THE COX AUTOMOTIVE 2018 SERVICE INDUSTRY STUDY

CONSUMER SERVICE EXPERIENCE

RESEARCH PRESENTATION

Cox Automotive™

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

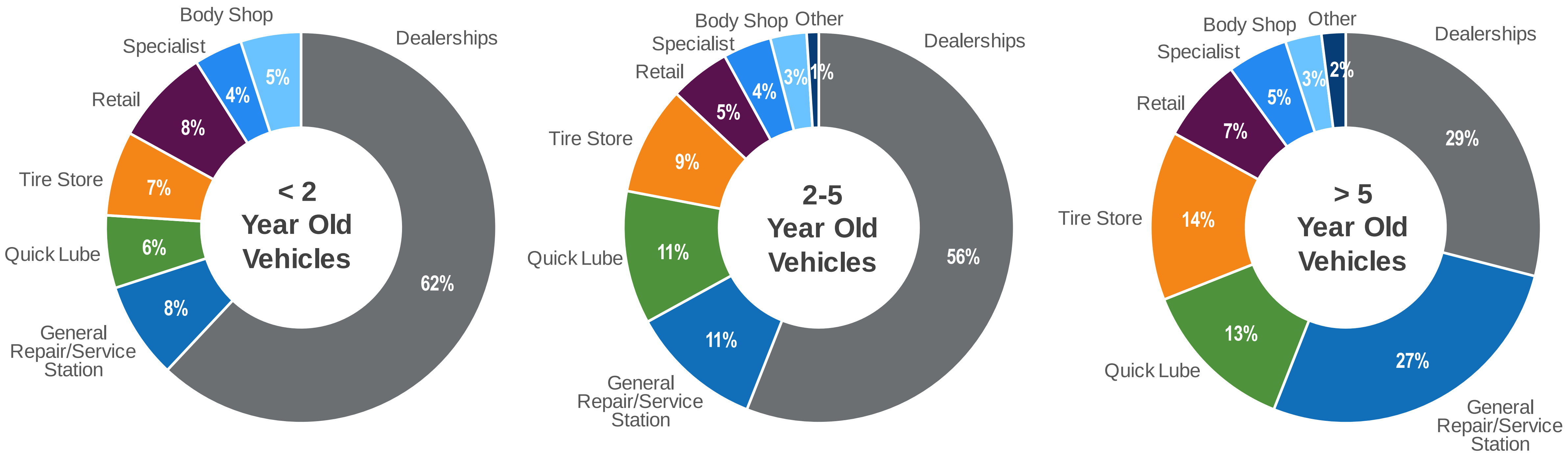
POSITIVE NEWS, NEGATIVE NEWS

DEALERS LEAD IN SHARE OF SERVICE VISITS AND THEIR LEAD IS GROWING

HOWEVER…
DEALERS STILL ONLY CAPTURE 1 IN 3 SERVICE VISITS

Dealership Usage Declines as Vehicles Age

SHARE OF SERVICE VISITS BY VEHICLE AGE
(AMONG THOSE WHO PURCHASED FROM A DEALERSHIP)



% Under Warranty	91%	60%	8%

Dealers Struggle with Retention

70%

of consumers who purchased or leased from a dealer did not return for service in the past year

Source: 2018 Cox Automotive Service Industry Study

Lack of Retention Costs Franchise Dealers…

$266B

annual lost revenue across all franchise dealers[1]

$15.9M

annual lost revenue per franchise dealer[2]

[1]estimate based on revenue calculations from NADA Data 2017: Annual Report and the 2018 Cox Automotive Service Industry Study.
[2] Based on an estimated 16,800 franchise dealers in the United States

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

Cost and Location Being the Top Barriers to Retention

TOP REASONS TO NOT USE DEALER OF PURCHASE FOR SERVICE

Total cost is **NOT** reasonable

NOT a convenient location

They will overcharge me

Unreasonable labor charges

Unreasonable parts charges

Enhanced Service Experience Can Overcome Barriers

IF THE PROVIDER OFFERED ANY ENHANCEMENTS

ENHANCEMENTS:

- Request service visit add-ons online
- Review/approve estimates electronically
- Ride-sharing services provided
- Valet service
- Guaranteed loaner vehicle
- Minimal-click scheduling via mobile device
- Video or pictures of recommended service
- Online bill pay
- In-lane bill pay via mobile device

60%

of consumers are more willing to travel further for service

54%

of consumers are willing to pay more for service

Dealers Agree that the Service Experience is a Critical Focus Now and in the Future

NOW…

97%

of dealers agree that the customer's experience in the service department is very important to their dealership

FUTURE…

96%

of dealers agree that improving the customer's experience in the service department is an important focus moving forward

