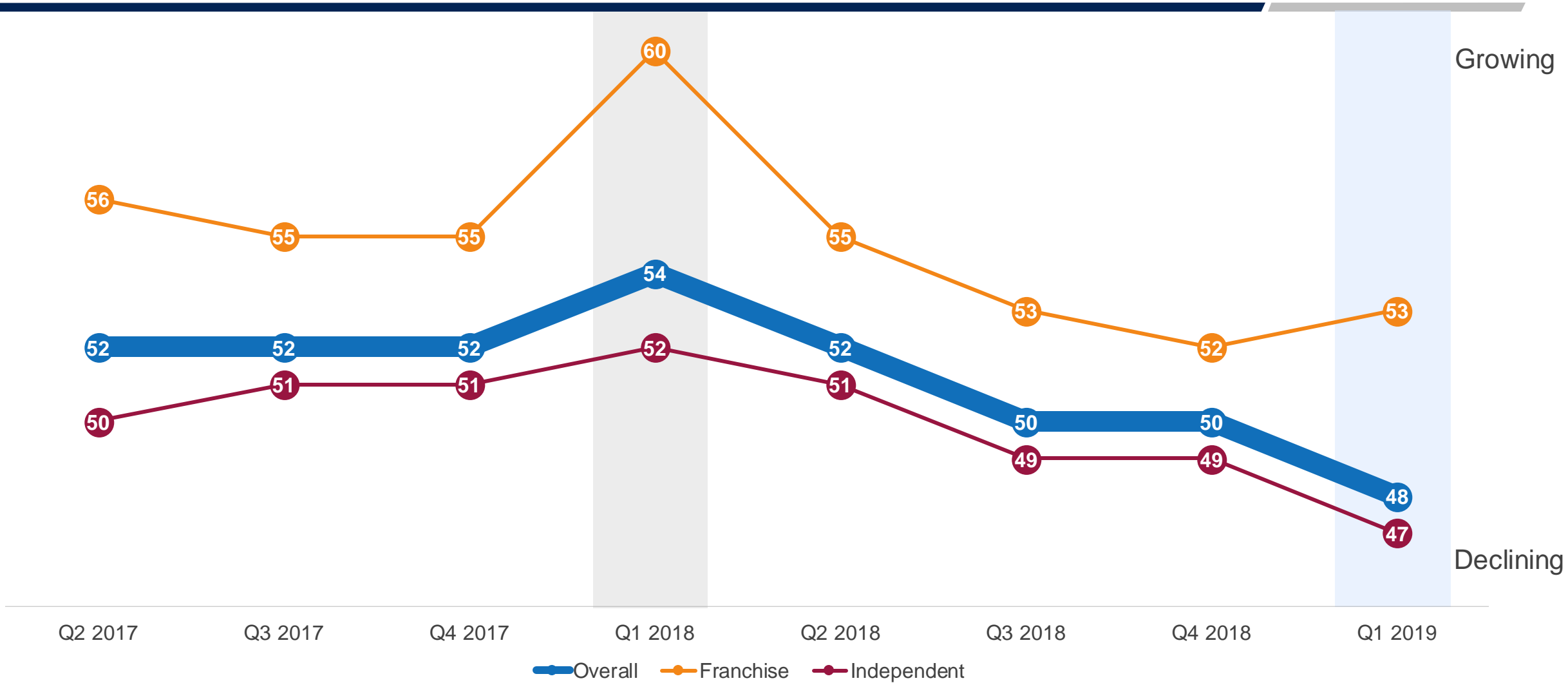


Note: Scale 1 - 100

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

# Dealer Sentiment Index

FIRST QUARTER 2019



Note: Scale 1 - 100



# What are the Factors Holding Back Your Business?

## Dealer Sentiment Index

FIRST QUARTER 2019

OVERALL RANK

		Q1 '19	Q4 '18	Q1 '18
1	Market Conditions	45%	44%	40%
2	Competition	37%	33%	35%
3	Credit Availability for Consumers	33%	36%	36%
4	Expenses	30%	27%	28%
5	Limited Inventory	29% ↓	35%	27%
6	Interest Rates	22%	23%	9%
7	Consumer Confidence	24% ↑	19%	15%
8	Consumer Transparency in Pricing	14%	12%	16%
9	Staff Turnover	11%	11%	10%
10	Regulations	10% ↑	7%	11%
11	Credit Availability for Business	7%	8%	7%
12	Dealership Systems/Tools	6%	6%	8%
12	Tariffs on Imported Vehicles and Parts	6%	6%	N/A
12	Too Much Retail Inventory	6%	6%	7%
15	OEM Mandates/Restrictions	5%	5%	6%
16	2018 Tax Law Changes*	4% ↑	2%	N/A

