About the Study…

WE INTERVIEWED

3,550 consumers that had at least 1 service visit in the past 12 months

404 employees of franchise dealers who have input into decisions on service operations
DEALERS SHIFT FOCUS TO FIXED OPERATIONS

Growing profit center

Effective tool for loyalty
Challenges in Retail Renew Dealer
Focus on Fixed Operations

The retail market has peaked after record growth levels over the past decade.

Dealers are making less profit per vehicle sold than ever before.

Source: Cox Automotive // NADA
Fixed Operations Contributing More to Gross Profit Than in Prior Years

Source: NADA

**Total Revenue**
- 2012: 88%
- 2017: 88%

**Gross Profit**
- 2012: 45%
- 2017: 49%

- 2012: 55%
- 2017: 51%

Fixed Ops

Vehicle Sales
Fixed Ops is Critical to Retaining Customers for Future Vehicle Sales

**LIKELY TO RETURN TO DEALER OF PURCHASE FOR NEXT VEHICLE**

74% of those who RETURNED for service within the past 12 months

vs

35% of those who DID NOT return for service within the past 12 months

Source: 2018 Cox Automotive Service Industry Study
SERVICE VISITS TO DEALERS GROW WITH CROSS-SELLING & RECALLS
Since 2015, Dealers Have Gained in Share of Consumer Service Visits

**SHARE OF CONSUMER SERVICE VISITS IN PAST 12 MONTHS**

- **33%** (30%) General Repair/Service Station
- **12%** (11%) Tire Store/Repair Chain
- **12%** (14%) Quick Lube
- **5%** (4%) Specialist
- **5%** (4%) Body Shop
- **2%** (2%) Other

**ADDITIONAL VISITS TO DEALERS** ~18.6MM

**Indicates a significant difference from previous time period at the 95% confidence level**

( ) = 2015

Source: 2018 Cox Automotive Service Industry Study
Dealers Take Market Share From Quick Lube and General Repair

**SHARE OF VISITS BY TYPE OF SERVICE**

<table>
<thead>
<tr>
<th>Type of Service</th>
<th>2015</th>
<th>2015 Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Dealerships</strong></td>
<td>179 MM</td>
<td>34%</td>
</tr>
<tr>
<td><strong>General Repair</strong></td>
<td>121 MM</td>
<td>23%</td>
</tr>
<tr>
<td><strong>Quick Lube</strong></td>
<td>68 MM</td>
<td>13%</td>
</tr>
<tr>
<td><strong>Tire Store</strong></td>
<td>68 MM</td>
<td>13%</td>
</tr>
<tr>
<td><strong>Retail</strong></td>
<td>37 MM</td>
<td>7%</td>
</tr>
<tr>
<td><strong>Specialist</strong></td>
<td>26 MM</td>
<td>5%</td>
</tr>
<tr>
<td><strong>Body Shop</strong></td>
<td>16 MM</td>
<td>3%</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>11 MM</td>
<td>2%</td>
</tr>
</tbody>
</table>

**Maintenance 526 MM**

<table>
<thead>
<tr>
<th>Type of Service</th>
<th>2015</th>
<th>2015 Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Dealerships</strong></td>
<td>67 MM</td>
<td>30%</td>
</tr>
<tr>
<td><strong>General Repair</strong></td>
<td>67 MM</td>
<td>30%</td>
</tr>
<tr>
<td><strong>Quick Lube</strong></td>
<td>18 MM</td>
<td>8%</td>
</tr>
<tr>
<td><strong>Tire Store</strong></td>
<td>24 MM</td>
<td>11%</td>
</tr>
<tr>
<td><strong>Retail</strong></td>
<td>16 MM</td>
<td>7%</td>
</tr>
<tr>
<td><strong>Specialist</strong></td>
<td>16 MM</td>
<td>7%</td>
</tr>
<tr>
<td><strong>Body Shop</strong></td>
<td>13 MM</td>
<td>6%</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>2 MM</td>
<td>1%</td>
</tr>
</tbody>
</table>

*Indicates a significant difference from previous time period at the 95% confidence level*

Source: 2018 Cox Automotive Service Industry Study
3 In 5 Visits to the Dealership Included an Oil Change (Many of the Oil Change Visits also Included an Additional Service)

