



2024

AUTOMOTIVE

RETAIL

INDUSTRY

TREND

REPORT

Table of Contents

- 3 Overview
- 4 Demographics
- 5 Interest Rates Come to the Fore
- 7 Response to Challenges
- 10 Strategic Impact on the Dealership
- 15 The Plan for 2024
- 17 Key Takeaways
- 18 About This Study



Overview

An industry “normalizing” doesn’t mean it feels normal. The past year saw one of the most impactful trends in decades settle. No longer is vehicle inventory a top concern among dealers. In our last Trendsetter’s Report — which we’ve renamed the Automotive Retail Industry Trend Report this year — supply chain disruption was the number one challenge car dealers said they faced, nearly 60% higher than the next-closest concern: volatile interest rates.

As we reached out to dealers at the start of 2024, they looked back at the previous 12 months and that 60% lead had completely evaporated. Not only did the shock of high interest rates take over the top spot, but the sky-high anxiety that supply issues had stirred disappeared too.

“It is greatly improved, I’d say 90–95% back to pre-pandemic,” one dealer told us in our recent survey. “And for a long time we had cars that weren’t complete. You couldn’t get certain options or features because they didn’t have chips to use them. So that has also stopped and now they are not only available, but they’re also completely built.”

Yet, improved as it may be, supply chain concerns are still top of mind for dealers, along with interest rates, staffing and the impact of inflation on the cost of everything.



Demographics



DEALERSHIP ROLE

Department heads	69%
Executive leadership	31%



DEALERSHIP SIZE

1-2 rooftops	37%
3-5 rooftops	24%
6-10 rooftops	15%
11-15 rooftops	6%
16 rooftops or more	17%



DEALERSHIP LOCATION

United States	79%
Canada	21%
Rural	22%
Urban	32%
Suburban	43%
Prefer not to say	3%



DEALERSHIP DEPARTMENT

Accounting	11%
Administration	18%
F&I	7%
BDC	4%
IT	3%
Marketing	1%
Parts	10%
Sales	23%
Service	23%
Others	2%



NEW AND USED MONTHLY SALES VOLUME

Less than 50 units	17%
51-100 units	36%
101-250 units	32%
251-500 units	9%
More than 500 units	4%
Don't know	3%

Interest Rates Come to the Fore

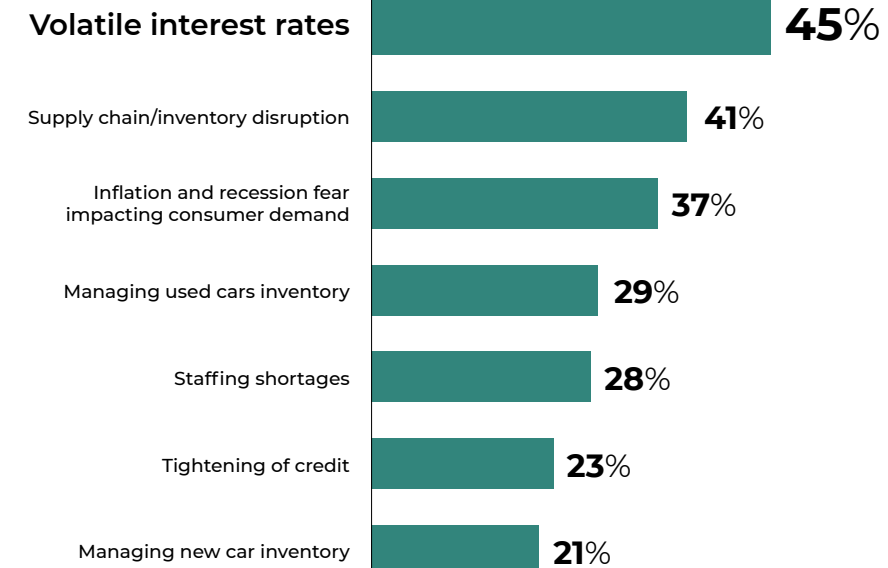
Not only did inventory challenges drop year over year, but they're also down from higher levels in 2021. But even as that monkey falls off the back of dealers, there are age-old issues still on their minds, from staffing to inventory management. But many of those seemed to improve in 2023 too. All things should then be rosy in the land of automotive retail, right?

Unfortunately, broader economic drivers are raising the temperature for dealers. Volatile interest rates are their new top worry and it became more worrisome in 2023, rising from 43% to 45%.

"We've been seeing stronger closing ratios and improved CSI. However, we continue to struggle with outside factors and are seeing things like interest rates and credit challenges affecting our sales much more than before," said one Trendsetter.

