2021 SERVICE INDUSTRY STUDY

OCTOBER 2021

Research & Market Intelligence

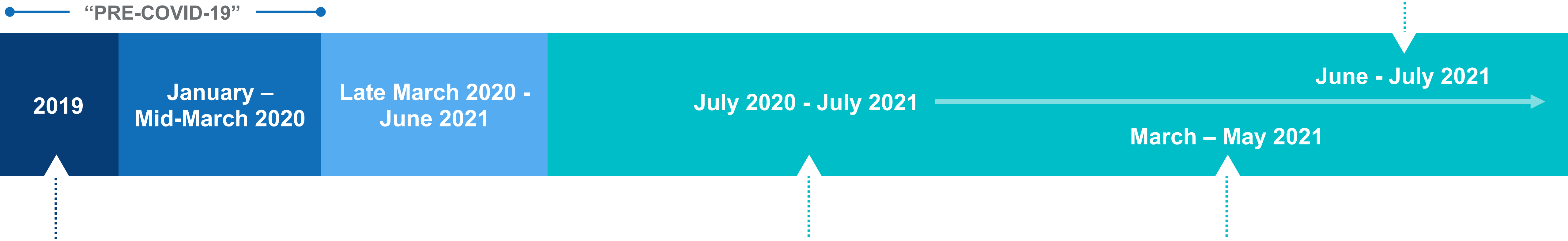
About the Service Industry Study

2,502 Consumers ages 18-75 that have had at least 1 service visit in the past 12 months; a total of **5,549** service visits

529 Franchise dealers with decision making authority over fixed ops

Consumer Field Dates
June 16 – June 24, 2021

Dealer Field Dates:
June 16 – July 8, 2021



Dealer Question Wording:
Prior to the COVID-19 pandemic (think back to an **average month in 2019**)

Consumer Question Wording:
Thinking about your service visits you've had in **the past year**, how does that compare to service visits **prior to the COVID-19 pandemic**

Dealer Question Wording:
Average number of repair orders **over the last 3 months**

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STATE OF THE SERVICE MARKET

Dealerships continue to stand their ground as the Top Service Provider, but with room to grow

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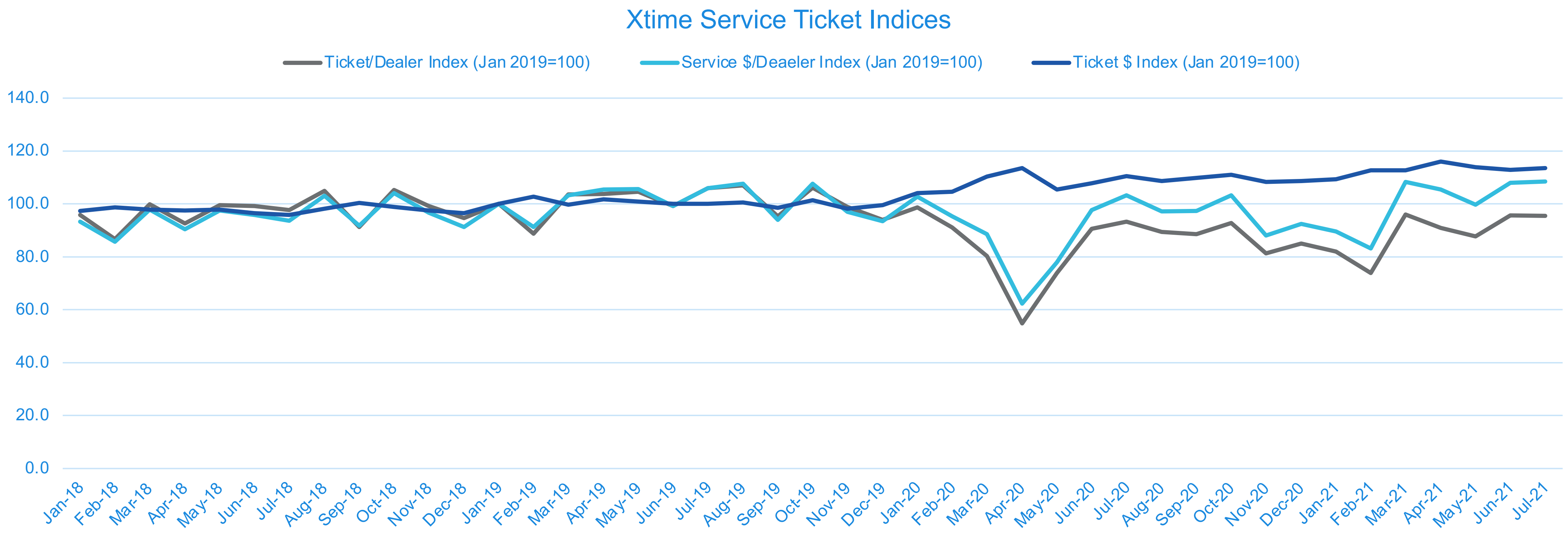
Service recovering with gains in ticket size and revenue.

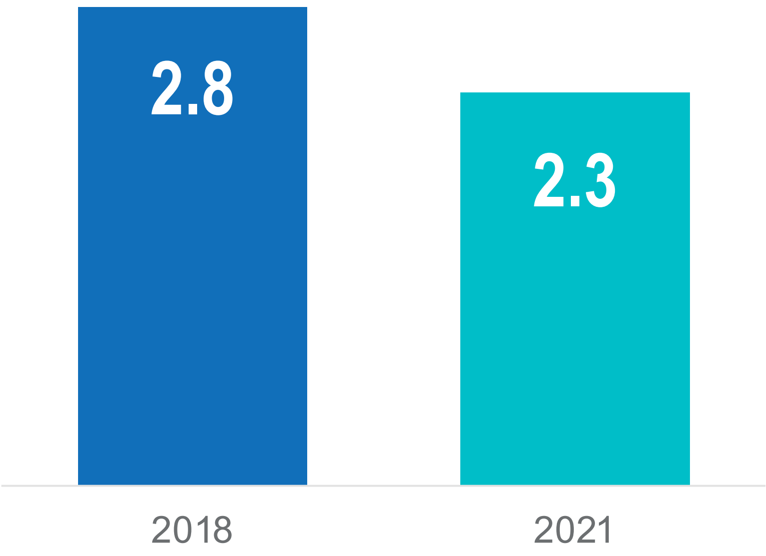
Xtime service indices in July show tickets still down from 2019 but average ticket size and revenue higher



Source: xtime, Cox Automotive

Consumers made fewer visits to their service provider this past year.

