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)

<table>
<thead>
<tr>
<th>Vehicle Age</th>
<th>Dealerships</th>
<th>General Repair/Service Station</th>
<th>Quick Lube</th>
<th>Tire Store</th>
<th>Body Shop</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 2 Year Old Vehicles</td>
<td>62%</td>
<td>4%</td>
<td>7%</td>
<td>6%</td>
<td>8%</td>
<td>5%</td>
</tr>
<tr>
<td>2-5 Year Old Vehicles</td>
<td>56%</td>
<td>4%</td>
<td>9%</td>
<td>11%</td>
<td>11%</td>
<td>3%</td>
</tr>
<tr>
<td>&gt; 5 Year Old Vehicles</td>
<td>29%</td>
<td>7%</td>
<td>14%</td>
<td>13%</td>
<td>27%</td>
<td>2%</td>
</tr>
</tbody>
</table>

% Under Warranty: 91% 60% 8%

Source: 2018 Cox Automotive Service Industry Study
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

Source: 2018 Cox Automotive Service Industry Study
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

Source: Cox Automotive Consumer Community, 2018
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

Source: 2018 Cox Automotive Service Industry Study
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

Source: 2018 Cox Automotive Service Industry Study
Dealership Experience Remains at Parity with General Repair

% OF CONSUMERS WHO ARE VERY SATISFIED & EXTREMELY LOYAL
(AMONG THOSE WHO VISITED EACH PROVIDER)

77% 76%
General Repair Dealership Where Purchased
67% 67%
Specialist Quick Lube
65%
Tire Store/Repair Chain
60%
Body Shop
59%
Retail Auto Service

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

Source: 2018 Cox Automotive Service Industry Study
Service Needs Hierarchy: Consumers Ultimately Want Ease

**UNDERLYING MOTIVATIONS**
- Peace of mind
- Stress-free
- Ultra-convenient

**DIFFERENTIATING FEATURES**
- Predictive
- Transparency
- Flexibility
- Personalized

**MUST HAVE BENEFITS**
- Saves time
- Saves money
- Saves effort

Source: KBB Ownership Study
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**

Source: 2018 Cox Automotive Service Industry Study
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: 85%
- Repair: 36%
- Enhancement: 7%

Source: 2018 Cox Automotive Service Industry Study
Dealers Improve Lead in Maintenance Visits
But Still More Room to Grow

SHARE OF VISITS BY TYPE OF SERVICE

<table>
<thead>
<tr>
<th></th>
<th>Dealerships</th>
<th>General Repair</th>
<th>Quick Lube</th>
<th>Tire Store</th>
<th>Retail</th>
<th>Specialist</th>
<th>Body Shop</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maintenance</td>
<td>526 MM</td>
<td>179 MM (34%)</td>
<td>121 MM (23%)</td>
<td>68 MM (13%)</td>
<td>68 MM (13%)</td>
<td>37 MM (7%)</td>
<td>26 MM (5%)</td>
<td>16 MM (3%)</td>
</tr>
<tr>
<td>2015</td>
<td>(31%)</td>
<td>(23%)</td>
<td>(16%)</td>
<td>(12%)</td>
<td>(7%)</td>
<td>(4%)</td>
<td>(3%)</td>
<td>(4%)</td>
</tr>
</tbody>
</table>

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<th>Specialist</th>
<th>Body Shop</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Repair</td>
<td>223 MM</td>
<td>67 MM (30%)</td>
<td>67 MM (30%)</td>
<td>18 MM (8%)</td>
<td>24 MM (11%)</td>
<td>16 MM (7%)</td>
<td>16 MM (7%)</td>
<td>13 MM (6%)</td>
</tr>
<tr>
<td>2015</td>
<td>(27%)</td>
<td>(33%)</td>
<td>(7%)</td>
<td>(10%)</td>
<td>(5%)</td>
<td>(6%)</td>
<td>(7%)</td>
<td>(5%)</td>
</tr>
</tbody>
</table>

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

Source: 2018 Cox Automotive Service Industry Study
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

Source: 2018 Cox Automotive Service Industry Study
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 the feature

- **61%** of consumers want recall updates & service reminders via the dealer website
  - 18% of dealers have the feature

- **62%** of consumers want to view OEM maintenance recommendations via the dealer website
  - 50% of dealers have the feature

Source: 2018 Cox Automotive Service Industry Study
2 in 5 Consumers Want an Ongoing, Remote Connection to the Dealer

% OF CONSUMERS INTERESTED

41%

remote monitoring of vehicle health & predicting part replacement

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

Source: 2018 Cox Automotive Service Industry Study
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

Source: 2018 Cox Automotive Service Industry Study
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

Source: 2018 Cox Automotive Service Industry Study
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

70% of consumers want to view price ranges for various services via dealer site
43% of dealers have feature

41% of consumers want a website comparing prices for nearby service departments
17% of dealers currently offer

Source: 2018 Cox Automotive Service Industry Study
A Dealer Can Create a Competitive Advantage By Providing Price Transparency

55% of consumers would choose one dealership for service over another if it provided online estimates of service costs.