Dealers Think They Have Already Made Progress

71%

of dealers think their service experience has improved

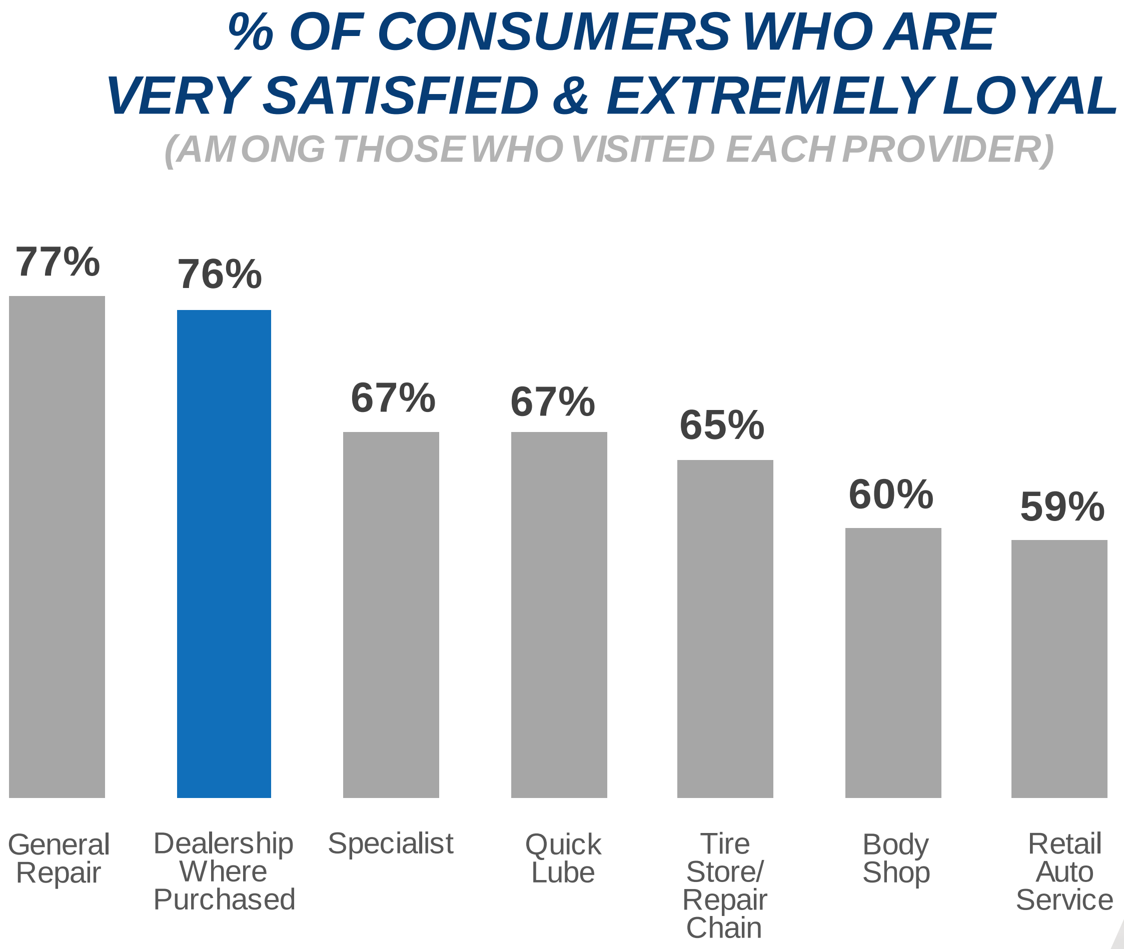
TOP REASONS WHY

Better staff

Improved customer service

Better employee training

Dealership Experience Remains at Parity with General Repair

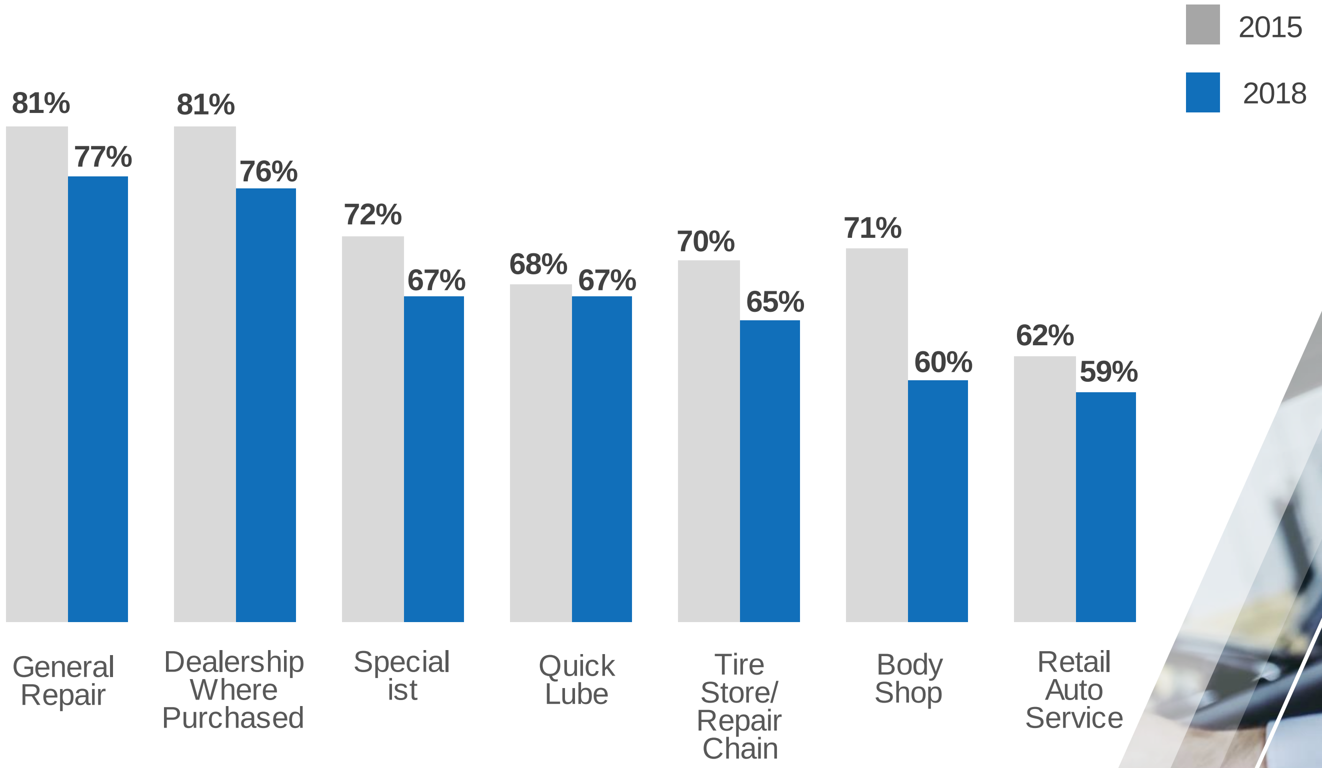


Source: 2018 Cox Automotive Service Industry Study

Consumer Satisfaction and Loyalty Have Dropped Across All Providers

% OF CONSUMERS WHO ARE VERY SATISFIED & EXTREMELY LOYAL

(AMONG THOSE WHO VISITED EACH PROVIDER)