**TOP SERVICES CONDUCTED IN PAST 12 MONTHS**
(Share of visits)

<table>
<thead>
<tr>
<th>Service</th>
<th>Dealership (change since 2015)</th>
<th>Total Providers (change since 2015)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil change/fluid check/air filter</td>
<td>57% (-4)</td>
<td>52% (-4)</td>
</tr>
<tr>
<td>Tires (rotation, replacement, repair)</td>
<td>31% (+17)</td>
<td>28% (+10)</td>
</tr>
<tr>
<td>General Check-up/Tune-up</td>
<td>22% (+1)</td>
<td>17% (+1)</td>
</tr>
<tr>
<td>Scheduled maintenance/interval service</td>
<td>23% (+3)</td>
<td>15% (+2)</td>
</tr>
<tr>
<td>State Inspection/Emissions testing</td>
<td>13% (+3)</td>
<td>13% (+1)</td>
</tr>
<tr>
<td>Battery</td>
<td>12% (+3)</td>
<td>11% (+3)</td>
</tr>
<tr>
<td>Brakes</td>
<td>7% (+1)</td>
<td>9% (+1)</td>
</tr>
</tbody>
</table>

19% of service visits at dealership only had an oil change
(29% in 2015)

*Indicates a significant difference from previous time period at the 95% confidence level*

Source: 2018 Cox Automotive Service Industry Study
Percentage of Dealership Visits Including Multiple Services Is Up Significantly from 2015

TOP COMMON SERVICE PAIRINGS CONDUCTED AT DEALERSHIP IN PAST 12 MONTHS
(Among those that had more than 1 service done)

<table>
<thead>
<tr>
<th>Rank</th>
<th>Service Pairing</th>
</tr>
</thead>
<tbody>
<tr>
<td>#1</td>
<td>Oil Change, Tires</td>
</tr>
<tr>
<td>#2</td>
<td>Oil Change, General Check-up/Tune-up</td>
</tr>
<tr>
<td>#3</td>
<td>Oil Change, Scheduled Maintenance, Tires</td>
</tr>
<tr>
<td>#4</td>
<td>Oil Change, General Check-up/Tune-up, Tires</td>
</tr>
</tbody>
</table>

53% of service visits at dealership included multiple services
(41% in 2015)

Indicates a significant difference from previous time period at the 95% confidence level

Source: 2018 Cox Automotive Service Industry Study
OEM Recalls Adding Volume on Top of Consumer Pay Visits

<table>
<thead>
<tr>
<th>NUMBER OF RECALLS &amp; VEHICLES IMPACTED</th>
<th>2013</th>
<th>2017</th>
<th>% CHANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of recalls</td>
<td>712</td>
<td>899</td>
<td>+26%</td>
</tr>
<tr>
<td>Number of vehicles</td>
<td>16.3MM</td>
<td>42.7MM</td>
<td>+162%</td>
</tr>
</tbody>
</table>

72% of dealers say that the % of warranty work due to recalls is higher than 5 years ago

Source: NHTSA // 2018 Cox Automotive Service Industry Study
Ability to Complete Recall Work
Impacted by Lack of Available Parts

**Satisfaction with the Process Your OEM Has in Place to Enable You To...?**

<table>
<thead>
<tr>
<th>Replace recalled parts</th>
<th>Get reimbursed for the costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>47%</td>
<td>64%</td>
</tr>
</tbody>
</table>

**Top Frustrations with OEM Recall Process**

- 71% Parts availability (parts scarce after recall is announced, on back-order, etc.)
- 13% Unsatisfactory reimbursement
- 4% No repair available when recall is announced
- 3% Amount of time repair takes

Source: 2018 Cox Automotive Service Industry Study
What Dealers Can Do

SERVICE VISITS TO DEALERS GROW WITH CROSS-SELLING & RECALLS

GOOD MIX IN LABOR TYPES

MONITOR MIX OF RECALL VS. CUSTOMER PAY WORK

VIEW RECALLS AS WAY TO ACQUIRE NEW CUSTOMERS
CAPACITY LIMITATIONS AND CONSUMER EXPECTATIONS PUT EFFICIENCY TOP OF MIND
2 of the Top 5 Frustrations Consumers Have with Dealers Are Related to Time Spent Waiting

CONSUMER TOP FRUSTRATIONS
(Among those with a frustration)

- **30%** Service took longer than expected
- **20%** Tried to push additional services
- **13%** Had an appointment but waited in line
- **10%** Finding out how much they charge
- **10%** Did not provide a loaner vehicle