Significant decrease vs previous quarter



Significant increase vs previous quarter



# What are the Factors Holding Back Your Business?

## Dealer Sentiment Index

FIRST QUARTER 2019

FRANCHISE DEALERS

		Q1 '19	Q4 '18	Q1 '18
1	Market Conditions	46%	43%	37%
2	Competition	41%	36%	41%
3	Interest Rates	36%	38%	10%
4	Consumer Confidence	32% ↑	22%	16%
5	Expenses	24%	22%	21%
6	Staff Turnover	23%	24%	24%
7	Credit Availability for Consumers	20%	23%	20%
8	OEM Mandates/Restrictions	19%	19%	22%
9	Limited Inventory	17%	23%	16%
10	Consumer Transparency in Pricing	13%	14%	16%
11	Tariffs on Imported Vehicles and Parts	8%	10%	N/A
11	Dealership Systems/Tools	8%	8%	10%
13	Regulations	5%	5%	8%
13	Too Much Retail Inventory	5%	5%	7%
15	2018 Tax Law Changes*	3%	3%	N/A
16	Credit Availability for Business	2%	2%	0%

Significant decrease vs previous quarter



Significant increase vs previous quarter



# What are the Factors Holding Back Your Business?

## Dealer Sentiment Index

FIRST QUARTER 2019

INDEPENDENT DEALERS

		Q1 '19	Q4 '18	Q1 '18
1	Market Conditions	44%	45%	41%
2	Credit Availability for Consumers	37%	41%	41%
3	Competition	36%	32%	33%
4	Limited Inventory	33% ↓	39%	31%
5	Expenses	31%	29%	30%
6	Consumer Confidence	21%	19%	15%
7	Interest Rates	17%	18%	9%
8	Consumer Transparency in Pricing	14%	11%	16%
9	Regulations	11% ↑	7%	12%
10	Credit Availability for Business	9%	10%	10%
11	Staff Turnover	7%	7%	5%
11	Too Much Retail Inventory	7%	6%	8%
13	Tariffs on Imported Vehicles and Parts	6%	4%	N/A
14	Dealership Systems/Tools	5%	5%	8%
14	2018 Tax Law Changes*	5% ↑	2%	N/A
	OEM Mandates/Restrictions	N/A	N/A	N/A

Significant decrease vs previous quarter



Significant increase vs previous quarter



# The Effect of Automotive Tariffs





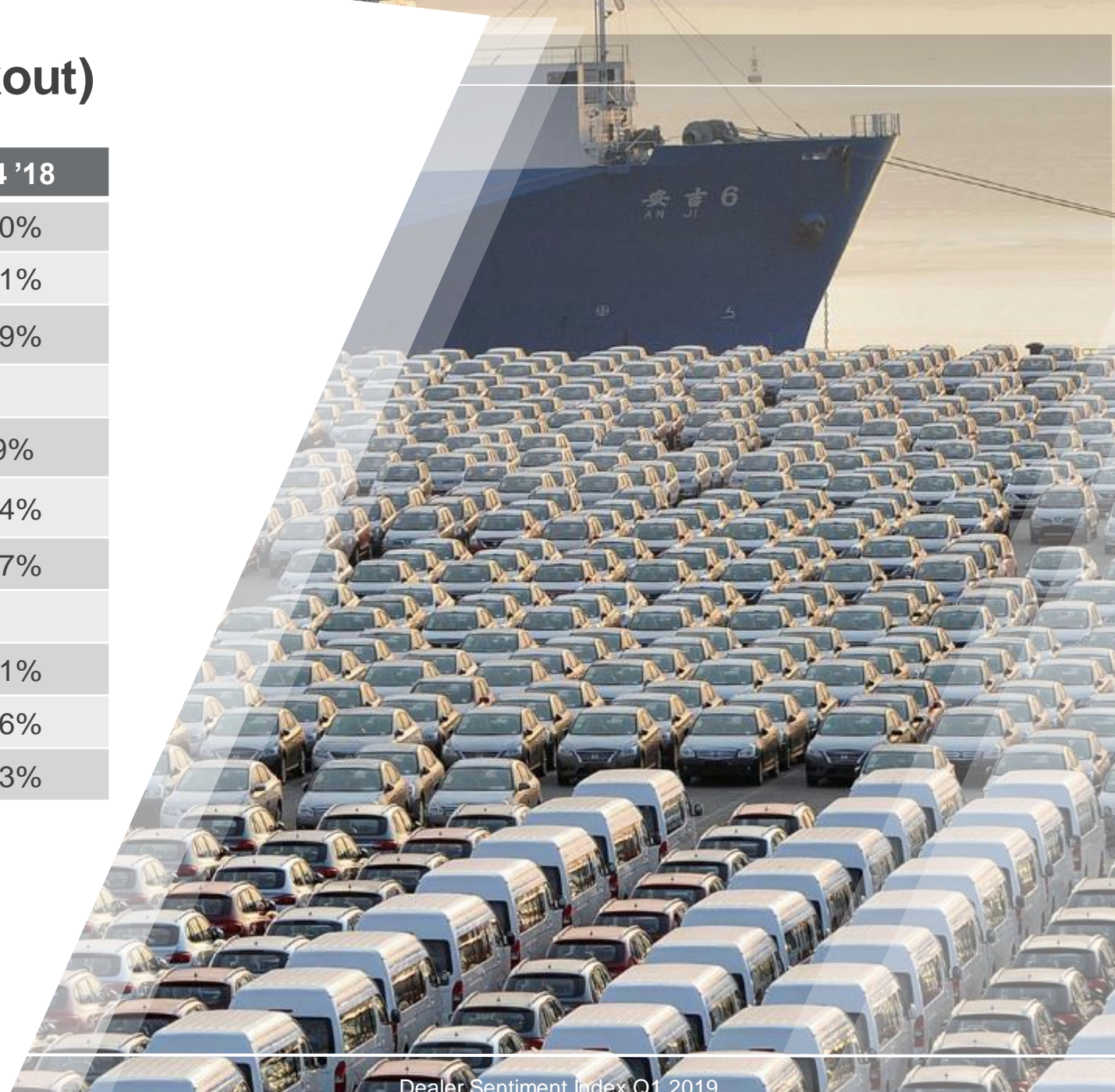
# Import Tariff Impact (Full Breakout)