AVERAGE NUMBER OF **SERVICE VISITS** PER YEAR

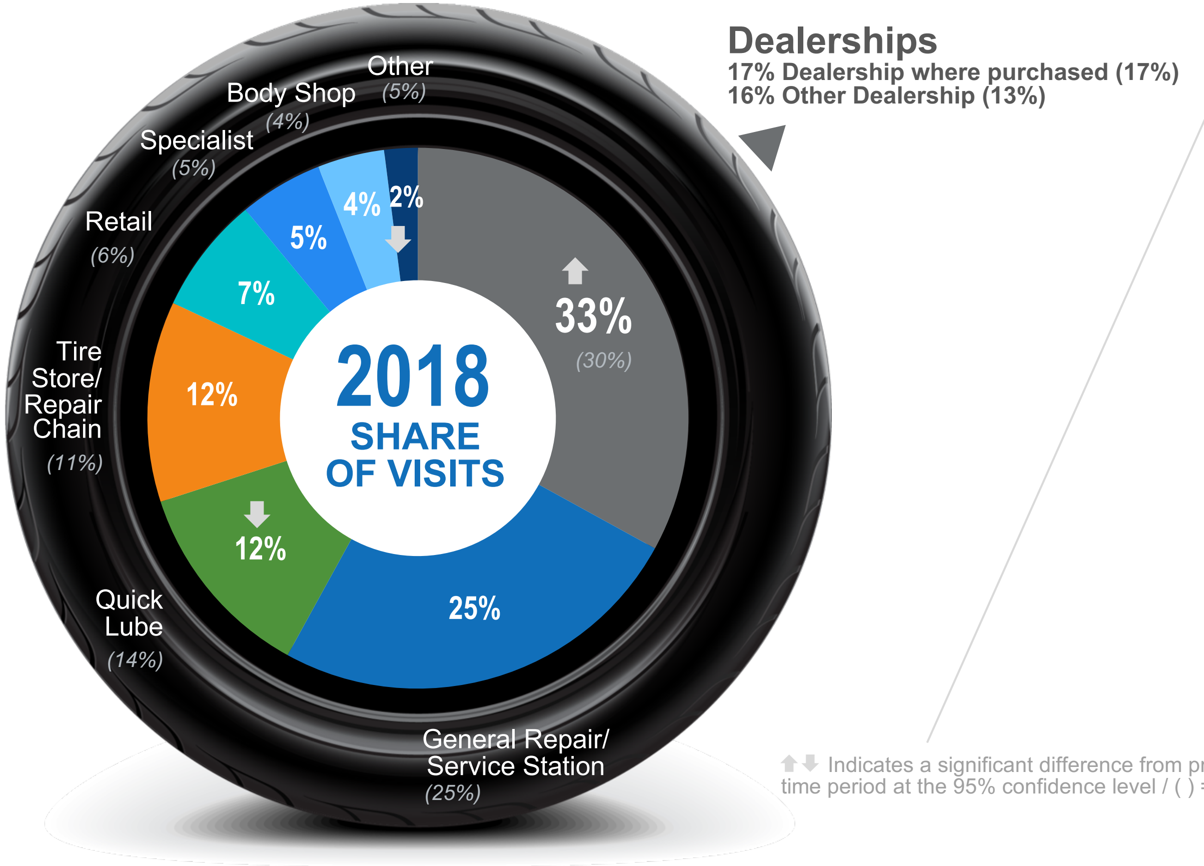


Average miles driven per week is down **22%** since before COVID-19 (*83 miles on average per week vs. 107*).

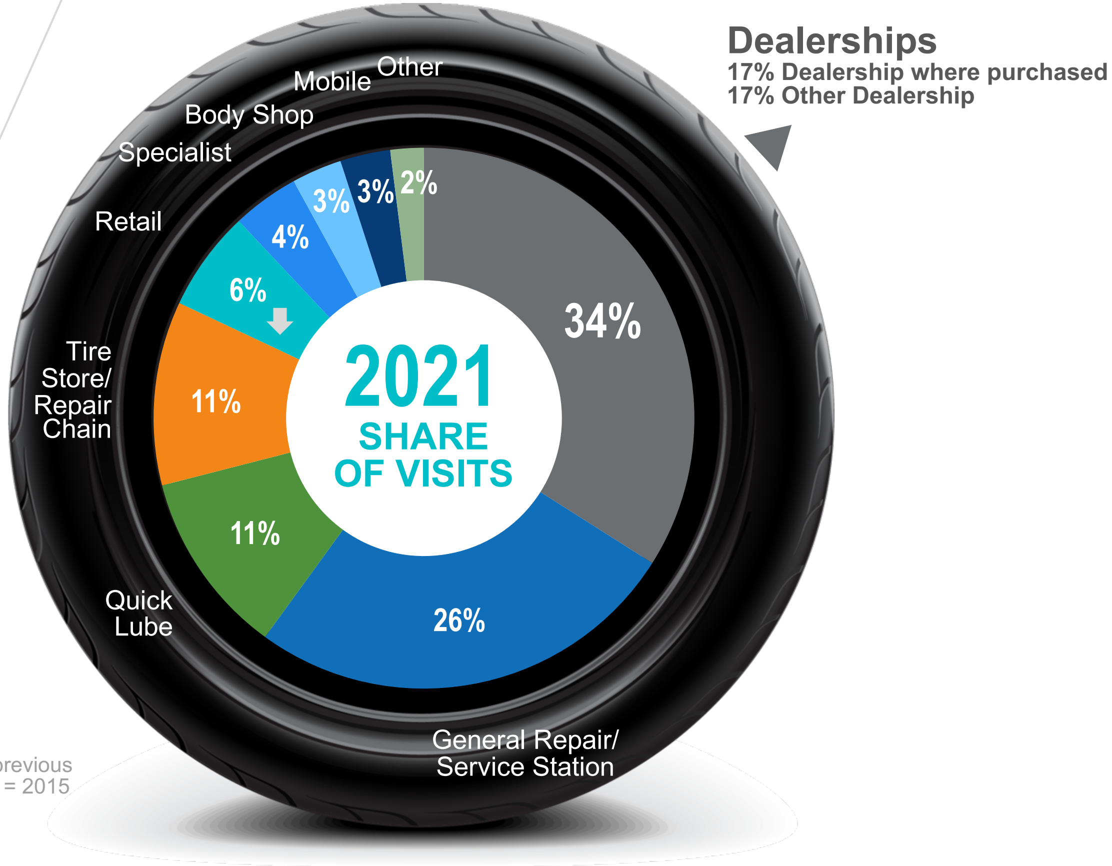
1-in-5 consumers delayed taking their vehicle for service/maintenance due to COVID-19.