Challenges in 2023

Other top challenges include managing used and new car inventory, staffing shortages and tightening of credit





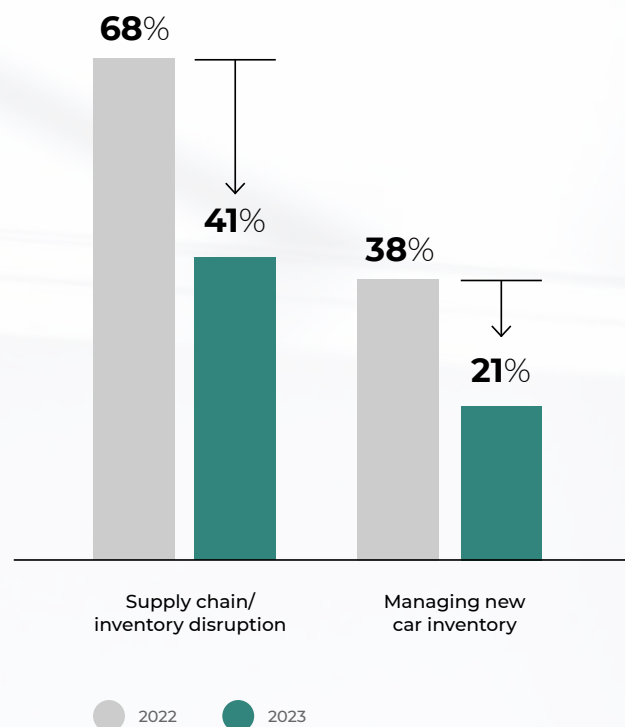
Credit issues weren't on the radar a year ago so we added them to the list of concerns; and they landed relatively high at sixth, with 23% of dealers saying they were a challenge over the past year. But overall, the top five and nearly all challenges we posed to dealers saw drops, which is a positive sign. Employee burnout, gas price volatility, and OEMs selling directly to customers (which was last on the list) saw very minimal gains overall.

Knowing that challenges seemed to be easing puts more of a focus on the interest rate problem. That's because, like tightening credit or inflation, it's something generally out of the dealer's control to address. They may focus more on the Fed than they ever have as Wall Street and Main Street both wait on cuts to an effective rate that's been over 2% for nearly two years and currently hovers close to 5%.

Higher interest rates hurt the consumer's ability to afford a car purchase and often has them looking to the used market. That's likely why concern over managing used inventory was higher than new inventory last year, unlike the year before when new cars were more of a concern.

Challenges in 2022 vs 2023

Shortages not as big a problem as they were in 2022 despite growing concerns around economy



Response to Challenges

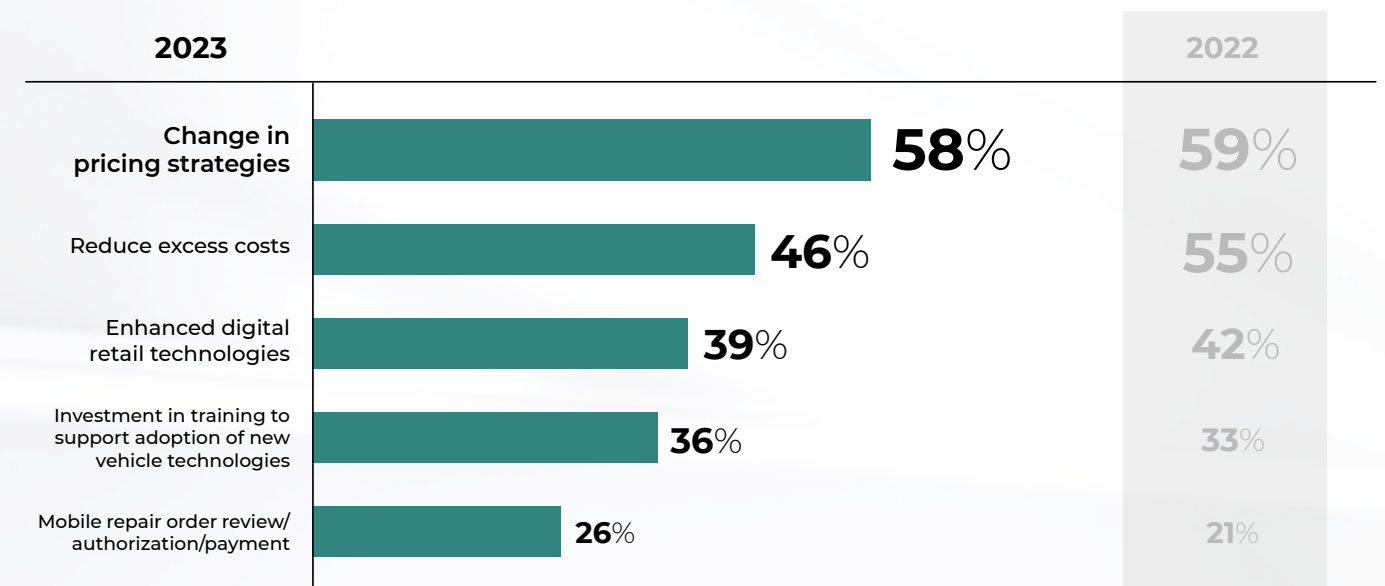
If some things are out of a dealer's control, what actions did they take to meet the challenges that surfaced? And how did self-identified Trendsetting dealers differ from the masses?