Source: 2018 Cox Automotive Service Industry Study

Millennials Are the Most Dissatisfied with the Current Experience

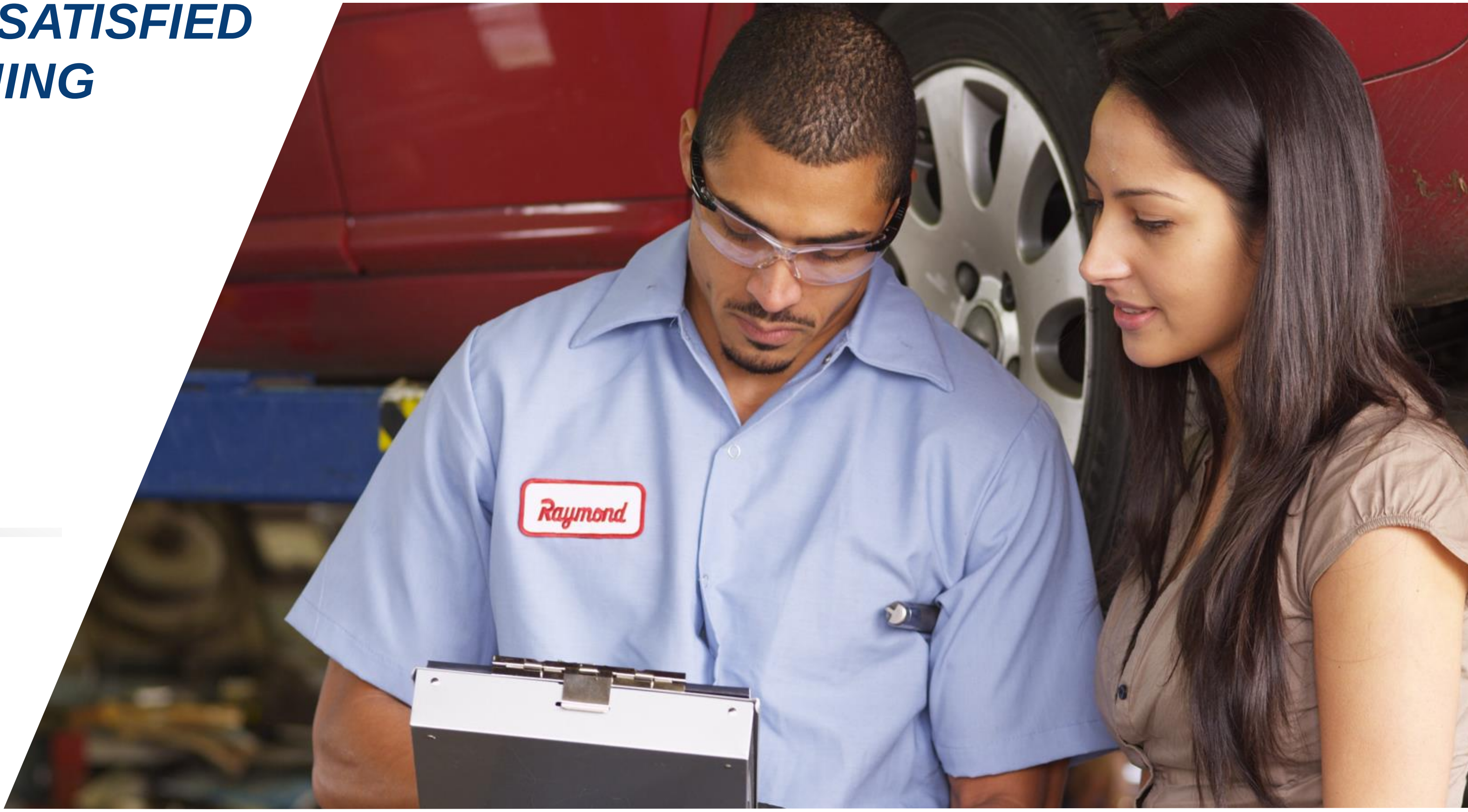
% OF CONSUMERS WHO ARE DISSATISFIED & PROBABLY NOT RETURNING

(ACROSS ALL PROVIDERS)

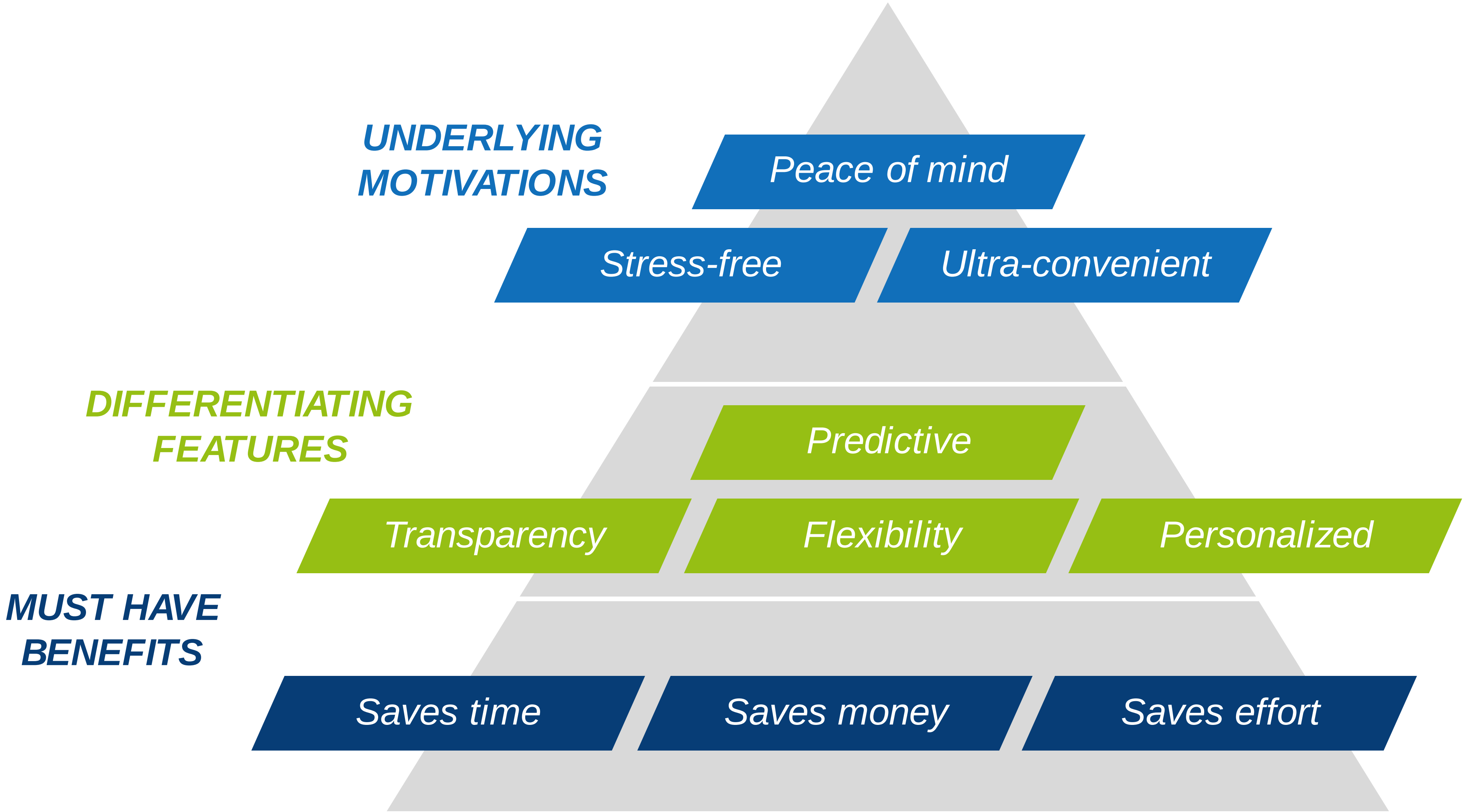
25%
of millennials

14%
of gen x

8%
of baby boomers



Service Needs Hierarchy: Consumers Ultimately Want Ease



5 Key Service Opportunities Based on Consumer Needs

- ENABLE EASE OF MAINTENANCE
- PROVIDE PRICE TRANSPARENCY
- UPGRADE OFFLINE SERVICES TO ONLINE FEATURES
- CLOSE THE DISTANCE GAP
- SERVICE VALUATION ANALYSIS