Source: 2021 Cox Automotive Service Industry Study

Dealerships continue to be the most used service provider, but there is still opportunity to grow.



270 MM TOTAL OF REGISTERED U.S. VEHICLES*



289.5 MM TOTAL OF REGISTERED U.S. VEHICLES*

⬆⬇ Indicates a significant difference from previous time period at the 95% confidence level / ( ) = 2015

*Source: 2021 Projected Hedges & Company US Vehicle Registration Data

Source: 2021 Cox Automotive Service Industry Study

Dealerships are most preferred because of their existing relationships.

35% PREFER TO TAKE THEIR VEHICLE TO THE DEALERSHIP **FOR SERVICING**

TOP REASONS DEALERSHIPS ARE PREFERRED

1. They know my vehicle **(55%)**
2. Prior experience **(46%)**
3. Location **(41%)**
4. They know me **(33%)**

Source: 2021 Cox Automotive Service Industry Study

Mobile, SPUD, and price transparency can help with dealership retention.

TOP REASONS FOR **NOT RETURNING** TO THE DEALERSHIP FOR SERVICE

	2021	2018	2015
Not a convenient **location**	#1 ↑	#2 ↑	#5 ↑
Total **cost** is not reasonable	#2	#1	#1
They will **overcharge**	#3	#3	#2
Unreasonable **labor charges**	#4	#4	#3
Unreasonable **parts charges**	#5	#5	#4

Source: 2021 Cox Automotive Service Industry Study

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STATE OF THE SERVICE MARKET

Dealership Service Centers sustain despite current headwinds and market conditions.

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Delayed parts and staffing are main challenges for dealerships.

TOP SERVICE OPERATION **FRUSTRATIONS**

#1 **58%**

Parts delays from manufacturers

#2 **45%**

Finding and hiring the right technicians

Source: 2021 Cox Automotive Service Industry Study

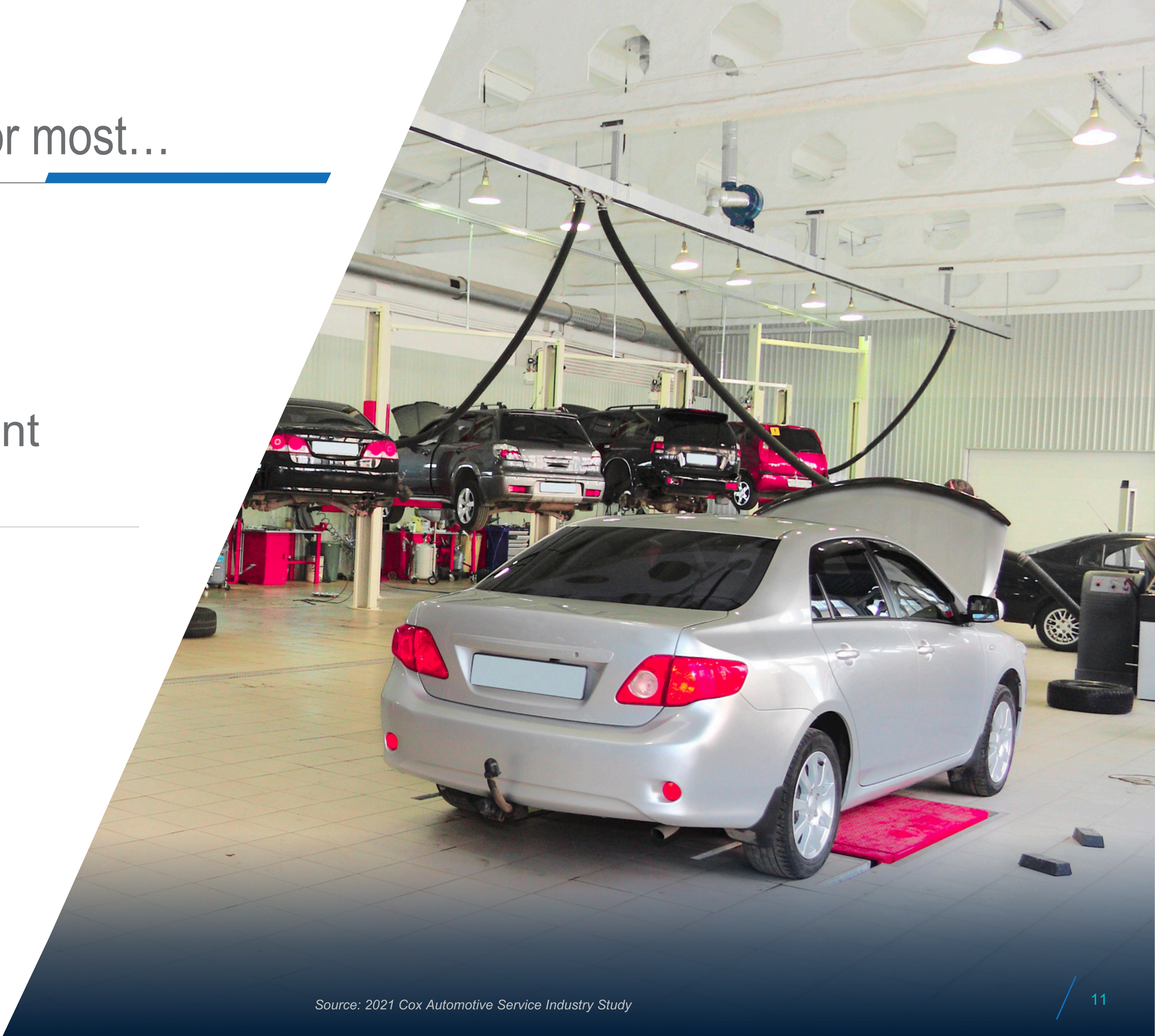
Staffing is less than optimal for most…

57%

Say their service department is **not fully staffed**

80%

Expect **labor shortages** to continue or worsen in the future



Source: 2021 Cox Automotive Service Industry Study

…and turnover will continue to exacerbate the issue.