OVERALL	Q1 '19	Q4 '18
Positive Impact	9%	10%
No Impact	57% ↑	51%
Negative Impact	34%	39%
FRANCHISE (A)		
Positive Impact	9%	9%
No Impact	39%	34%
Negative Impact	52%	57%
INDEPENDENT (B)		
Positive Impact	8%	11%
No Impact	64% ↑	56%
Negative Impact	28%	33%

Q: Which of the following best describes the impact on your business' profitability next quarter if tariffs are imposed on imported vehicles and parts?



Arrows indicate significant increase vs previous quarter  
Arrows indicate significant decrease vs previous quarter



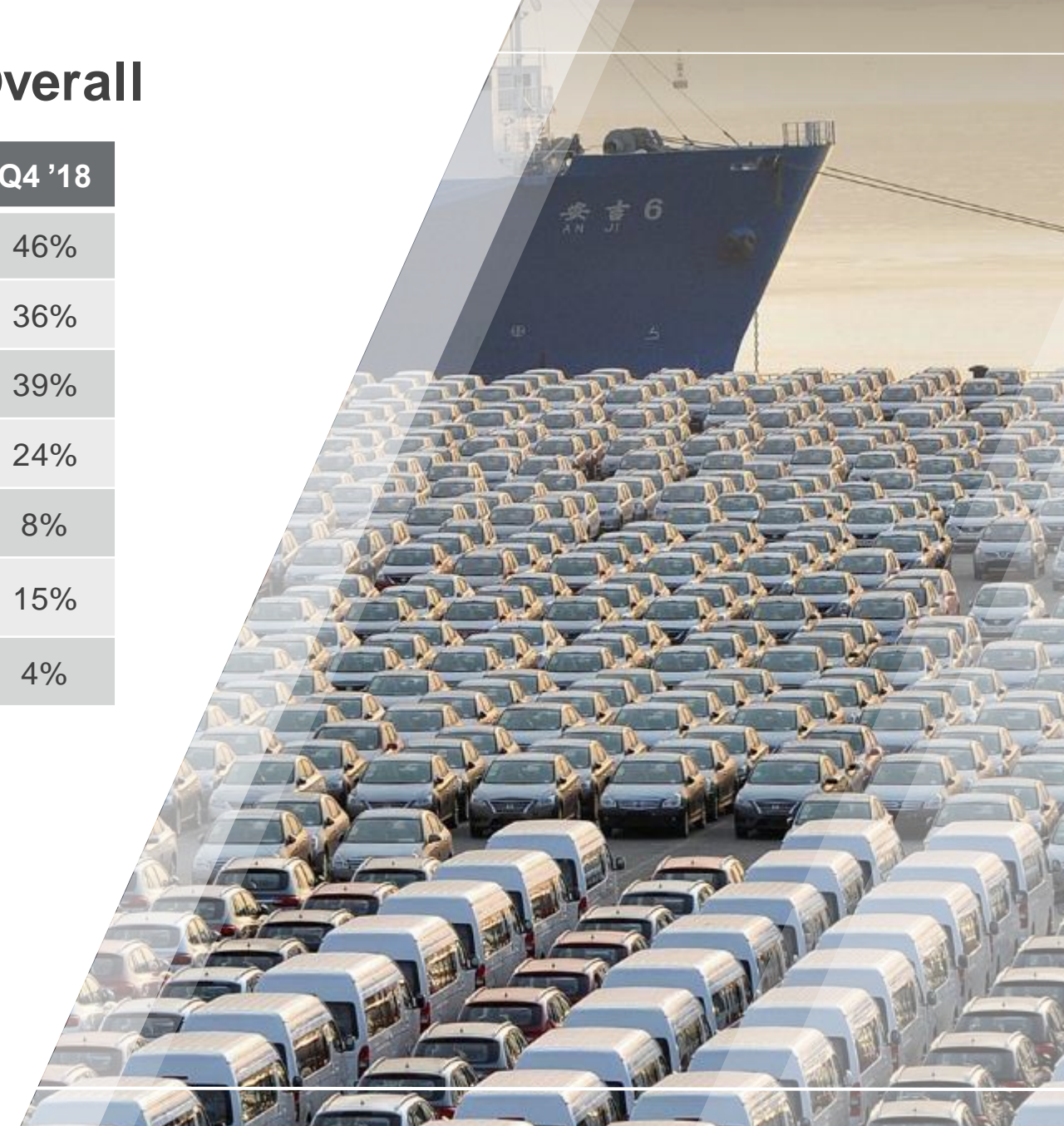


# Positive Impact of Import Tariffs – Overall

	Q1 '19	Q4 '18
Increased traffic for used vehicles	54%	46%
Increased margin on all used vehicles as market adjusts	40%	36%
Increased domestic vehicles sales	15%↓	39%
Will make the market stronger overall	11%↓	24%
Increased margin on all new vehicles as market adjusts	8%	8%
Increased margin on all vehicle repairs as market adjusts	8%	15%
Other	0%	4%

Q: What, if any, positive impacts would imposing tariffs on imported vehicles and parts have on your business? Please select all that apply.

↑ Arrows indicate significant increase vs previous quarter  
 ↓ Arrows indicate significant decrease vs previous quarter