Most surprising might be the fact that while profits declined in 2023, dealers didn't dramatically change how they approached pricing. That number stayed nearly even at 58% compared to 59% in 2022, even though it's still their main strategy to address challenges. And perhaps even more shocking was that reducing costs saw a dramatic drop as a response, falling to 46% from 55% in 2022.

The only two changes that more dealers said they were implementing relate to investing in training technology and enhancing the use of mobile technology to help with repair order authorization and payments.

Dealership Strategies to Address the Challenges

The top-ranked strategies for dealers remained largely the same in 2023, but some, like cost reduction, dipped in responses while training and mobile repair grew.



Trendsetters More Aggressive in Facing Challenges

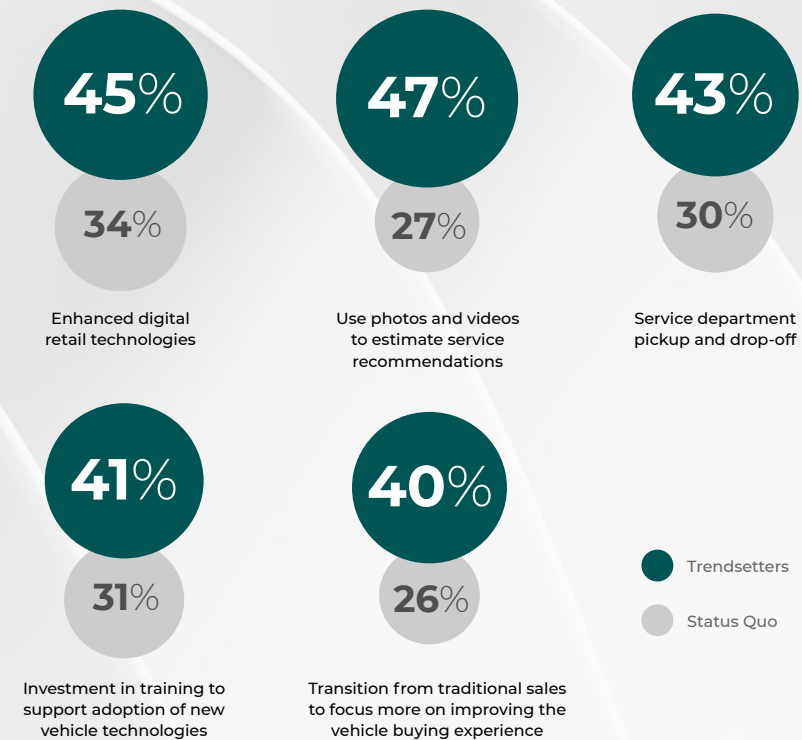
Looking at the way all dealers faced challenges in 2023, one might think the industry is settling into a status quo. But when these same options were given to self-identifying Trendsetters in our survey, they were much more aggressive. In nearly every area, Trendsetters were doing more than their Status Quo counterparts with the exception of pricing strategies, which was significantly less for Trendsetters at 54% compared to 62% for Status Quo and the 58% average.

Where are they putting their focus? Trendsetters seem to be more active across the board implementing technical change and additional offerings, like Service pickup and drop-off, than their Status Quo counterparts.

They're the ones in our survey who are overwhelmingly looking to enhance their digital retail offerings, use photos and video in the Service department, and invest in training around new vehicle technology.

Trendsetter vs. Status Quo

While dealers adjusted prices to improve profitability, Trendsetters focused heavily on investment in digital retail technologies, use of photos and videos, pickup and drop-off service, and investment in training to support anticipated business changes



Trendsetters self-identify as dealerships that are the first — or among the first — to try something new.

That doesn't mean Status Quo dealers were sitting on their hands. Respondents might've been less inclined to implement specific strategies to tackle the day's issues but those who did reported positive results with one adding: "After implementing these changes, our dealership saw significant improvements. Our team became more cohesive, communication improved, and customer satisfaction increased. Sales performance also saw a notable boost. Overall, these changes had a positive impact on our operations and customer relations."

And another pointed to photo and video in Service as being a game-changer even though fewer of their Status Quo colleagues were using it. "Increased sales in Service work with video walk-arounds showing mechanical needs, pickup and drop-off service has improved the customer experience and it shows in surveys."