Report an **increase** in the turnover rate for service staff since before the COVID-19 pandemic

TOP REASONS FOR SERVICE **STAFF TURNOVER**

43%

Lose employees that just **want to do something else** or **not work at all**

42%

Lose employees to **better paying jobs**

Expanding the number of service technicians is highest priority for dealership leaders.

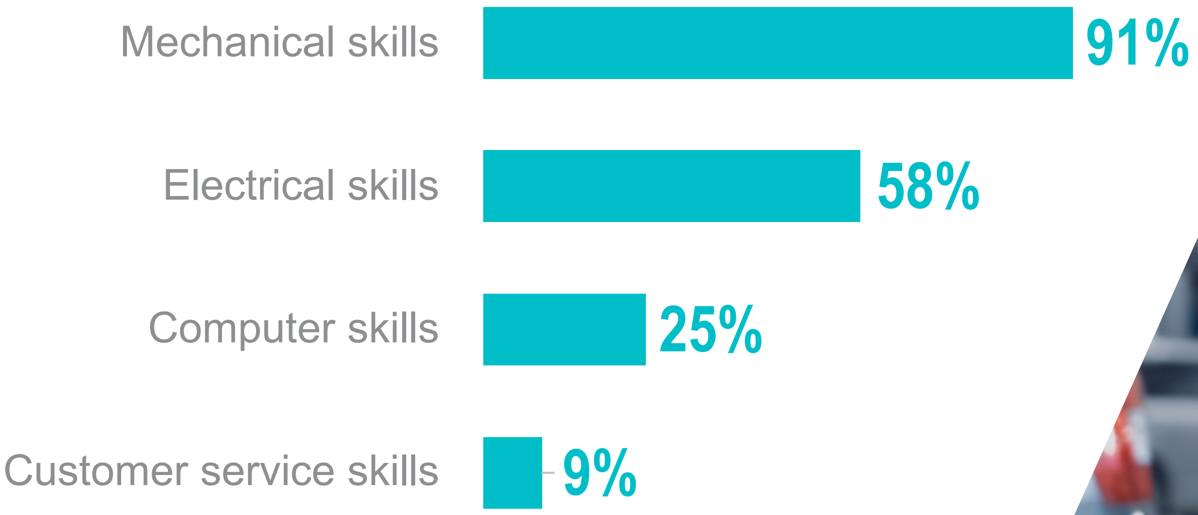
TOP ROLES
DEALERS PLAN TO GROW IN 2021

1. **60%** Service Technician
2. **54%** New Vehicle Sales Associate
3. **48%** Used Vehicle Sales Associate
4. **38%** Service Advisor
5. **33%** BDC Specialist

Source: 2021 Dealership Staffing Study

Mechanical skills are fundamental, but electrical skills have emerged as a new area of importance.

MOST IMPORTANT **SKILLS** FOR TECHNICIANS



Source: 2021 Cox Automotive Service Industry Study

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STATE OF THE SERVICE MARKET

Dealers are less optimistic about the service experience than their customers.

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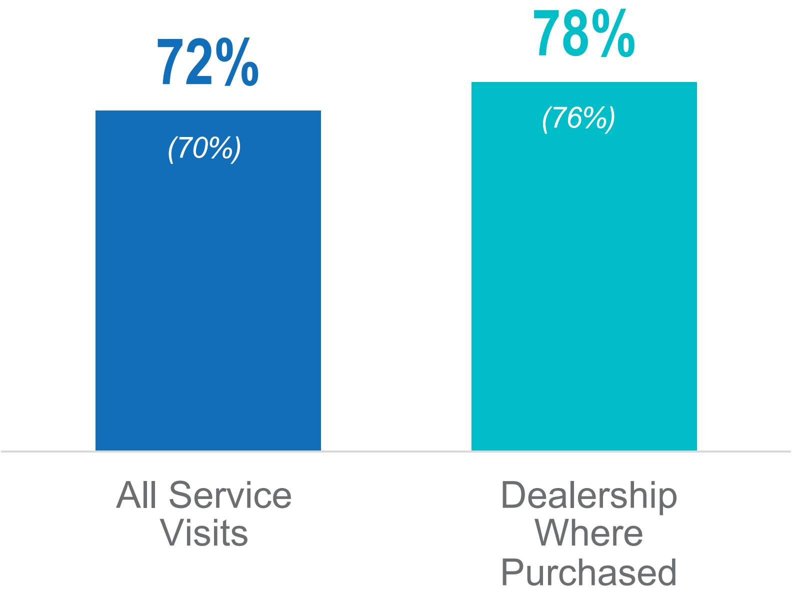
Dealership resilience pays off as consumers remain satisfied.

CONSUMER SERVICE PROVIDER **SATISFACTION/LOYALTY**

(Very Satisfied, I will always go to them)



Over-Index Total

% Very Satisfied

Baby Boomers

82%

Vehicles > 5 Years Old

74%

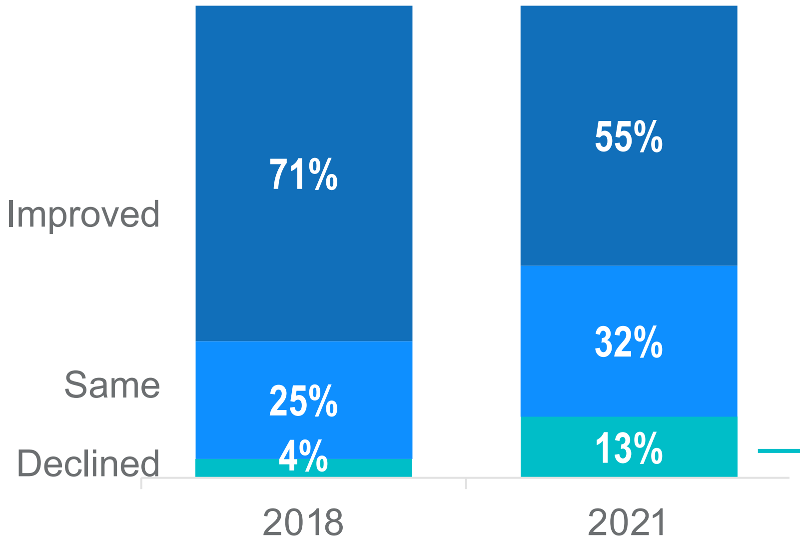
Those Not Under Warranty

74%

(% from 2018)

Dealers are skeptical about meeting their customers' expectations...