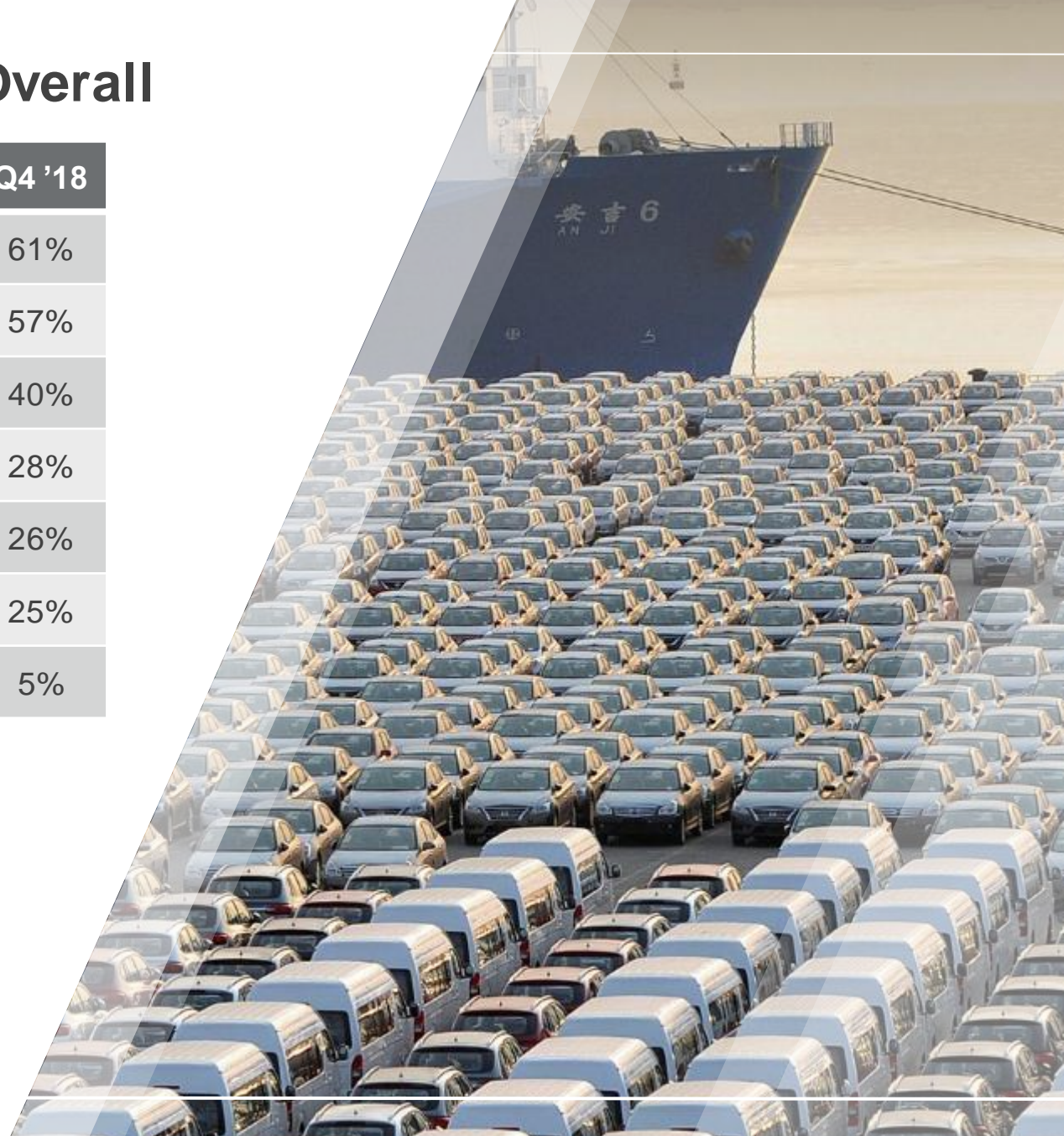


# Negative Impact of Import Tariffs – Overall

	Q1 '19	Q4 '18
Higher prices on all used vehicles as market adjusts	58%	61%
Higher prices on imported vehicles	52%	57%
Higher prices on all new vehicles as market adjusts	45%	40%
Lower (or delayed) used vehicle sales	23%	28%
Lower (or delayed) new vehicle sales	23%	26%
Higher prices on domestic vehicles	18%↓	25%
Other	6%	5%

Q: What, if any, negative impacts would imposing tariffs on imported vehicles and parts have on your business? Please select all that apply.

↑ Arrows indicate significant increase vs previous quarter  
 ↓ Arrows indicate significant decrease vs previous quarter