EASE OF MAINTENANCE

Maintenance is First to Mind When Consumers Think of Ownership

Source: KBB Ownership Study

Consumers Less Proactive With Maintenance as Their Vehicle Ages

53%

of consumers who purchased their vehicle NEW always get their vehicle serviced according to manufacturer guidelines

75%

< 2 year old vehicles

64%

2-5 year old vehicles

43%

> 5 year old vehicles

Source: 2018 Cox Automotive Service Industry Study

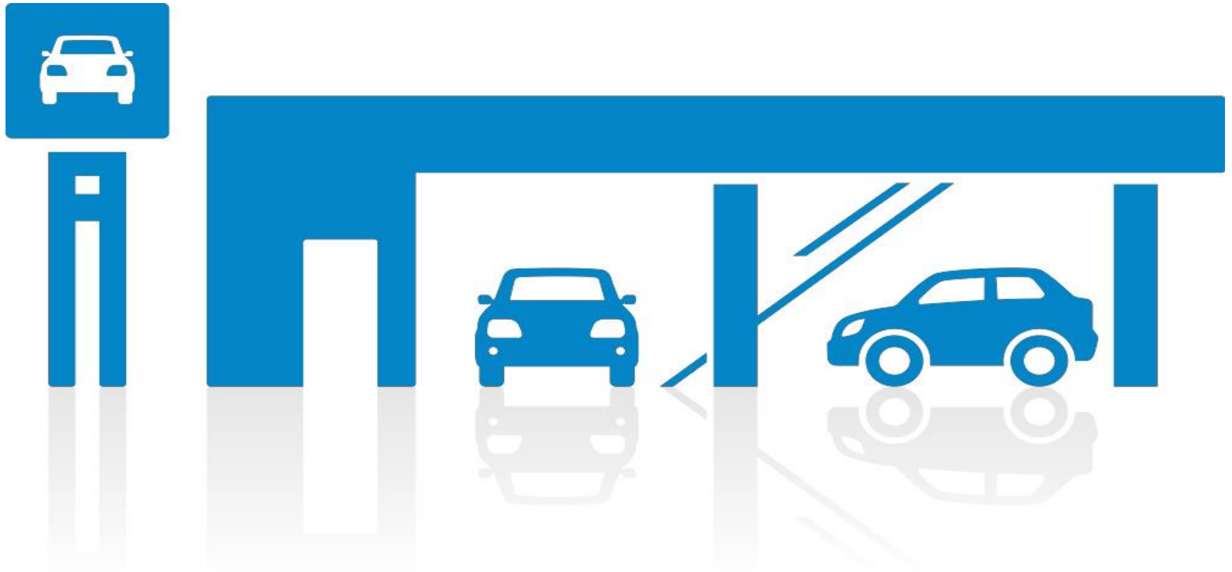
Most Vehicles Visited a Provider in 2018 for Maintenance at Least Once

82%

of registered vehicles were serviced in the past 12 months by a third party

% OF VISITS THAT INCLUDED…

Maintenance	Repair	Enhancement
85%	36%	7%



Dealers Improve Lead in Maintenance Visits But Still More Room to Grow

SHARE OF VISITS BY TYPE OF SERVICE

Maintenance 526 MM	Dealerships	General Repair	Quick Lube	Tire Store	Retail	Specialist	Body Shop	Other
	179 MM	**121 MM**	**68 MM**	**68 MM**	**37 MM**	**26 MM**	**16 MM**	**11 MM**
	34% ⬆	**23%**	**13%** ⬇	**13%**	**7%**	**5%**	**3%**	**2%**
2015	*(31%)*	*(23%)*	*(16%)*	*(12%)*	*(7%)*	*(4%)*	*(3%)*	*(4%)*

Repair 223 MM	Dealerships	General Repair	Quick Lube	Tire Store	Retail	Specialist	Body Shop	Other
	67 MM	**67 MM**	**18 MM**	**24 MM**	**16 MM**	**16 MM**	**13 MM**	**2 MM**
	30% ⬆	**30%** ⬇	**8%**	**11%**	**7%**	**7%**	**6%**	**1%**
2015	*(27%)*	*(33%)*	*(7%)*	*(10%)*	*(5%)*	*(6%)*	*(7%)*	*(5%)*

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

Consumers Visit Dealers for Maintenance Because of Their Connection to the Customer and Vehicle

TOP REASONS CONSUMERS PREFER PROVIDER FOR MAINTENANCE

DEALERSHIP

They know my vehicle

Prior experience

They know me

GENERAL REPAIR

Cost / Price

Prior experience

Convenient location

Many Consumers Want the Dealer Website to be Their Primary Touchpoint for Maintenance

DEALER WEBSITE FEATURES CONSUMERS FEEL ARE IMPORTANT TO IMPROVE THEIR EXPERIENCE

67%

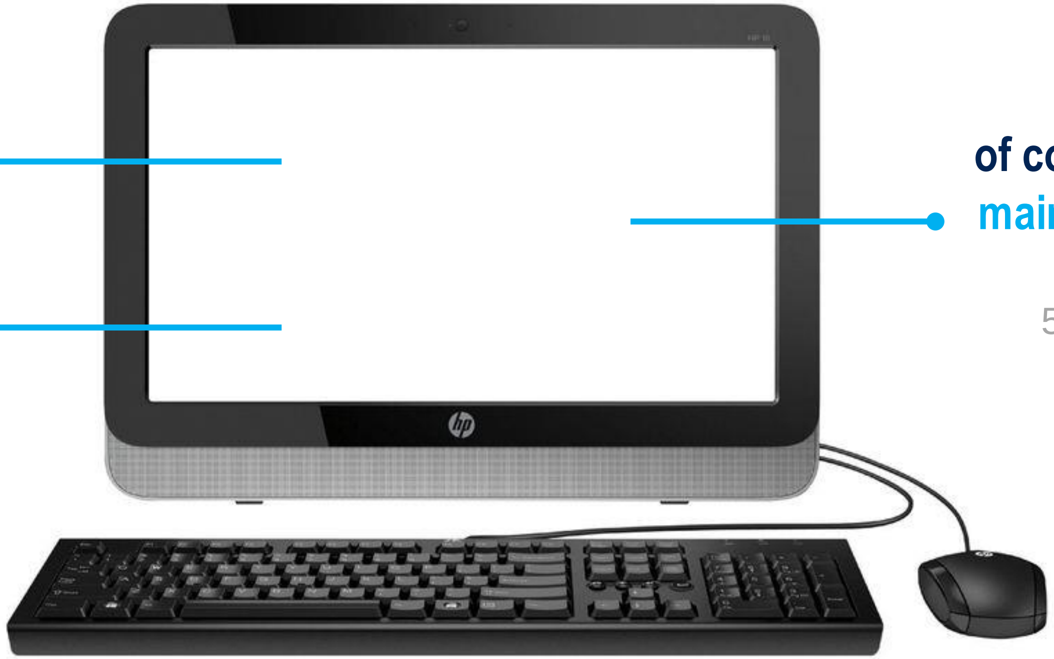
of consumers want to track service history via the dealer website