DEALER PERCEPTIONS OF **CUSTOMER SATISFACTION** OVER PAST 12 MONTHS



13%

Dealerships citing a **decline** in customer experience…

Have experienced increasing turnover since COVID-19, most often due to better paying jobs

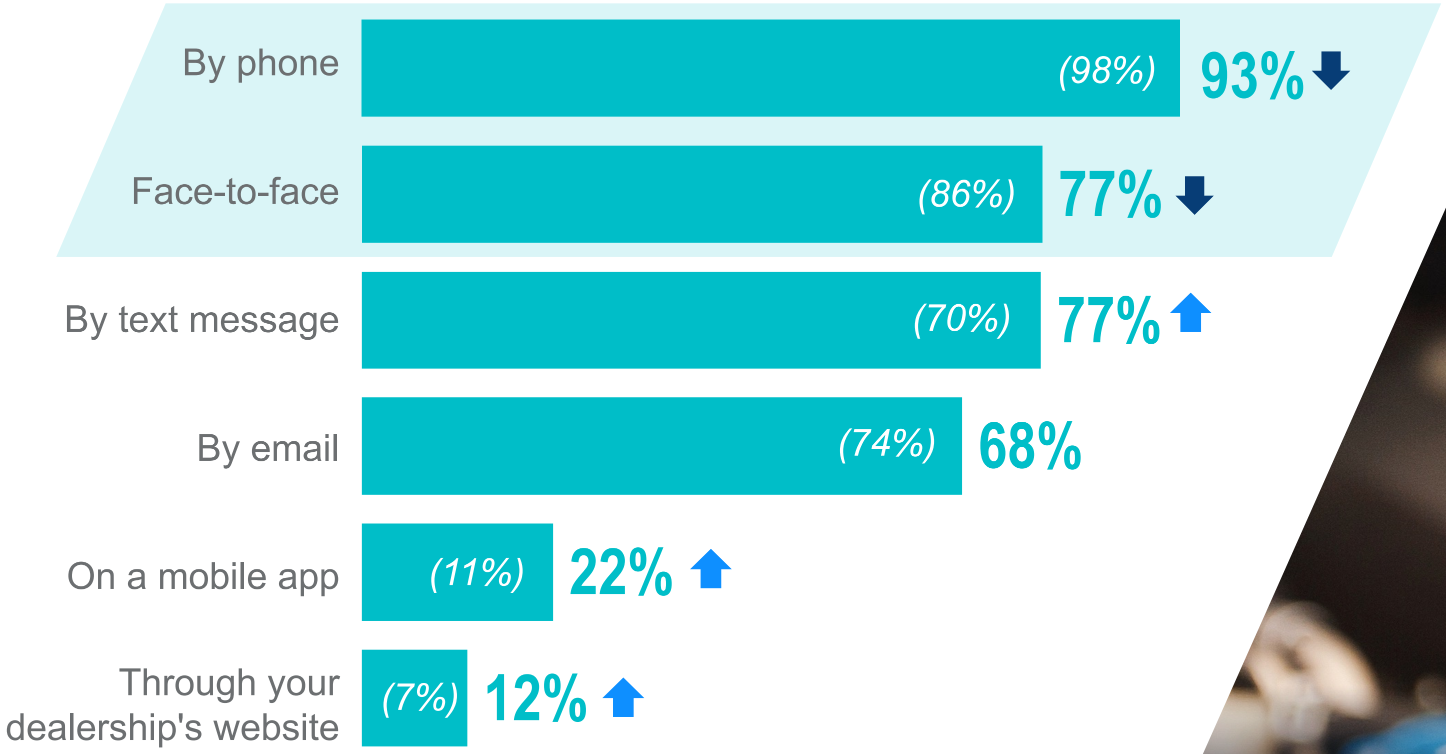
Are not fully staffed

Are extremely concerned about staff shortages

Are more often small dealerships

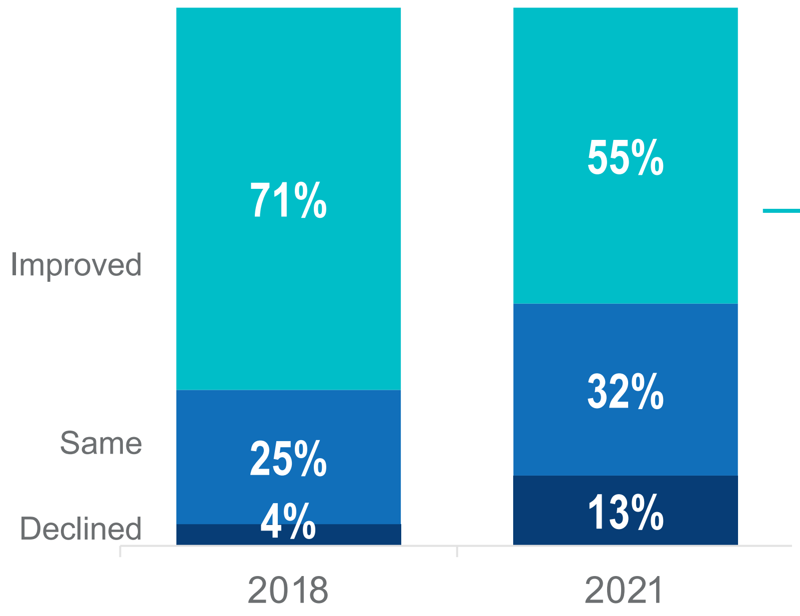
…and digital interactions are starting to replace personal touchpoints…

SERVICE VISIT **COMMUNICATION**



(% from 2018)

…but those offering digital features have a more positive outlook.



55%

(71% 2018)

Of Dealers say that the service experience has **improved** in the past year.