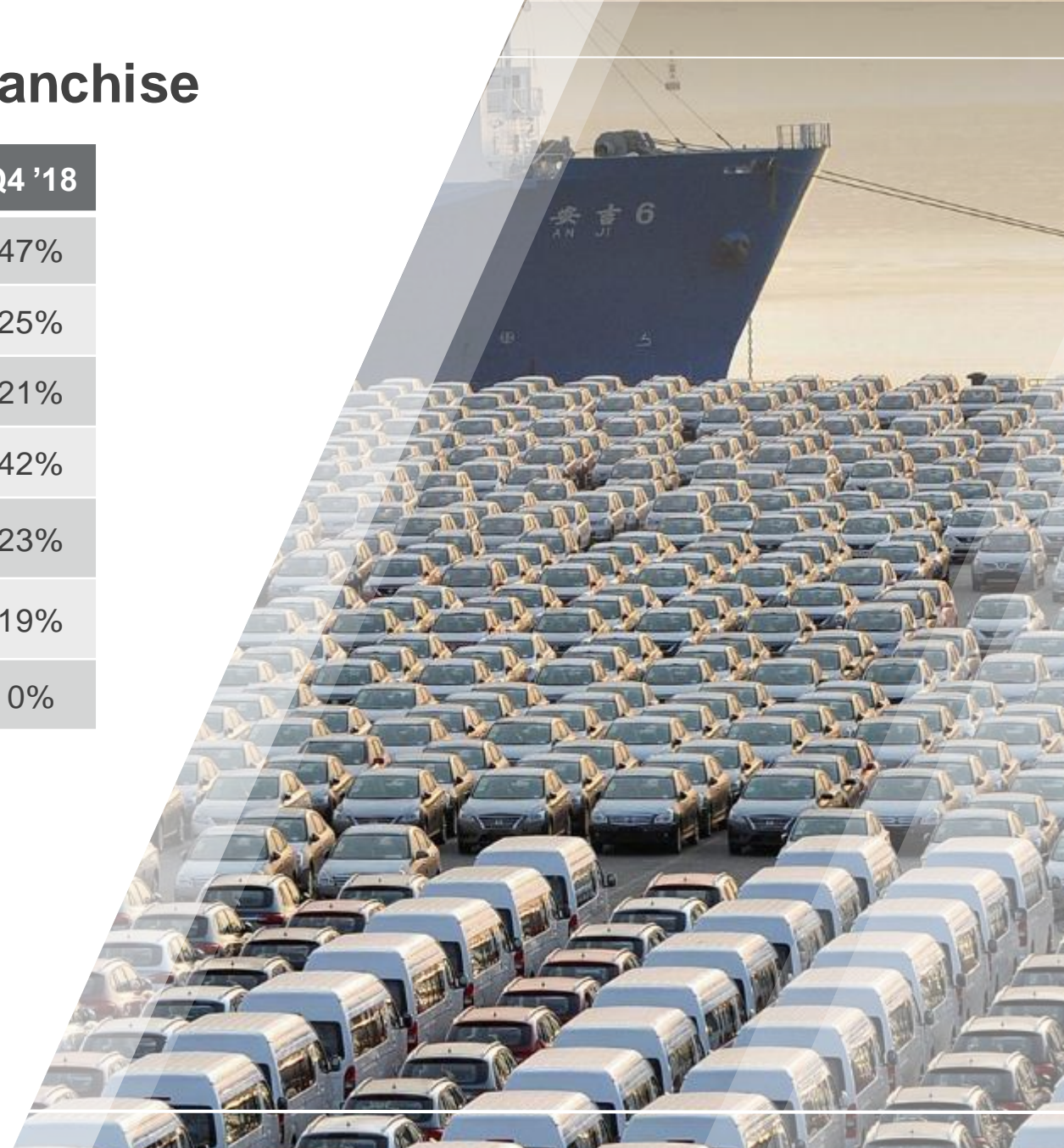


# Positive Impact of Import Tariffs – Franchise

	Q1 '19	Q4 '18
Increased domestic vehicles sales	<b>38%</b>	47%
Increased margin on all new vehicles as market adjusts	<b>20%</b>	25%
Increased margin on all used vehicles as market adjusts	<b>18%</b>	21%
Increased traffic for used vehicles	<b>17%</b>	42%
Will make the market stronger overall	<b>16%</b>	23%
Increased margin on all vehicle repairs as market adjusts	<b>11%</b>	19%
Other	<b>0%</b>	0%

Q: What, if any, positive impacts would imposing tariffs on imported vehicles and parts have on your business? Please select all that apply.

 Arrows indicate significant increase vs previous quarter  