Source: 2018 Cox Automotive Service Industry Study
Consumers Who Are Most Satisfied Spend 2.5 Hours or Less at the Dealer for Service

<table>
<thead>
<tr>
<th>Consumer Time Spent (Hours)</th>
<th>Description</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very satisfied, I’ll always go to them</td>
<td>2.4</td>
<td></td>
</tr>
<tr>
<td>Somewhat satisfied, I might use in the future</td>
<td>3.0</td>
<td></td>
</tr>
<tr>
<td>Very dissatisfied, I’ll never go back</td>
<td>3.7</td>
<td></td>
</tr>
</tbody>
</table>

Source: 2018 Cox Automotive Service Industry Study
Can Dealers Handle this Extra Volume?

Franchise dealers are already near capacity for a single shift!

Source: 2018 Cox Automotive Service Industry Study

### % of Service Bays Used

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Small (3-50 monthly sales)</th>
<th>Medium (51-149 monthly sales)</th>
<th>Large (150+ monthly sales)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>86%</td>
<td>83%</td>
<td>85%</td>
<td>90%\textsuperscript{AB}</td>
</tr>
</tbody>
</table>

Letters indicate significantly higher than identified subgroup.
Dealers Thinking Creatively to Help Manage High Demand Periods

81% of dealers have implemented special tactics to handle high demand periods

**TOP TACTICS FOR HANDLING HIGH DEMAND PERIODS**

<table>
<thead>
<tr>
<th>#</th>
<th>Tactics</th>
<th>Total</th>
<th>Small (3-50 monthly sales)</th>
<th>Medium (51-149 monthly sales)</th>
<th>Large (150+ monthly sales)</th>
</tr>
</thead>
<tbody>
<tr>
<td>#1</td>
<td>Schedule service on weekends</td>
<td>49%</td>
<td>33%</td>
<td>52%A</td>
<td>57%A</td>
</tr>
<tr>
<td>#2</td>
<td>Schedule overtime for employees</td>
<td>38%</td>
<td>22%</td>
<td>39%A</td>
<td>48%A</td>
</tr>
</tbody>
</table>

Source: 2018 Cox Automotive Service Industry Study

Letters indicate significantly higher than identified subgroup
Efficiency of the Service Department is a Concern for Many Franchises

62% of franchise dealers are concerned with increasing the efficiency of their service process

Source: 2018 Cox Automotive Dealer Communication & Operations Study
What Dealers Can Do

CAPACITY LIMITATIONS AND CONSUMER EXPECTATIONS PUT EFFICIENCY TOP OF MIND

Leverage technology to put customer data at fingertips of staff
LOCATION
BECOMING EVEN
MORE OF A
RETENTION ISSUE
FOR THE “DEALER
OF PURCHASE”
Growth in Share Driven by Dealers Who Are Not the “Dealer Of Purchase”

Share of Visits

- **General Repair/Service Station**: 25% (25%)
- **Quick Lube**: 12% (14%)
- **Tire Store/Repair Chain**: 7% (6%)
- **Specialist**: 5% (4%)
- **Body Shop**: 4% (3%)
- **Other**: 2% (2%)

**SHARE OF CONSUMER SERVICE VISITS IN PAST 12 MONTHS**

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dealership where purchased</td>
<td>17%</td>
<td>17%</td>
</tr>
<tr>
<td>Other dealership</td>
<td>13%</td>
<td>16%</td>
</tr>
</tbody>
</table>

*Indicates a significant difference from previous time period at the 95% confidence level

Source: 2018 Cox Automotive Service Industry Study
Share of Preference for “Dealer Of Purchase” is Higher Than Actual Share of Service Visits

PREFERENCE FOR DEALER OF PURCHASE VS ACTUAL VISITS

**REPAIR**
- 24% prefer dealer of purchase
- 13% visited dealer of purchase

**MAINTENANCE**
- 24% prefer dealer of purchase
- 18% visited dealer of purchase

Source: 2018 Cox Automotive Service Industry Study
The “Dealer Of Purchase” Has a Consistent Advantage of Knowing the Vehicle

### TOP REASONS TO USE DEALER OF PURCHASE FOR SERVICE

<table>
<thead>
<tr>
<th>2015</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>They know my vehicle</td>
<td>They know my vehicle</td>
</tr>
<tr>
<td>Knowledgeable/courteous staff</td>
<td>Knowledgeable/courteous staff</td>
</tr>
<tr>
<td>Certified/qualified technicians</td>
<td>Certified/qualified technicians</td>
</tr>
</tbody>
</table>