18% of dealers have feature

61%

of consumers want recall updates & service reminders via the dealer website

18% of dealers have feature



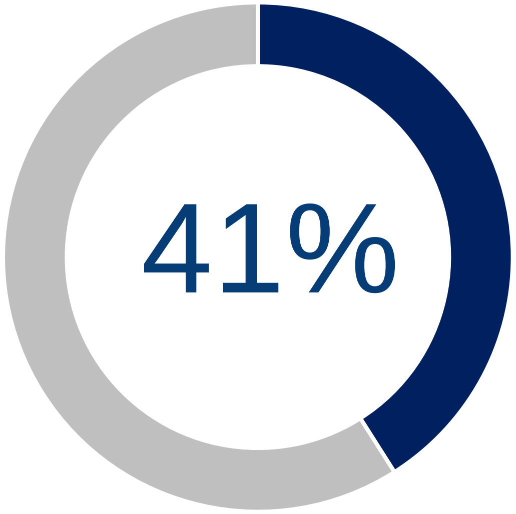
62%

of consumers want to view OEM maintenance recommendations via the dealer website

50% of dealers have feature

2 in 5 Consumers Want an Ongoing, Remote Connection to the Dealer

% OF CONSUMERS INTERESTED



remote monitoring of vehicle health & predicting part replacement

13% of dealers currently offer
21% of dealers considering it

PROVIDE PRICE TRANSPARENCY

The Internet is Becoming a Resource for Information on Service

35% OF CONSUMERS USED THE INTERNET FOR A SERVICE RELATED ACTIVITY

57% Gen Z

52% Millennials

33% Gen X

25% Boomers

Source: 2018 Cox Automotive Service Industry Study

Pricing Research Top Online Activity Across All Generations

TOP 5 ONLINE ACTIVITIES BY GENERATION

GEN Z

1. Research a specific problem
2. Find approximate price ranges
3. Find a telephone number
4. Compare prices of multiple companies
5. Find hours of operation

GEN X

1. Research a specific problem
2. Schedule an appointment
3. Find hours of operation
4. Find coupons
5. Find approximate price ranges

MILLENNIALS

1. Research a specific problem
2. Find hours of operation
3. Find a telephone number
4. Find approximate price ranges
5. Find how-to videos

BOOMERS

1. Research a specific problem
2. Schedule an appointment
3. Find hours of operation
4. Find a telephone number
5. Find approximate price ranges

Value Surpasses Quality as Most Important When Selecting Providers

WHAT'S MOST IMPORTANT WHEN CONSIDERING SERVICE PROVIDERS?

2015

- Quality
- **Value**
- Trust
- Convenience

2018

- **Value**
- Quality
- Convenience
- Trust

TOP VALUE ATTRIBUTES:

They won't overcharge me

Total cost is reasonable

Provides total cost upfront

Price Transparency is a Top Consumer Frustration

#1 Service took longer than expected

#2 Tried to push additional services

#3 Had an appointment but waited in line

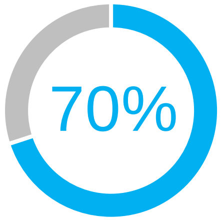
#4 Finding out how much they charge

#5 Did not provide a loaner vehicle

Source: 2018 Cox Automotive Service Industry Study

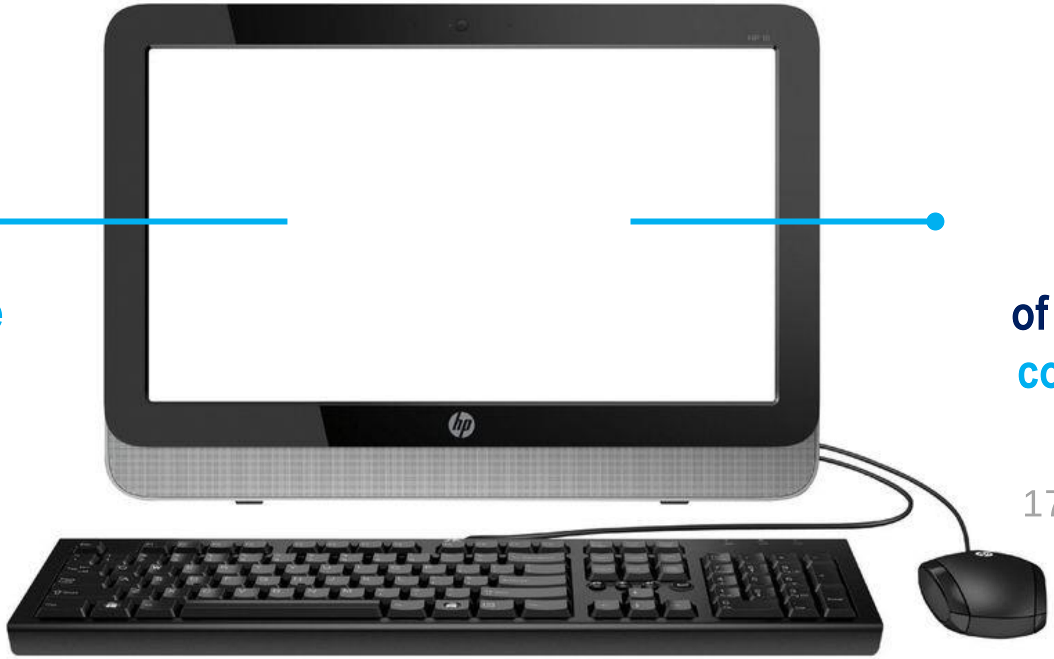
Consumers Want Price Transparency Earlier in the Experience