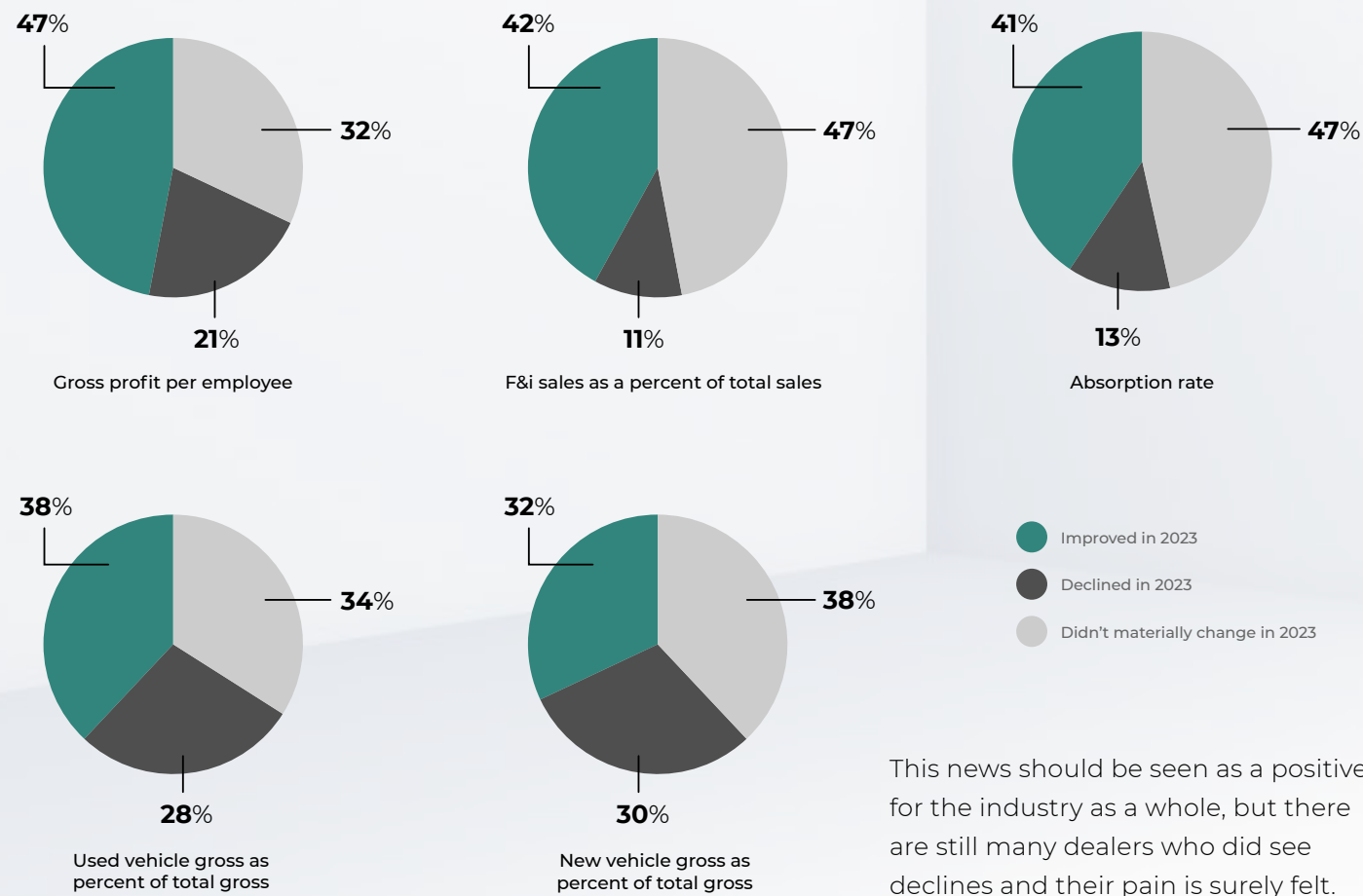
“We are seeing better service satisfaction scores through the use of remote service and pickup and delivery.”

—Trendsetter

Strategic Impact on the Dealership

The economic environment and near 180-degree shift in inventory, incentives and interest rates made 2023 a difficult year in some ways, especially as dealerships were coming off the highest profits ever witnessed in the industry. Yet, when it came to nearly every financial metric they were asked about, more dealers said there was improvement in 2023 compared to the previous year.

