

Australian Auto Dealers highly concerned about margin compression and consumer confidence, according to new Cox Automotive Australia Survey

Australian automobile dealers are highly concerned about margin compression and consumer confidence according to insights found in the inaugural Cox Automotive Australia Dealer Sentiment Index (CAADSI) released today. While they were less than impressed with trading conditions in the first six months of 2018, dealers were slightly more optimistic about the rest of the year at the time of the survey.

The half yearly survey, launched by Cox Automotive in conjunction with the Australian Automotive Dealer Association (AADA), seeks to understand dealer perceptions of current retail auto sales and sales expectations for the next six months as “strong,” “average” or “weak.” The survey also asks dealers to rate business conditions with a focus on new and used-car sales as well as parts and service. It looks at a variety of key drivers including consumer traffic, inventory levels and price pressures. Responses are used to calculate an index where any number over 50 indicates that more dealers view conditions as strong rather than weak.

Key Survey Takeaways

- Dealers responding to survey had a low to moderate reaction to the market in the first six months of the year, with an indexed score of 36. However, future projections (second half of 2018) are stronger with an indexed score of 41.
- Customer traffic to dealerships was rated as below average with a score of 32, with 46% of the dealers who responded rating dealership traffic as ‘weak’.
- The news doesn’t get any better with respect to dealer profitability, with more than 50% of respondents describing profits as ‘weak’ resulting in an indexed score of only 30 out of 100.

Cox Automotive Australia’s Director of Marketing and Communications, Mathew McAuley, said “The poor view of the first six months was no doubt heavily influenced by a number of other factors. Surveyed dealers cite strong pressure to lower prices (index score of 80), combined with rising costs and growing inventory levels. 62% of dealers told us that the cost of running their dealership had increased since the start of the year and 42% told us their new car stock levels had increased.”

One of the lowest indexed scores was in relation to the dealer’s view of the new vehicles sales environment, recording a low score of only 28. Used vehicles fared much better with an indexed score of 42 with 50% of dealers describing the used sales environment as ‘fair’ and 17% as ‘good’, which was evidenced by stable used vehicle inventory levels.

Matt continued, “The survey also looks at profit levels within different departments at the dealership and we found dealers had a fairly negative view of their F&I profitability over the last six months. With an indexed score of 33, half the surveyed dealers rated F&I profitability as ‘poor’. In light of the ASIC changes to finance rules coming into play on November the first this year, this is not surprising. They did however have a far more positive view of parts (index score of 59) and service (index score of 66) which means they see the aftersales area in a far more optimistic light than the new and used car departments when it comes to delivering results to the bottom line.”

Factors Holding Back Business

The survey also asked dealers to rate the top factors holding back their businesses in the first six months of the year. Coming in at top spot was margin compression which 73% of responding dealers cited as the number one reason affecting their business. Consumer confidence was in second spot at 54% followed closely by rising expenses at 52%. Fourth and fifth spots were hard to split with general market conditions coming in at 51% and restrictions or mandates from OEMs at 49%.

“It will be interesting to see how the top 5 compares to the survey results for the second half of the year and to track the overall sentiment figures into 2019. Working with the AADA we plan to survey dealers twice a year and we look forward to publishing more results in early 2019.”

Cox Automotive Dealer Sentiment Index Methodology

Data for the Cox Automotive Australia Dealer Sentiment Index research is gathered via an online survey of privately owned and publicly listed franchise auto dealers. 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 H1 2018 results were based on 92 dealer respondents across the country from August 6th to August 24th, 2018. This is the first published report.

You can download a full copy of the H1 2018 Cox Automotive Australia Dealer Sentiment Index [here](#).

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