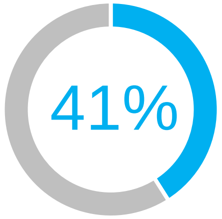
CONSUMER INTEREST IN WEBSITE FEATURE OR CONCEPT



of consumers want to view price ranges for various services via dealer site

43% of dealers have feature





of consumers want a website comparing prices for nearby service departments

17% of dealers currently offer

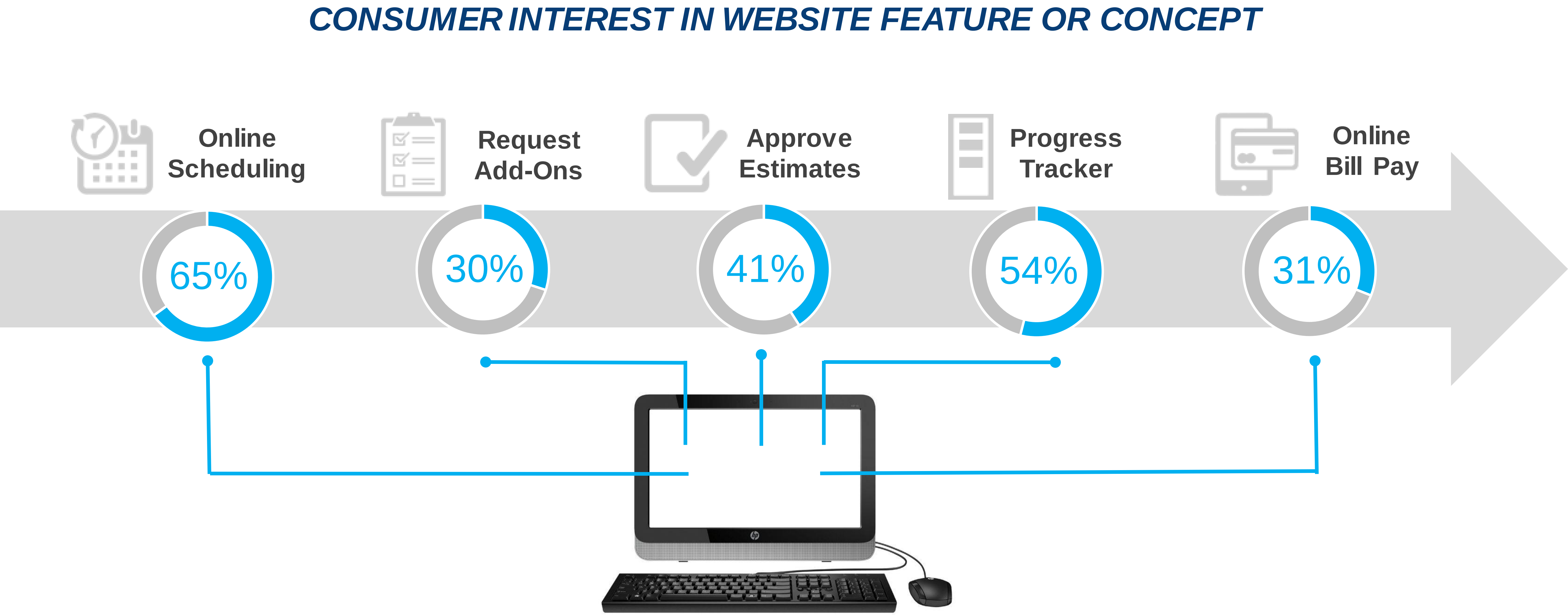
A Dealer Can Create a Competitive Advantage By Providing Price Transparency

55%

of consumers would chose one dealership for service over another if it provided online estimates of service costs

UPGRADE OFFLINE SERVICES TO ONLINE FEATURES

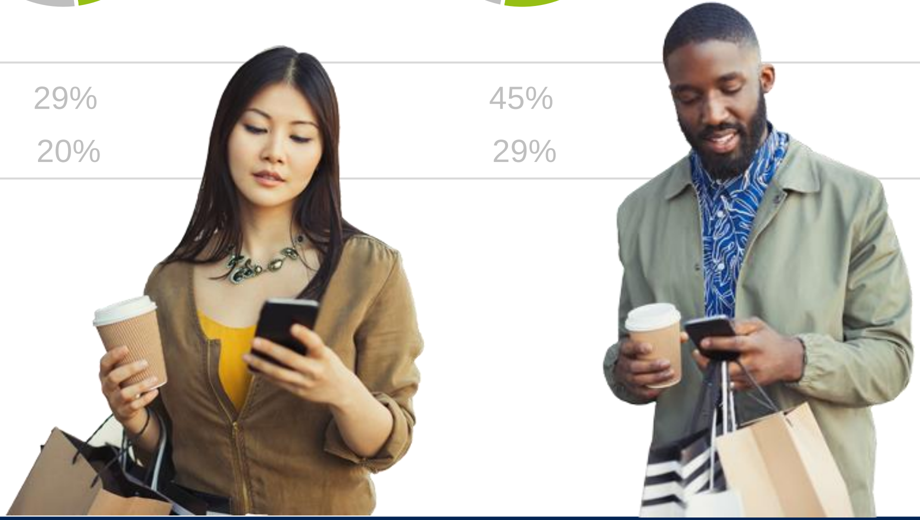
Consumers Feel Moving Steps Online Will Improve Experience – Especially Online Scheduling



Online Experiences Are Particularly Appealing to Younger Generations

% OF GEN Z / MILLENNIALS INTERESTED IN WEBSITE FEATURE OR CONCEPT

	Online Scheduling	Request Add-Ons	Approve Estimates	Progress Tracker	Online Bill Pay
	70%	48%	53%	65%	46%
GEN X	65%	29%	45%	56%	35%
BOOMER	61%	20%	29%	45%	16%