Source: 2018 Cox Automotive Service Industry Study
But Ultimately It’s the Relationship that Gets Consumers into the Door of the Service Department

WHAT PROMPTED THE RETURN TO THE DEALER FOR SERVICE?
(Among those using the dealership they purchased from for service)

- 53% I trust this dealership
- 45% Had a good purchase experience
- 35% Vehicle was under warranty there
- 21% Introduced to the service department when I purchased
- 20% Had a service contract with the dealership

Source: 2018 Cox Automotive Service Industry Study
Unfortunately, the “Dealer Of Purchase” Tends to be Farther Away than Where Consumers Are Willing to Travel for Service

Distance Traveled by Consumers

- 11% of dealers have service facility on the same lot as dealership
- 95% of dealers have service facility on the same lot as dealership

Source: 2018 Cox Automotive Service Industry Study
### Location Moving up as a Top Reason to Not Return to "Dealer Of Purchase"

#### Top Reasons To Not Use Dealer Of Purchase For Service

<table>
<thead>
<tr>
<th>2015</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total cost is NOT reasonable</td>
<td>Total cost is NOT reasonable</td>
</tr>
<tr>
<td>They will overcharge me</td>
<td>NOT a convenient location</td>
</tr>
<tr>
<td>Unreasonable labor charges</td>
<td>They will overcharge me</td>
</tr>
<tr>
<td>Unreasonable parts charges</td>
<td>Unreasonable labor charges</td>
</tr>
<tr>
<td>NOT a convenient location</td>
<td>Unreasonable parts charges</td>
</tr>
</tbody>
</table>

Source: 2018 Cox Automotive Service Industry Study
Dealers Focus on Price and Many Are Not Aware That Location Is Causing a Retention Issue

TOP REASONS DEALERS SAY CUSTOMERS GO ELSEWHERE

2 in 3 dealers don’t mention location as a top reason for defection

77% Think dealership will overcharge them
36% Not a convenient location
27% Total cost is not reasonable

Source: 2018 Cox Automotive Service Industry Study
What Dealers Can Do

LOCATION BECOMING EVEN MORE OF A RETENTION ISSUE
FOR DEALER OF PURCHASE

VALET (PICK UP AND DROP OFF) AND MOBILE SERVICES

CREATIVE USE OF RIDE-SHARING SERVICES
VALUE SURPASSES QUALITY AS MOST IMPORTANT WHEN SELECTING A SERVICE PROVIDER
Dealers Continue to Struggle with Retaining Customers After Their Warranty Has Expired

**SERVICE VISITS CONDUCTED AT DEALERSHIP**

**WITH A CURRENT WARRANTY**

6 in 10

WHY THEY GO...
- THEY KNOW MY VEHICLE
- KNOWLEDGEABLE/COURTEOUS STAFF
- TRUST
- VEHICLE WARRANTY

**WITH AN EXPIRED WARRANTY**

3 in 10

WHY DON’T THEY GO...
- TOTAL COST
- DISTANCE
- FEAR OF OVERCHARGING

**NO CHANGE SINCE 2015**

Source: 2018 Cox Automotive Service Industry Study
Consumers Increasingly Feel that Owning a Vehicle Is Too Expensive

Average US HH Annual Expenditures on Vehicles

- Vehicles and financing: $8,600 (47%)
- Gas and oil: $7,000 (23%)
- Insurance: $6,000 (14%)
- Maintenance and repairs: $5,000 (10%)
- Leases, licenses, other: $1,000 (7%)

OWNING/LEASEING A VEHICLE IS BECOMING TOO EXPENSIVE

2015 (A) 42%
2018 (B) 48%

Letters indicate significantly higher than identified subgroup

Source: Cox Automotive // 2018 Cox Automotive Evolution of Mobility Study
Value Surpasses Quality as Most Important When Selecting Providers

WHAT’S MOST IMPORTANT WHEN CONSIDERING SERVICE PROVIDERS?