These dealers more often offer…

Services

SPUD (66%)

Ridesharing (48%)

Mobile Service (25%)

Information

Track and send customers status updates on their vehicle (64%)

OEM repair info (62%)

Cost estimates online (52%)

Impact of service on vehicle value (35%)

Tools

Service history (59%)

Remote software updates (40%)

Mobile check-in (37%)

Progress tracking (34%)

Consumers continue to struggle with service visit time.

AVERAGE SERVICE VISIT TIME IS UP SLIGHTLY FOR BOTH MAINTENANCE AND REPAIR

	Total	Dealerships	General Repair
Maintenance	**2:33** *(2:23)*	**2:24** *(2:23)*	**2:46** *(2:36)*
Repair	**3:40** *(3:33)*	**3:37** *(3:07)*	**4:07** *(4:24)*

TOP CONSUMER FRUSTRATION

23% ↑ of service visits take longer than expected, resulting in frustration

(21% in 2018)

Source: 2021 Cox Automotive Service Industry Study

A LOOK FORWARD

NAVIGATING WHAT'S NEXT

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SERVICE PICK-UP AND DELIVERYOPPORTUNITY

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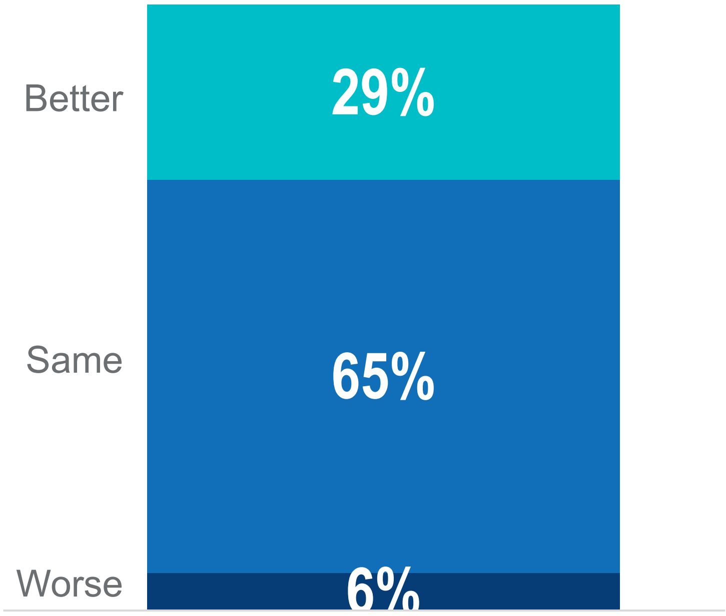
SPUD users currently have a better service experience...

SERVICE EXPERIENCE VS. BEFORE COVID-19 PANDEMIC



Over-Index Total

% Better

SPUD Users

56%

Luxury

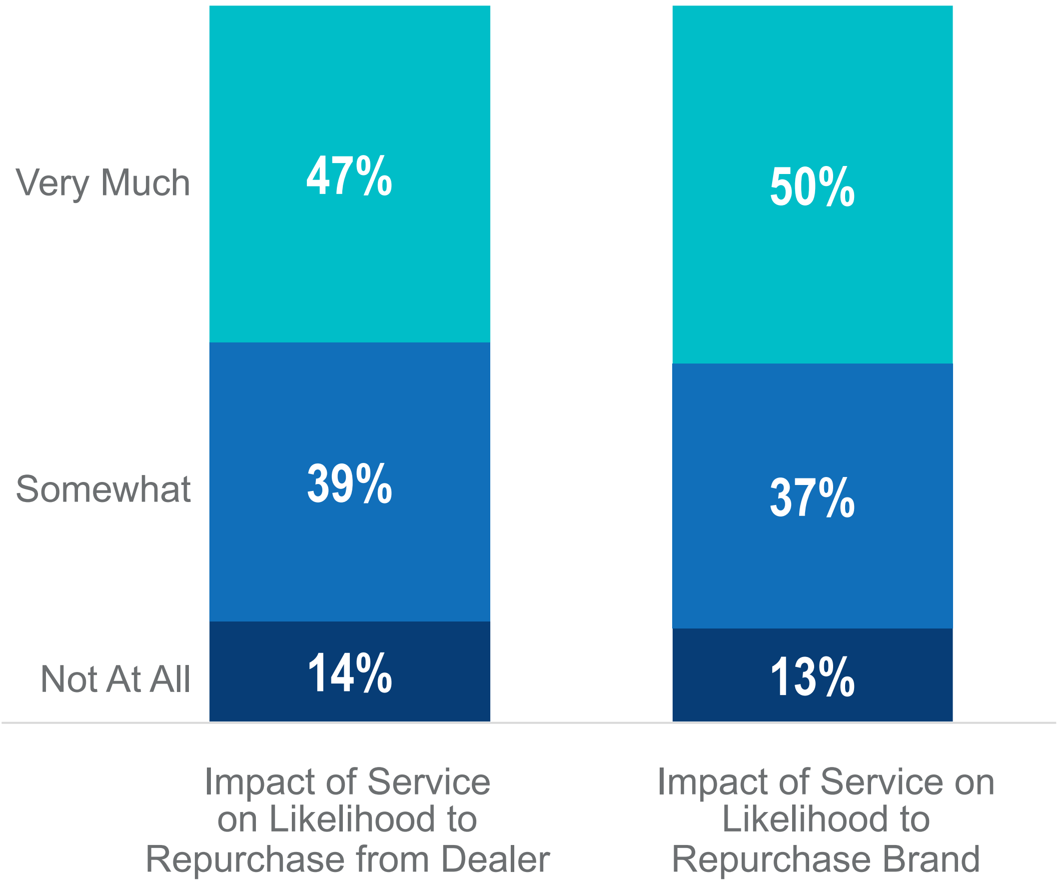
(New vehicles 0-3 years)

66%

Under Warranty

44%

…and can positively impact loyalty to the brand and dealership.



Over-Index Total % Very Much	SPUD Users	Luxury	Under Warranty
	62%	64%	55%

Over-Index Total % Very Much	SPUD Users	Luxury	Under Warranty
	61%	62%	58%

Source: 2021 Cox Automotive Service Industry Study

Both consumers and dealers can benefit from SPUD.

CONSUMER SPUD USERS:

89%

✓ Are more likely to choose one dealership over another based on SPUD availability *(among users)*

87%

✓ Are highly satisfied

51%

✓ Had more completed services than if took vehicle to dealership

Source: COVID Impact Study, Oct/Nov 2020

Dealers are offering SPUD, though face operational challenges.