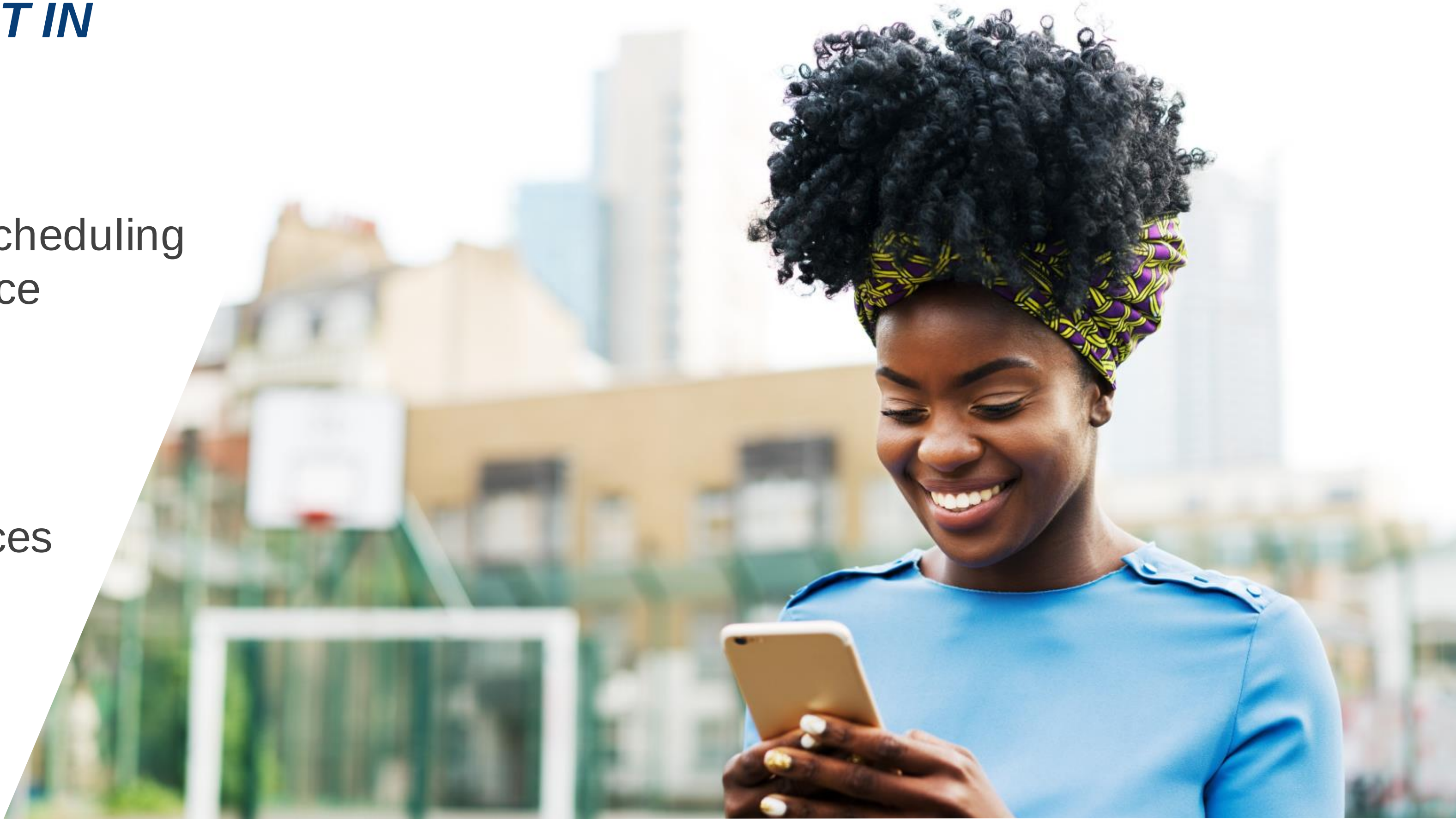
2 in 5 Gen Z / Millennials Find Mobile Features Appealing

GEN Z / MILLENNIAL INTEREST IN MOBILE FEATURES

45% Minimal-click scheduling via mobile device

43% Receiving pictures or videos of recommended services

39% In-lane bill pay via mobile device



A Dealer Can Create a Competitive Advantage By Simply Moving Scheduling Online

56%

of consumers would chose one dealership for service over another if it allowed them to schedule a service appointment online

Scheduling Remains Primarily an Offline Activity Due to Continued Low Awareness

91%

of dealers have a scheduling feature on their website

ONLINE

21%

of dealership service visits that were scheduled via the dealer website

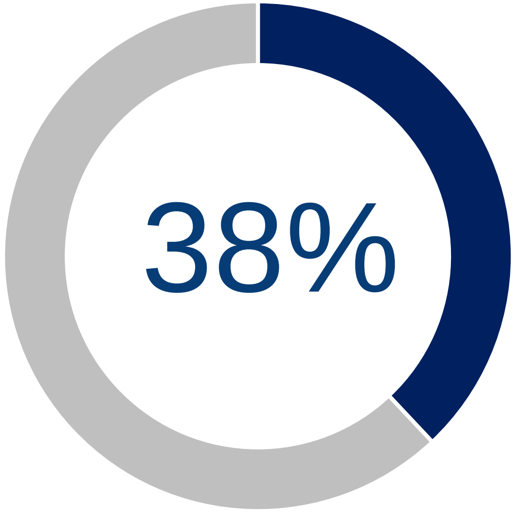
AMONG THOSE WHO DO NOT SCHEDULE ONLINE

35%

are aware their service provider offers online scheduling

2 in 5 Consumers Want the Dealer to Have a More Proactive Role in Scheduling Services

% OF CONSUMERS INTERESTED



availability alerts from dealership

21% of dealers currently offer

Time Spent at the Dealership is the Top Consumer Frustration

#1 Service took longer than expected

#2 Tried to push additional services

#3 Had an appointment but waited in line

#4 Finding out how much they charge

#5 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

CONSUMER TIME SPENT (HOURS)

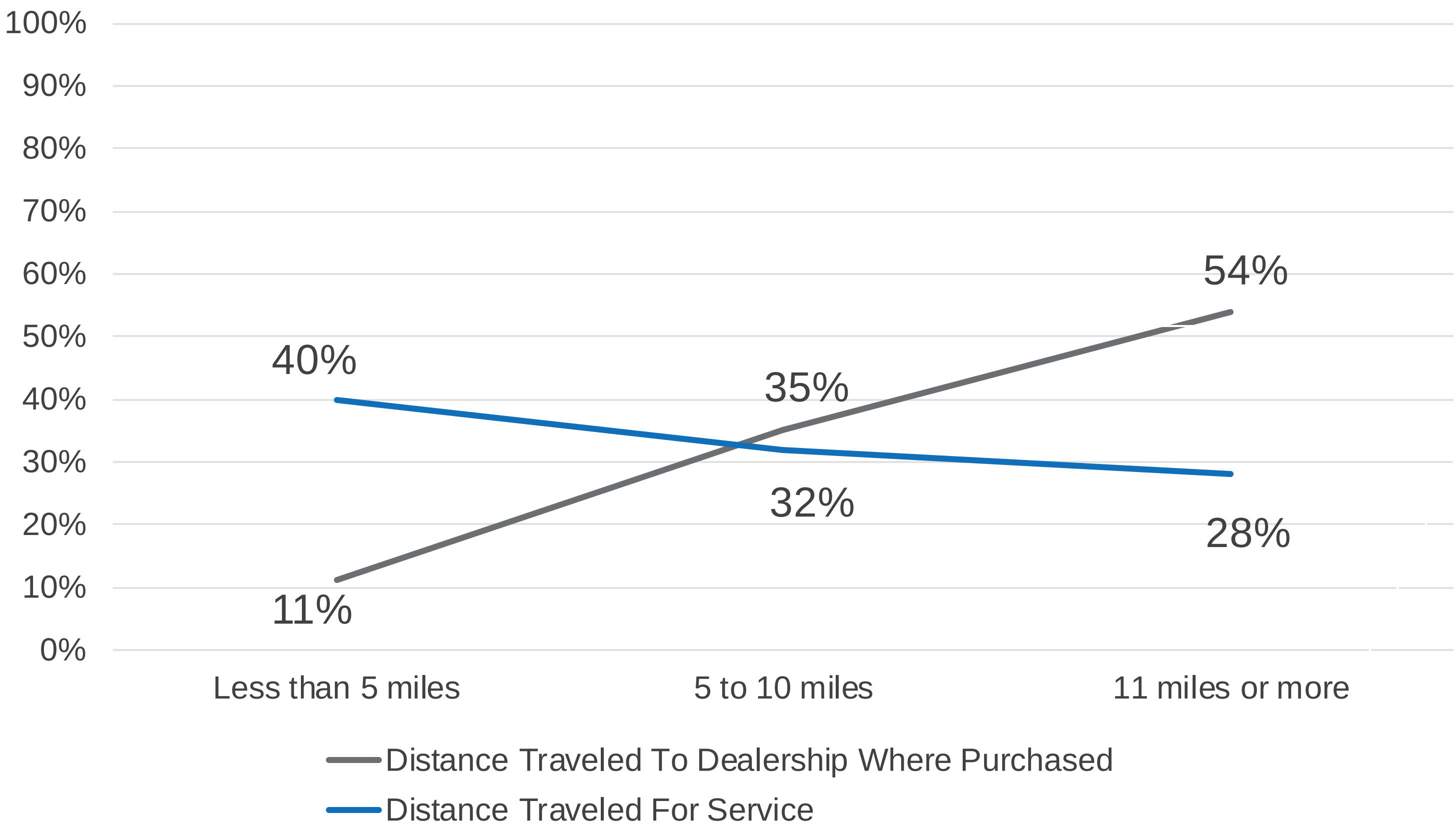
Very satisfied, I'll always go to them	**2.4**
Somewhat satisfied, I might use in the future	**3.0**
Very dissatisfied, I'll never go back	**3.7**