 Arrows indicate significant decrease vs previous quarter





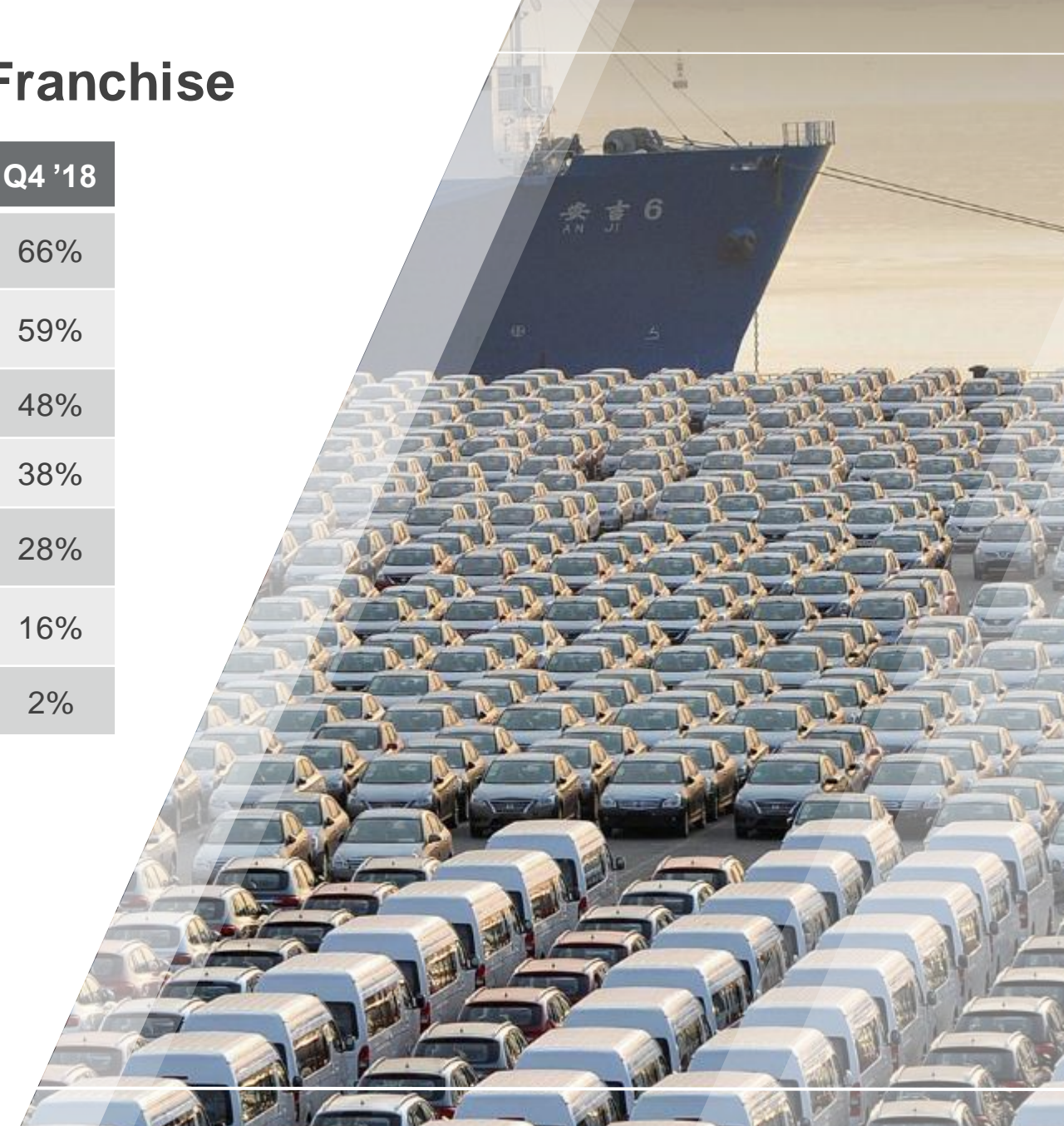


# Negative Impact of Import Tariffs – Franchise

	Q1 '19	Q4 '18
Higher prices on all new vehicles as market adjusts	<b>64%</b>	66%
Higher prices on imported vehicles	<b>63%</b>	59%
Higher prices on all used vehicles as market adjusts	<b>41%</b>	48%
Lower (or delayed) new vehicle sales	<b>39%</b>	38%
Higher prices on domestic vehicles	<b>21%</b>	28%
Lower (or delayed) used vehicle sales	<b>13%</b>	16%
Other	<b>6%</b>	2%

Q: What, if any, negative impacts would imposing tariffs on imported vehicles and parts have on your business? Please select all that apply.