2023 Dealer Financial Performance

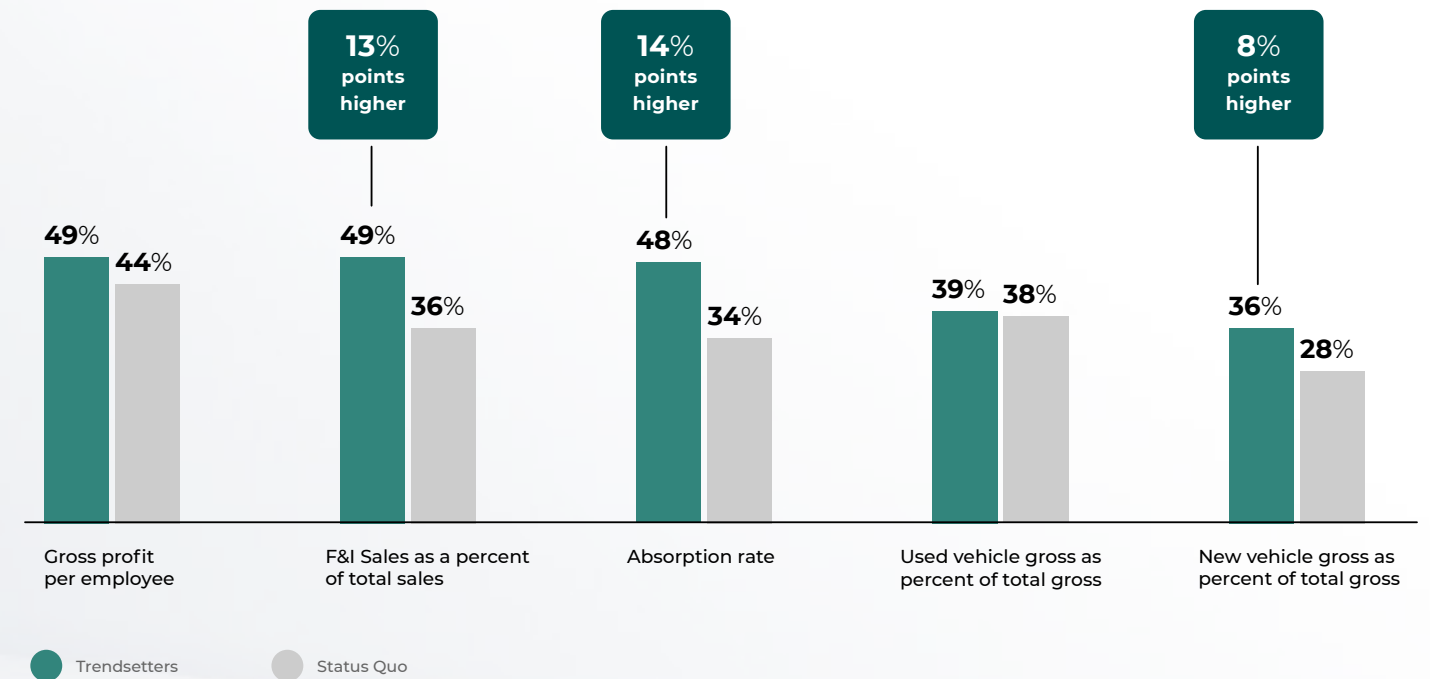


This news should be seen as a positive for the industry as a whole, but there are still many dealers who did see declines and their pain is surely felt.



Putting a spotlight on Trendsetters is proven out with these results and they outpaced their Status Quo peers in all of these important financial metrics.

Trendsetters Saw More Positive Improvement in Most of the Critical Variables Than Other Dealers