Source: 2018 Cox Automotive Service Industry Study

CLOSE THE DISTANCE GAP

The "Dealer Of Purchase" Tends to be Farther Away Than Where Consumers Are Willing to Travel for Service

DISTANCE TRAVELED BY CONSUMERS



95%

of dealers have service facility on the same lot as dealership

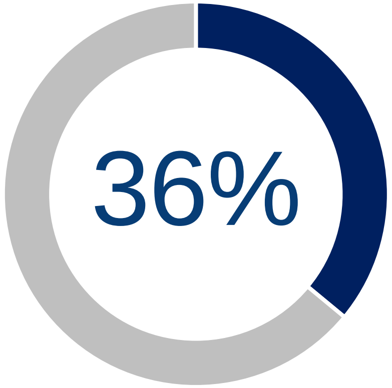
Location Moving up as a Top Reason to Not Return to "Dealer of Purchase"

TOP REASONS TO NOT USE DEALER OF PURCHASE FOR SERVICE

2015	2018
Total cost is NOT reasonable	Total cost is NOT reasonable
They will overcharge me	**NOT a convenient location**
Unreasonable labor charges	They will overcharge me
Unreasonable parts charges	Unreasonable labor charges
NOT a convenient location	Unreasonable parts charges

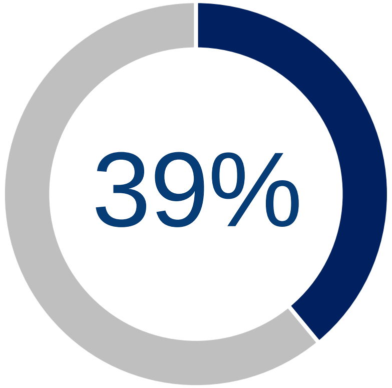
2 in 5 Consumers Interested in Service Mobility Concepts

% OF CONSUMERS INTERESTED



valet service

28% of dealers currently offer



mobile service providers

6% of dealers currently offer
14% of dealers considering it

Source: 2018 Cox Automotive Service Industry Study

Gen Z & Millennials Are Leading the Way in Interest for Service Mobility Concepts

GEN Z / MILLENNIAL INTEREST

45% valet service

versus 36% total

50% mobile service providers

versus 39% total

SERVICE VALUATION ANALYSIS

Negative Equity Hits All-Time High in 2018

The amount of money consumers are financing for a vehicle continues to rise

Higher loan amounts and rising interest rates outpace the ability for longer loan terms to maintain lower monthly payments

Longer loan terms continue to dominate the market

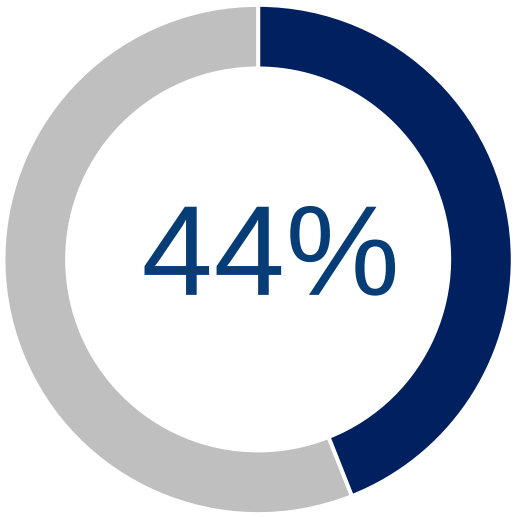
32%

of trade-ins by new vehicle buyers had negative equity

Source: Experian; Automotive News

2 in 5 Consumers Want to Understand the Relationship Between Services Needed and Vehicle Value

% OF CONSUMERS WHO FEEL THIS WEBSITE FEATURE IS IMPORTANT TO IMPROVE THEIR EXPERIENCE



estimate impact of service on vehicle value via dealer site

7% of dealers have feature

1 in 3 Consumers Are Interested In Getting a Trade-In Value During the Service Experience

32%

of consumers are interested in getting a trade-in value from their service provider during a service visit

44% of millennials

14%

of consumers say a service provider has shared the trade-in value of their vehicle with them during a service visit

24% of millennials

Dealers say 23% of trade-in value discussions lead to a follow-up discussion or completion of a trade-in

Gen Z & Millennials Are the Most Open to the Dealer Proactively Advising on Vehicle Equity

GEN Z / MILLENNIAL INTEREST

58% Estimate impact of service on vehicle value via dealer site

versus 44% total

41% Dealer helps get best return, advising when to trade-in

versus 28% total

Recap of Key Findings & Client Implications

Key Findings

Retention continues to be a challenge, but providing an enhanced experience can improve loyalty.

Dealers have increased investments in the service experience, but consumer satisfaction remains at parity with general repair shops.

The time is now to build improved experiences for future owners. Millennials are the most dissatisfied with the experience.

Consumers are motivated by an experience that is ultra-convenient and stress free.

5 Key Service Opportunities & Client Implications

ENABLE EASE OF MAINTENANCE

Provide proactive alerts & easy access to history

PROVIDE PRICE TRANSPARENCY

Enable pricing research online

UPGRADE OFFLINE SERVICES TO ONLINE FEATURES

Offer online tools for critical steps of the experience

CLOSE THE DISTANCE GAP

Offer pick-up/drop-off services & mobile service units

SERVICE VALUATION ANALYSIS

Communicate impact of services on vehicle value

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