- **Value**
  - #1 in 2015
  - (#2 in 2018)
- **Quality**
  - #2 in 2015
  - (#1 in 2018)
- **Convenience**
  - #3 in 2015
  - (#4 in 2018)
- **Trust**
  - #4 in 2015
  - (#3 in 2018)

**Coupons & Loyalty Programs Increased Significantly in Importance**

- **2015**: 23%
- **2018**: 28%

Source: 2018 Cox Automotive Service Industry Study
A Disconnect: Dealers Think “Quality” Attributes Are More Important than They Actually Are

**MOST IMPORTANT “QUALITY” ATTRIBUTES**
(% Critically Important)

- **My Vehicle is Fixed Right the First Time**: Consumer: 68%, Dealer: 89%
- **Knowledgeable / Courteous Staff**: Consumer: 50%, Dealer: 77%
- **Certified / Highly Qualified Technicians**: Consumer: 55%, Dealer: 59%
- **Explains Services Rendered**: Consumer: 48%, Dealer: 71%

Source: 2018 Cox Automotive Service Industry Study
Consumers & Dealers Agree That Value Is Proven Through Fair Pricing

MOST IMPORTANT “VALUE” ATTRIBUTES (% Critically Important)

- They Won’t Overcharge Me
  - Consumer: 66%
  - Dealer: 64%

- Total Cost Is Reasonable
  - Consumer: 59%
  - Dealer: 44%

- Provides Total Cost Up Front
  - Consumer: 51%
  - Dealer: 47%
Are Dealers Pricing Services Fairly?

**What are Consumers Paying? Oil Change Snapshot**

<table>
<thead>
<tr>
<th>Where Purchased</th>
<th>Retail Auto Service</th>
<th>Quick Lube</th>
<th>Dealership Where Purchased</th>
<th>Tire Store/Repair Chain</th>
<th>General Repair/Service Station</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price</td>
<td>$58</td>
<td>$60</td>
<td>$61</td>
<td>$75</td>
<td>$77</td>
</tr>
</tbody>
</table>

Dealers are offering oil changes at a competitive price.

Source: 2018 Cox Automotive Service Industry Study
VALUE SURPASSES QUALITY AS MOST IMPORTANT WHEN SELECTING A SERVICE PROVIDER

What Dealers Can Do

Survey competitors to find out how much they are charging

Market how much cheaper you are than competitors – price transparency

Competitively price quick services to get consumers into your service department
NEW VEHICLE INNOVATION WILL STRENGTHEN DEALERS’ POSITION AS TOP SERVICE PROVIDER
Dealers Think New Vehicle Innovation Will Provide Greater Opportunity

62% of DEALERS say dealerships will have a competitive advantage in fixed ops as new vehicles evolve

Source: 2018 Cox Automotive Service Industry Study
Consumer Preference For Dealers Is Higher Among Those with Advanced Features in Their Vehicles

CONSUMER PROVIDER PREFERENCE AMONG THOSE WITH ADVANCED CAR TECH FEATURES

62% DEALERSHIP vs 32% GENERAL REPAIR

Source: 2018 Cox Automotive Service Industry Study
What Dealers Can Do

NEW VEHICLE INNOVATION WILL STRENGTHEN DEALERS’ POSITION AS TOP SERVICE PROVIDER

Educate customers on the advantages of servicing their vehicle with a provider that understands the complexity of today’s vehicles
WHAT DEALERS NEED TO KNOW & WHAT THEY CAN DO
### What Dealers Need to Know & What They Can Do

| SERVICE VISITS TO DEALERS GROW WITH CROSS-SELLING & RECALLS | Good mix in labor types  
Monitor mix of recall vs. customer pay work  
View recalls as an opportunity to acquire new service customers |
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>CAPACITY LIMITATIONS AND CONSUMER EXPECTATIONS PUT EFFICIENCY TOP OF MIND</td>
<td>Leverage technology to put customer data at fingertips of staff</td>
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</tbody>
</table>
| LOCATION BECOMING EVEN MORE OF A RETENTION ISSUE FOR THE “DEALER OF PURCHASE” | Valet (pick up and drop off) and mobile services  
Creative use of Ride-sharing services |
| VALUE SURPASSES QUALITY AS MOST IMPORTANT WHEN SELECTING A SERVICE PROVIDER | Survey competitors to find out how much they are charging  
Market how much cheaper you are than competitors – price transparency  
Competitively price quick services to get consumers into your service department |
| NEW VEHICLE INNOVATION WILL STRENGTHEN DEALERS’ POSITION AS TOP SERVICE PROVIDER | Educate customers on the advantages of servicing their vehicle with a provider that understands the complexity of today’s vehicles |