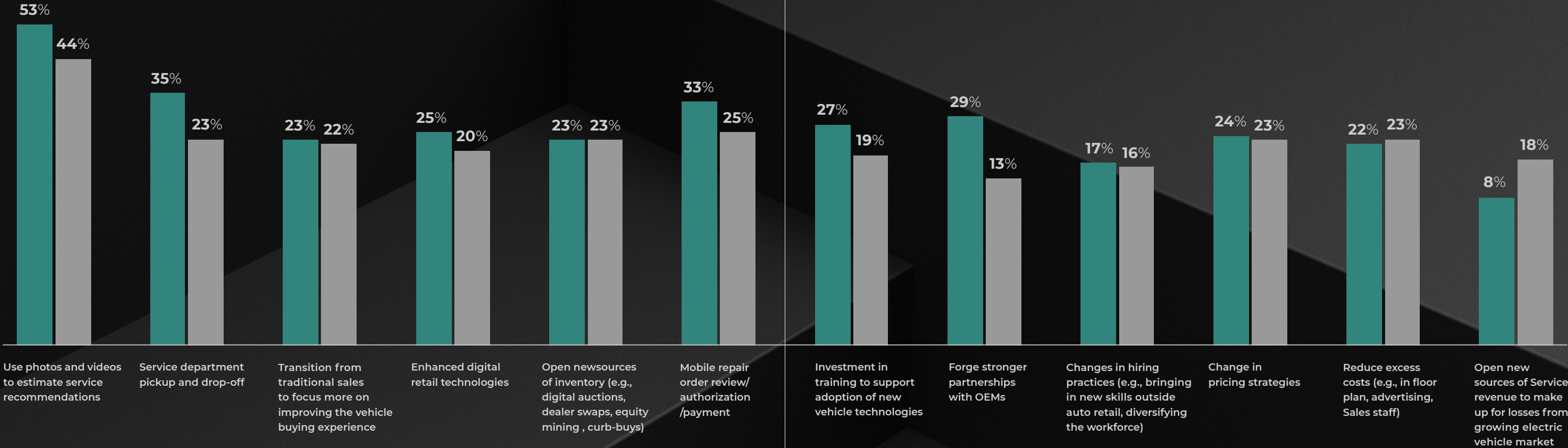


What strategies did these trendsetters implement to achieve these gains? First, we asked all dealers what had any operational and financial impact. And then we determined not just slight or moderate impact, but high impact to truly see what stood out. For all

dealers, the use of photos and videos in the Service department scored highest in both operational and financial impact. Other Service strategies scored highly, including Service pickup and drop-off as well as mobile repair order review and authorization.

Strategies with High Impact in 2023

Focus on Fixed Operations strategies and improving customers' vehicle buying experience resulted in an overall positive impact on auto dealerships



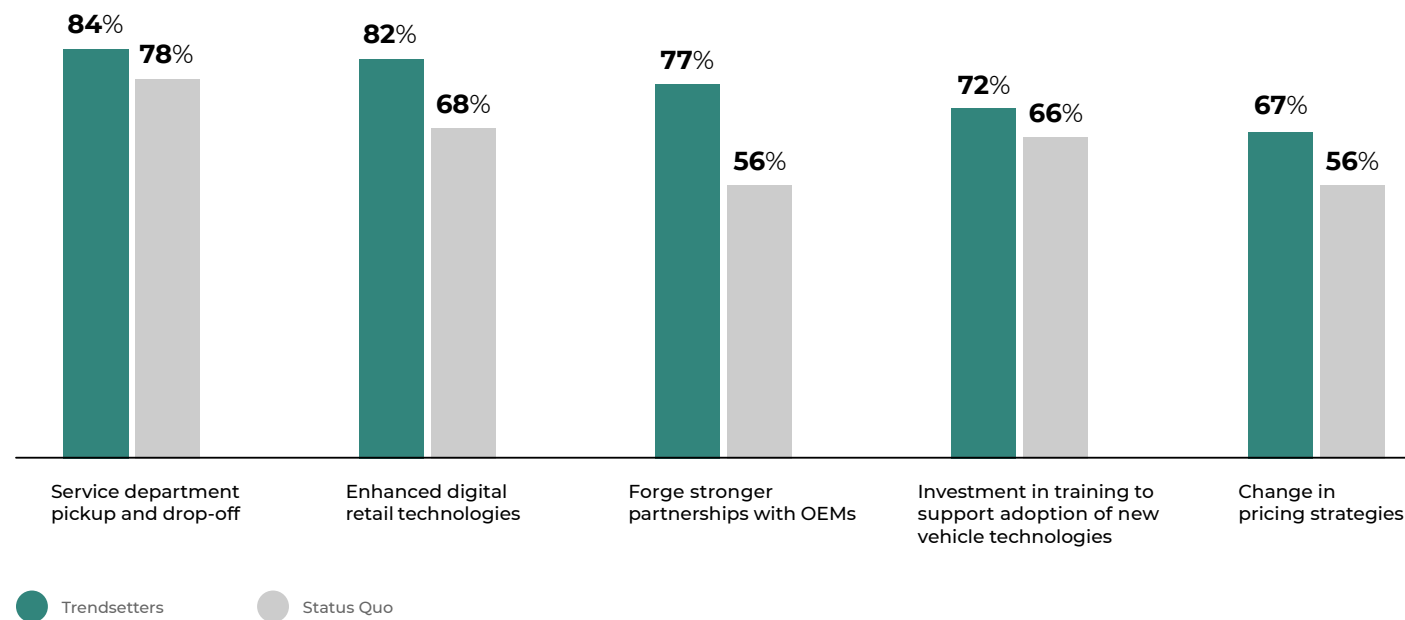
● High Operational Impact ● High Financial Impact



When we look at how the Trendsetters differ in their high-impact strategies, which would have some part to play in their stronger financial reporting, they stay ahead of the Status Quo in nearly every instance. The biggest departure was in how many Trendsetters said

using enhanced digital retail technologies had a high impact. There, four of five (82%) Trendsetters pointed to digital retail's impact compared to 68% of the Status Quo. Service enhancements also led the list.