59%
Currently offer SPUD

24%
Plan to offer SPUD

TOP CHALLENGES FOR THOSE **CURRENTLY OFFERING SPUD**

#1 Logistics (delivery, service area)

#2 Staffing (runners, drivers, low-level staff)

#3 Whether or not to give loaners

"Honestly, the man hours and availability of staff to accommodate all the requests. Regarding loaners and shuttle, we are typically having to schedule two weeks out. Problem now is we are selling a lot of active loaners because we have no other inventory."

Franchise Dealer

Source: 2021 Cox Automotive Service Industry Study

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MOBILE ON-SITE SERVICE OPPORTUNITY

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Mobile Service is growing, with some room for improvement as the market matures.

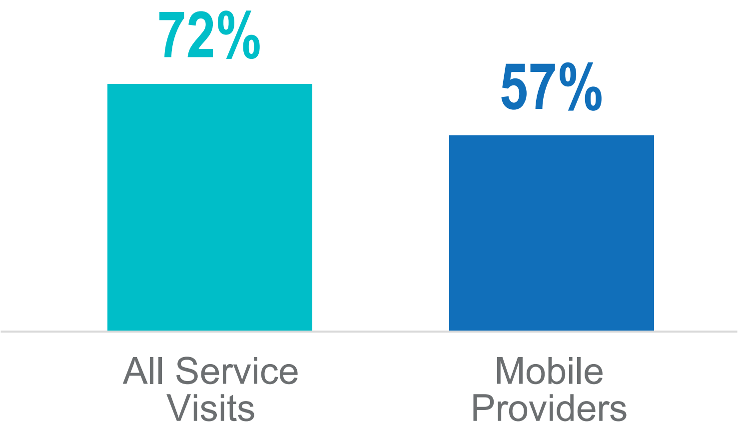
3%

OF SERVICE VISITS ARE WITH MOBILE PROVIDERS

*This translates to **17MM** visits a year.*

SERVICE PROVIDER SATISFACTION/LOYALTY

(Very Satisfied, I will always go to them)



66% OF MOBILE VISITS CAUSED FRUSTRATION

(Vs. 39% total)

Mobile on-site service is becoming more prevalent, with 2-in-5 currently offering or planning to offer in the future.

21% **CURRENTLY** OFFER MOBILE ON-SITE SERVICE

20% **PLAN TO** OFFER MOBILE ON-SITE SERVICE IN THE FUTURE

Source: 2021 Cox Automotive Service Industry Study

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DIGITAL EVOLUTION OPPORTUNITY

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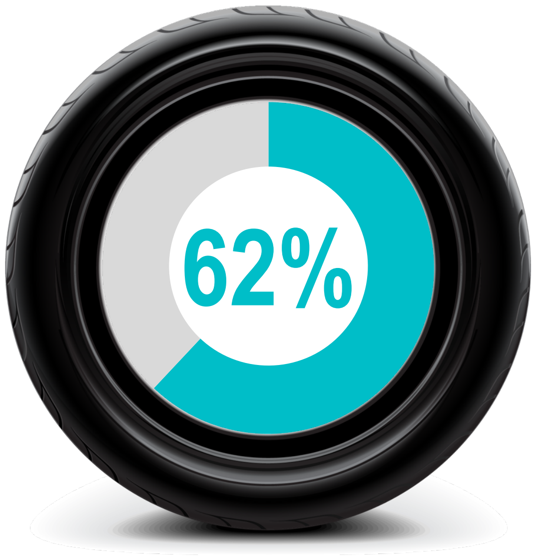
Top consumer service visit enhancements relate to timing flexibility, value and trust/relationship with the service provider.

TOP CONSUMER SERVICE VISIT **ENHANCEMENTS**

36%	35%	34%	25%	24%
Flexible, same day appointments	Coupons and special offers	Ability to ask questions to service department	Service notifications to let you know when service is needed on your vehicle	A modern waiting area where you can comfortably wait for your vehicle to be serviced
*Currently offered by **67%** of dealers*	*Currently offered by **87%** of dealers*	*Currently offered by **85%** of dealers*	*Currently offered by **79%** of dealers*	*Currently offered by **84%** of dealers*

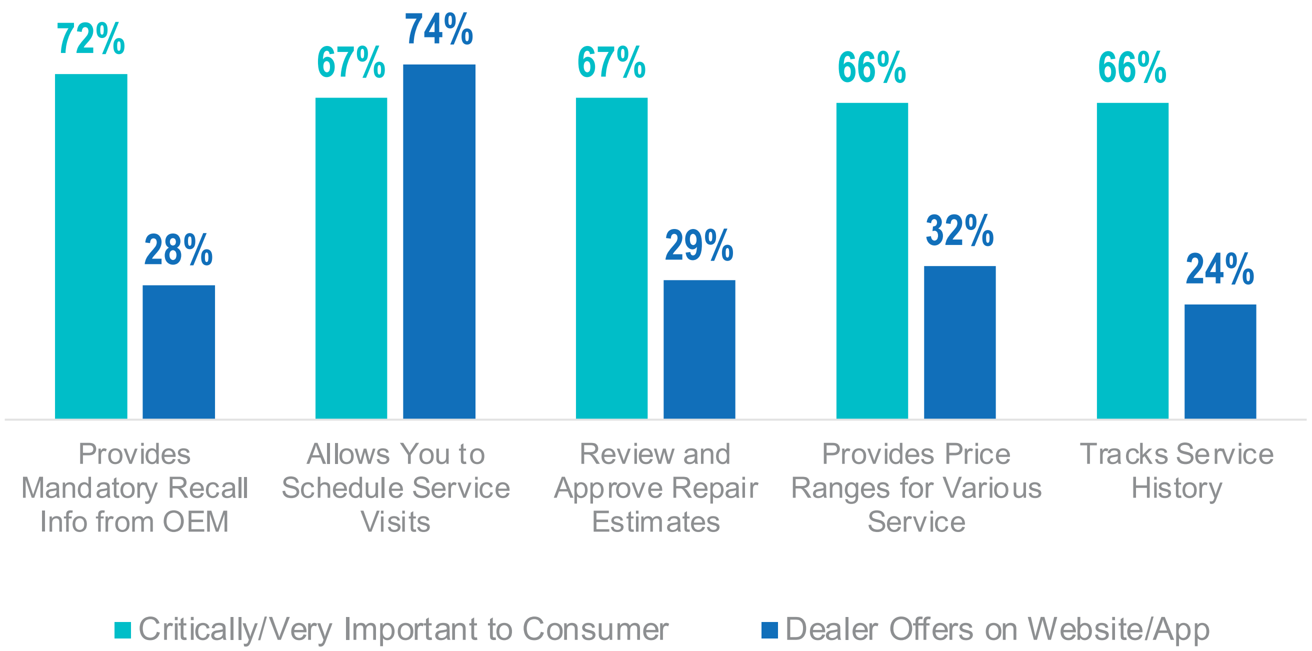
Opportunity exists to better leverage digital solutions to improve the service experience.