Source: 2018 Cox Automotive Future of Digital Retail Study
UPGRADE OFFLINE SERVICES TO ONLINE FEATURES
Consumers Feel Moving Steps Online Will Improve Experience – Especially Online Scheduling

CONSUMER INTEREST IN WEBSITE FEATURE OR CONCEPT

- Online Scheduling: 65%
- Request Add-Ons: 30%
- Approve Estimates: 41%
- Progress Tracker: 54%
- Online Bill Pay: 31%

Source: 2018 Cox Automotive Service Industry Study
Online Experiences Are Particularly Appealing to Younger Generations

## % of Gen Z / Millennials Interested in Website Feature or Concept

<table>
<thead>
<tr>
<th>Feature</th>
<th>GEN X</th>
<th>BOOMER</th>
<th>GEN Z</th>
<th>MILLENNIALS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Online Scheduling</td>
<td>65%</td>
<td>61%</td>
<td>70%</td>
<td>53%</td>
</tr>
<tr>
<td>Request Add-Ons</td>
<td>29%</td>
<td>20%</td>
<td>48%</td>
<td>65%</td>
</tr>
<tr>
<td>Approve Estimates</td>
<td>45%</td>
<td>45%</td>
<td>53%</td>
<td>46%</td>
</tr>
<tr>
<td>Progress Tracker</td>
<td>56%</td>
<td>44%</td>
<td>65%</td>
<td>46%</td>
</tr>
<tr>
<td>Online Bill Pay</td>
<td>35%</td>
<td>16%</td>
<td>35%</td>
<td>16%</td>
</tr>
</tbody>
</table>

Source: 2018 Cox Automotive Service Industry Study
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

Source: 2018 Cox Automotive Service Industry Study
A Dealer Can Create a Competitive Advantage
By Simply Moving Scheduling Online

56% of consumers would choose one dealership for service over another if it allowed them to schedule a service appointment online.

Source: 2018 Cox Automotive Future of Digital Retail Study
Scheduling Remains Primarily an Offline Activity Due to Continued Low Awareness

91% of dealers have a scheduling feature on their website

21% of dealership service visits that were scheduled via the dealer website

35% are aware their service provider offers online scheduling

Source: 2018 Cox Automotive Service Industry Study
2 in 5 Consumers Want the Dealer to Have a More Proactive Role in Scheduling Services

% OF CONSUMERS INTERESTED

38%

availability alerts from dealership
21% of dealers currently offer

Source: 2018 Cox Automotive Service Industry Study
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

<table>
<thead>
<tr>
<th>CONSUMER TIME SPENT (HOURS)</th>
<th>Very satisfied, I’ll always go to them</th>
<th>Somewhat satisfied, I might use in the future</th>
<th>Very dissatisfied, I’ll never go back</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2.4</td>
<td>3.0</td>
<td>3.7</td>
</tr>
</tbody>
</table>

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**

- **Distance Traveled To Dealership Where Purchased**
  - Less than 5 miles: 40%
  - 5 to 10 miles: 35%
  - 11 miles or more: 54%

- **Distance Traveled For Service**
  - Less than 5 miles: 11%
  - 5 to 10 miles: 32%
  - 11 miles or more: 28%

*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>They will overcharge me</td>
</tr>
<tr>
<td>Unreasonable labor charges</td>
<td>Unreasonable labor charges</td>
</tr>
<tr>
<td>Unreasonable parts charges</td>
<td>Unreasonable parts charges</td>
</tr>
<tr>
<td><strong>NOT a convenient location</strong></td>
<td><strong>NOT a convenient location</strong></td>
</tr>
</tbody>
</table>

Source: 2018 Cox Automotive Service Industry Study
2 in 5 Consumers Interested in Service Mobility Concepts

% OF CONSUMERS INTERESTED

- 36% valet service
  - 28% of dealers currently offer

- 39% 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

Source: 2018 Cox Automotive Service Industry Study
SERVICE VALUATION ANALYSIS
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

Negative Equity Hits All-Time High in 2018

Source: Experian; Automotive News

32% of trade-ins by new vehicle buyers had negative equity
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

44%

estimate impact of service on vehicle value via dealer site

7% of dealers have feature

Source: 2018 Cox Automotive Service Industry Study
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

14% of consumers say a service provider has shared the trade-in value of their vehicle with them during a service visit

44% of millennials

24% of millennials

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

Source: 2018 Cox Automotive Service Industry Study
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

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

Source: 2018 Cox Automotive Service Industry Study
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

Source: 2018 Cox Automotive Service Industry Study