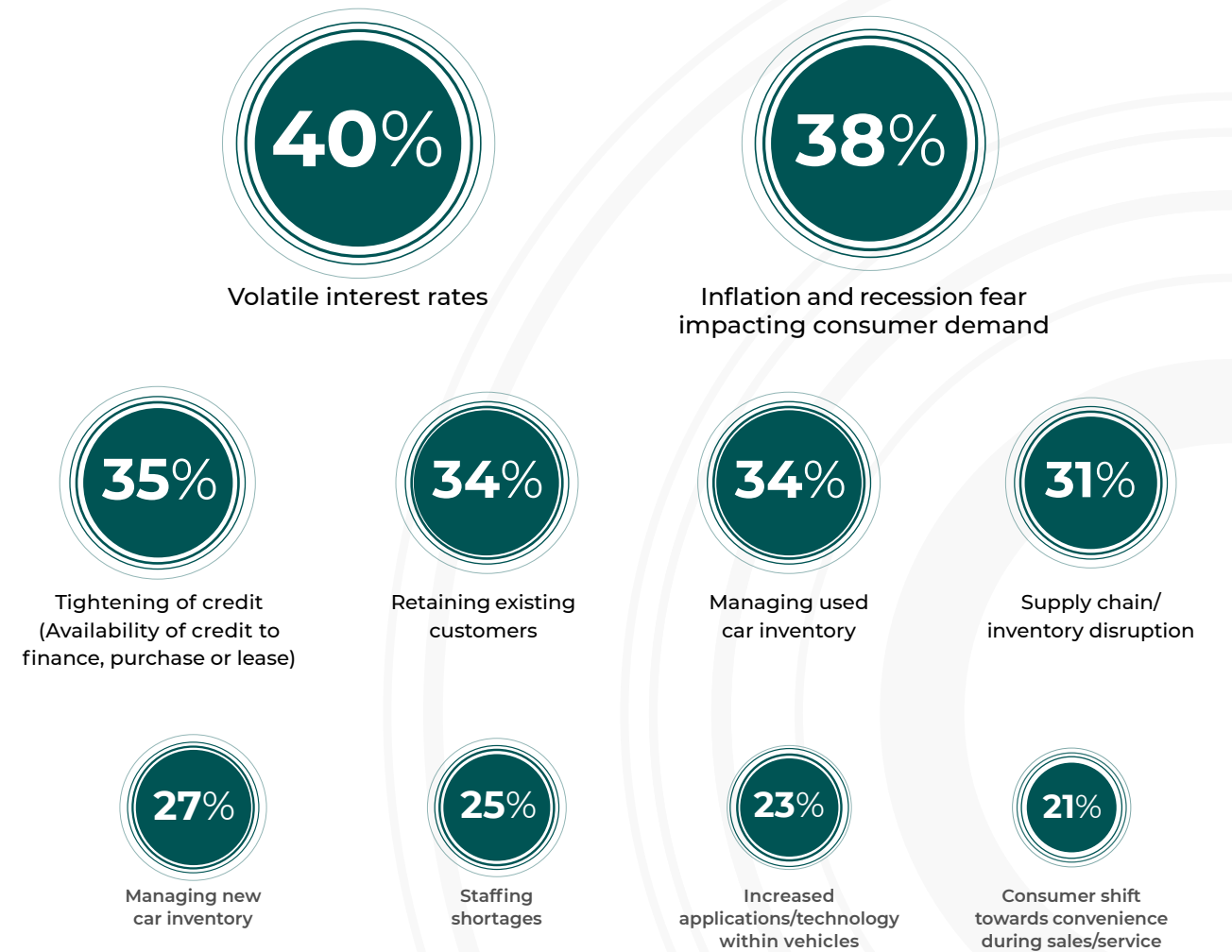
2023 Strategies More Impactful for Trendsetters Than Status Quo



The Plan for 2024

This year, dealers say many of their challenges remain the same, with volatile interest rates being first and foremost. But tightening credit is more pronounced as an issue this year than last.