 Arrows indicate significant increase vs previous quarter  
 Arrows indicate significant decrease vs previous quarter

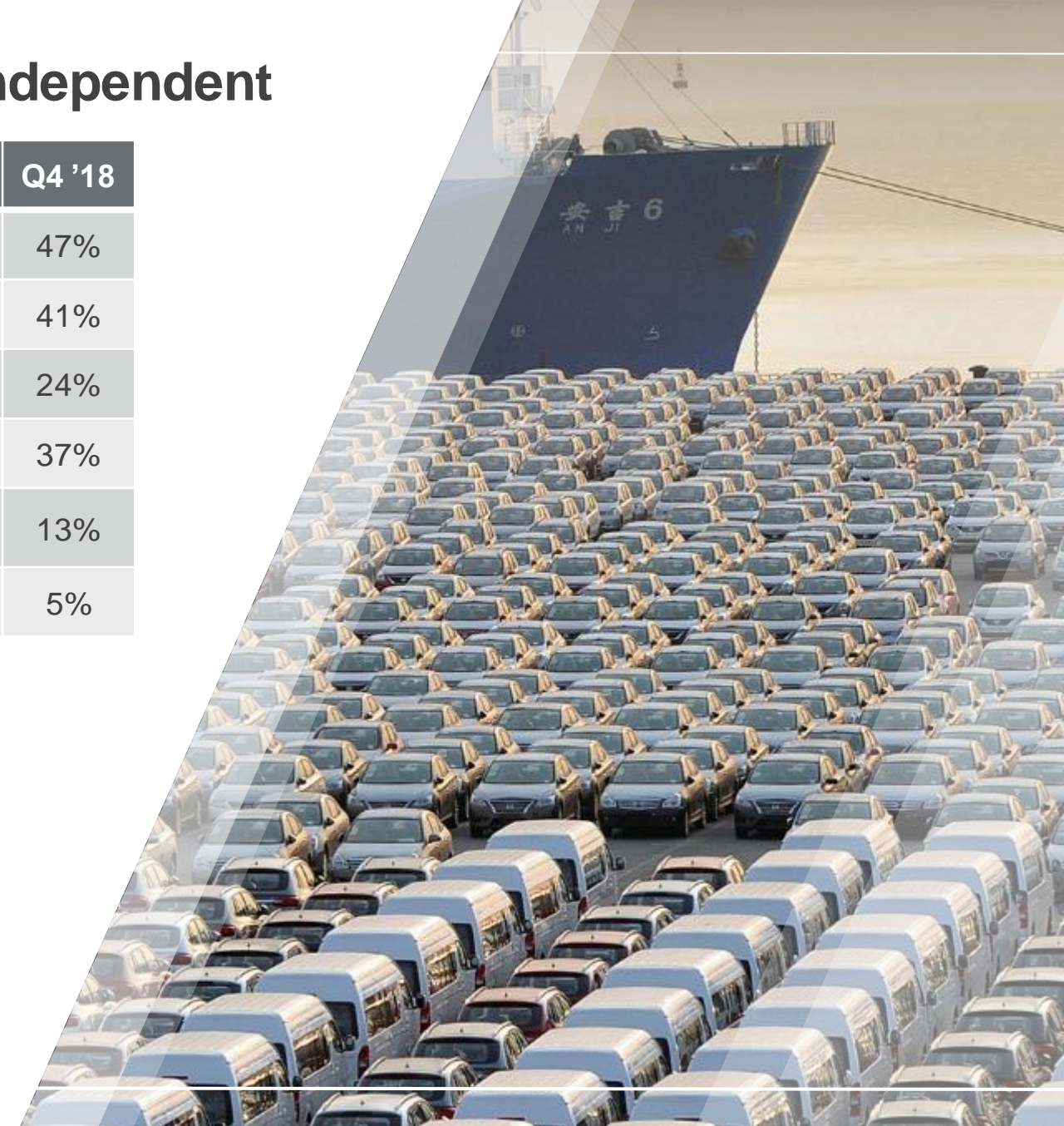


# Positive Impact of Import Tariffs – Independent

	Q1 '19	Q4 '18
Increased traffic for used vehicles	68% ↑	47%
Increased margin on all used vehicles as market adjusts	48%	41%
Will make the market stronger overall	9% ↓	24%
Increased domestic vehicles sales	7% ↓	37%
Increased margin on all vehicle repairs as market adjusts	6%	13%
Other	0%	5%

Q: What, if any, positive impacts would imposing tariffs on imported vehicles and parts have on your business? Please select all that apply.