DEALER ONLINE SOLUTIONS



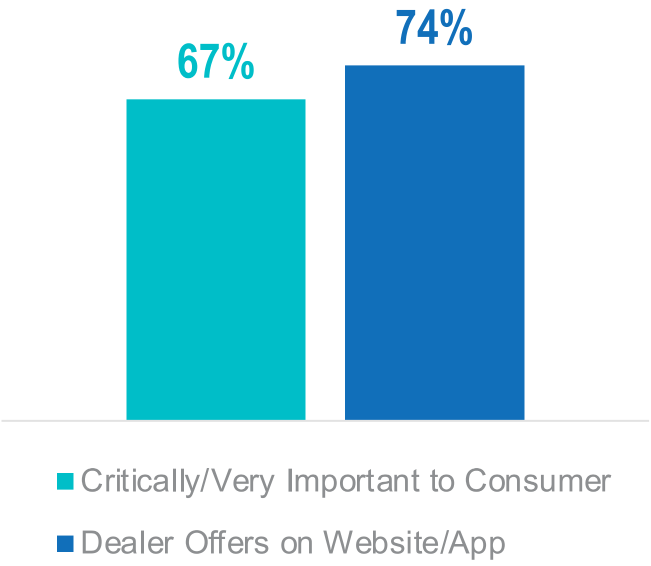
of Dealers do believe their current online solutions enable a better service experience

MOST IMPORTANT DIGITAL FEATURES



Offering online scheduling from the website is important to consumers, but awareness is still a barrier.

IMPORTANCE OF OFFERING **ONLINE SCHEDULING** FROM WEBSITE/APP



91%

of those scheduling online are highly satisfied with the scheduling experience (better than any other channel)

34%

of consumers that do not schedule online are unsure if their service provider offers online scheduling

Source: 2021 Cox Automotive Service Industry Study

Consumers expect providers to know vehicle basics when scheduling.

WHAT DEALERSHIPS SHOULD KNOW DURING **SCHEDULING**

- ✓ **63%** Vehicle Service History
- ✓ **59%** Vehicle Make/Model
- ✓ **52%** Vehicle Year
- ✓ **43%** Vehicle Features
- ✓ **34%** Approximate Vehicle Mileage
- ✓ **18%** How much spent on previous vehicle purchases/leases
- ✓ **17%** Trade-in Value

Source: 2021 Cox Automotive Service Industry Study

4

ELECTRIC VEHICLES

A LOOK FORWARD

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Dealerships are preparing for the rise of Electrical Vehicles on the road.

Fleet/EV/Autonomous Vehicles Serviced at Dealership (% from 2018)

	Types of vehicles serviced	Percent of vehicles serviced at dealership	Percent of technicians trained to work on vehicles	% plan to service in the next year *(among those currently not servicing these types of vehicles)*
Fleet	73% *(71%)*	18%		22%
Electric	66% *(66%)*	12%	32%	30%
Autonomous/ADAS	13% ↓ *(19%)*	35%	45%	45%

Source: 2021 Cox Automotive Service and Repair Study

WRAP UP

Learnings from Top Performing Service Departments

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Top performers are delivering on customer experience.

Top performers outperform others across profit, efficiency and customer service

FOCUS ON THE CUSTOMER'S EXPERIENCE

99% agree that improving **customers experience** in service is an important focus moving forward (vs.80% total)

95% believe **integrating CRM and Fixed Ops systems** result in a better consumer experience (vs. 64% total)

86% believe integrating **DMS and Fixed Ops systems** result in a better consumer experience (vs. 67% total)

48% of the time, someone from sales **meets with customers to discuss trade-in values** (vs. 34% total)

ADOPT SERVICES AND TOOLS TO FACILITATE THE CUSTOMER EXPERIENCE AND BUSINESS OPERATIONS

CUSTOMER SERVICES

- ✓ Ride-sharing **(62%)**
- ✓ SPUD **(56%)**
- ✓ Loaner vehicles **(55%)**
- ✓ Mobile On-Site Services **(36%)**

CUSTOMER TOOLS

- ✓ Review and approve estimates online **(77%)**
- ✓ Online digital payment **(63%)**
- ✓ Service history tracking **(48%)**
- ✓ Mobile check-in **(48%)**
- ✓ Comparative pricing tools **(36%)**

DEALERSHIP TOOLS

- ✓ Daily shop management (maximize utilization of bays and techs) **(76%)**
- ✓ Automation software to help techs write reports **(55%)**
- ✓ Tool to manage loaner fleet/rentals **(71%)**

Source: 2021 Cox Automotive Service Industry Study

KEY INDUSTRY IMPLICATIONS

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Key Implications for Dealership Service Centers

Evolve the **digital experience** and **offer flexibility** by **enhancing online capabilities**, such as allowing customers to schedule their service visit through websites, providing access to OEM recall information, delivering on price transparency, and granting access to vehicle history online.

Meet customer demand for **convenience** by considering new service lines such as Ridesharing, Service Pick-Up and Delivery and Mobile On-Site Services, which can help combat location as the top barrier for dealership retention.

Focus on **new staffing strategies** and avoid concerns of future labor shortages by retaining staff and teaching new skill sets, with an emphasis on growing electrical maintenance and repair skills.

Adopt a **customer-first mindset** and **evolve software** that can seamlessly integrate the customers experience on the backend to smoothly transition customers from the sales process to the service experience.

Source: 2021 Cox Automotive Service Industry Study