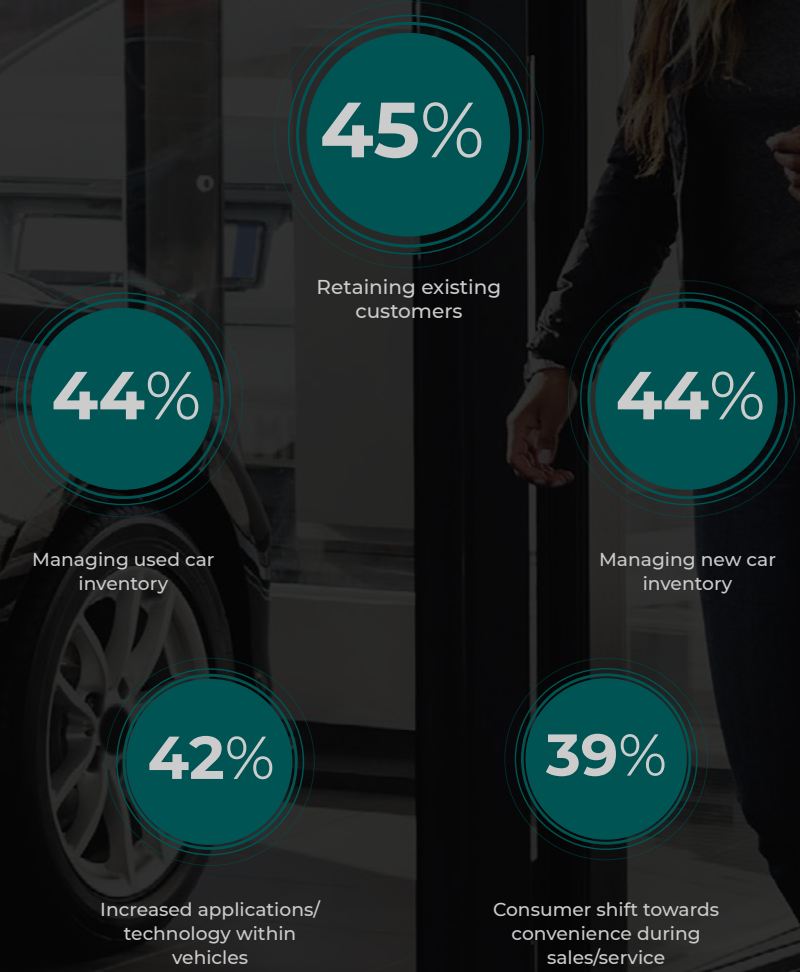
High-Impact Challenges in 2024



Luckily, dealers say they're more prepared to meet these top challenges. Most of the challenges they feel unprepared for weren't as top of mind with the exception of retaining existing customers. Other challenges that surfaced were somewhat surprising because there are multiple tools and systems to address

them. Two of the biggest issues are the increased technology of new cars and the need for IT infrastructure investment. Training and third-party support exist for both and could be addressed simply by finding the right vendor or securing additional OEM support.

Not Prepared To Meet Challenges



Key Takeaways

1 Another Year of Dealer Resilience

Unpredictable economic factors, like sky-high interest rates and tightening credit, are simply something dealers can't control. But it's reassuring to see they believe they're prepared to meet these challenges in the year ahead.

2 It Can Hurt Not To Try

Splitting the Trendsetters and Status Quo responses in half was illuminating in many ways. Most of all, it showed that taking the initiative and implementing new strategies pays off. Not only did this not hurt Trendsetting dealers, but they also saw outsized operational and financial benefits.

3 Meeting Customers Where They Are

Whether it's virtually or in their driveways, dealers reported significant impact from adding flexibility when it came to dealing with customers. Not every solution is turnkey; some require significant manpower like home pickup and drop-off, but these added layers to the dealership experience will increasingly become the norm. For now, they're setting Trendsetters apart.

About This Study

CDK is focused on connecting dealers with the broader economic environment to arm them with insights to better serve their customers. This study breaks down the biggest challenges facing dealers today from both inside and outside the doors to their showroom and Service department.



Peter Kahn

CDK Head of Research

With over 20 years of experience in researching all aspects of the automotive retail industry, Peter's work is focused mainly on how dealerships and brands can improve efficiencies and meet the changing needs of the vehicle buyer and service consumer. As the Senior Director of the CDK Research and Insights group since 2015, Peter has produced work that covers a range of topics, such as artificial intelligence in the dealership, women in automotive, the state of the automotive retail industry, job seekers in automotive retail, and many more that help inform decision-makers in our industry.



Rohini Tripathi

Study Lead Researcher

Rohini Tripathi is a Senior Market Research Analyst at CDK. She has nearly 10 years of experience in research with global organizations spanning different industries such as media and entertainment, CPG and automotive retail. At CDK, Rohini works on various research initiatives for the Product, Technology and Marketing teams and provides insights and analysis to help make business-related decisions.

INSIGHTS INSIGHTS INSIGHTS


Visit the Insights Center for the latest thought leadership from CDK. From research to blogs, let us help you aim higher with industry insights that take your dealership to the next level.



[CDK.COM/Insights](https://www.cdk.com/insights)

INSIGHTS



CONNECT WITH US  [CDK.COM](https://www.cdk.com)