 Arrows indicate significant increase vs previous quarter  
 Arrows indicate significant decrease vs previous quarter



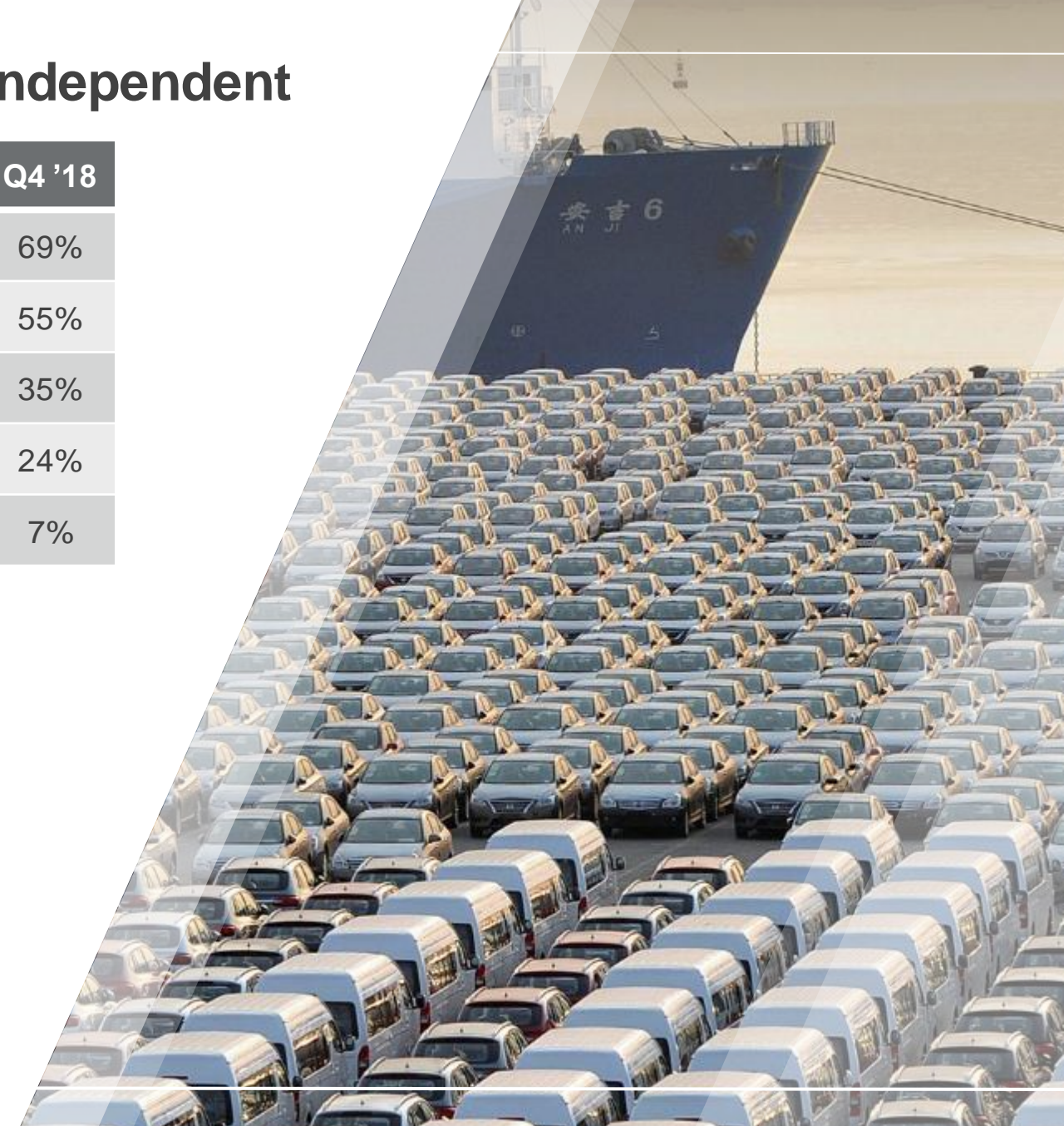


# Negative Impact of Import Tariffs – Independent

	Q1 '19	Q4 '18
Higher prices on all used vehicles as market adjusts	69%	69%
Higher prices on imported vehicles	45%↓	55%
Lower (or delayed) used vehicle sales	29%	35%
Higher prices on domestic vehicles	16%	24%
Other	6%	7%

Q: What, if any, negative impacts would imposing tariffs on imported vehicles and parts have on your business? Please select all that apply.

↑ Arrows indicate significant increase vs previous quarter  
↓ Arrows indicate significant decrease vs previous quarter



# Dealer Sentiment Index

FIRST QUARTER 2019

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