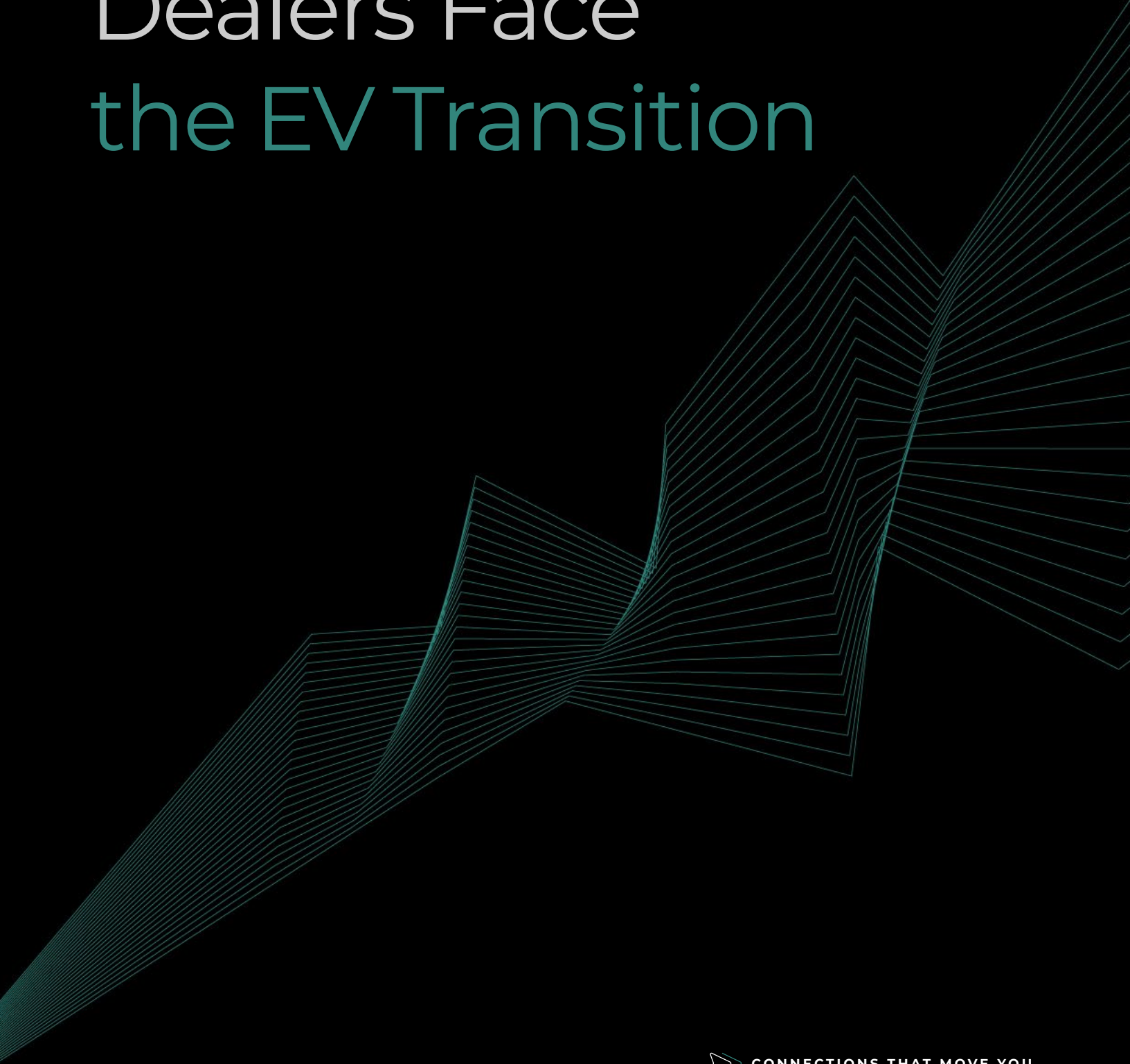




# Dealers Face the EV Transition



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# Overview

Over the past several months, CDK has released comprehensive insights on electric vehicle (EV) shoppers, owners and how service at dealerships is impacted by the new technology. This research has provided a wide-ranging view of much of the EV landscape as it stands today. But one crucial area that shouldn't, or simply can't, be overlooked is the franchised dealer's piece in the puzzle as they try to sell EVs from one shining sea to the other.

To that end, we reached out to dealership leaders in every type of market in the U.S. to hear about their experiences and perspective of EVs. The general sense when all combined isn't optimistic when it comes to the current and even near future of EVs.

More than three out of five dealers (65%) said they were somewhat (36%) or very pessimistic (29%) about the future of EVs when it came to the health of their business.

And they say their customers aren't interested either. Nearly a third (34%) say their customers simply aren't interested in the technology. But the outlook varies greatly by where these dealers are located and the markets they serve.

Similarly to how sales of EVs are mostly attributed to just a few states, dealer sentiment about their success is equally skewed. As we work through the findings, we'll focus on this divide to show where results are universal and where geography plays a significant role.

And let's face it. America is just different. We're a country with full-size trucks as perennial best-sellers. We rely on car travel more than rail. And in a recent global study by Deloitte, not only is interest in gas-powered cars rebounding compared to 2023, the U.S. also leads the way with 67% of people saying they'd prefer it for their next vehicle compared to just 6% for fully electric vehicles.

Yet, the EV market is said to be inevitable even as headwinds build. Many challenger brands not named Tesla are hurting. Traditional automakers are seen scaling back or rethinking their EV strategy mid-flight. In this tumultuous atmosphere, dealers serve not as a canary in a coal mine but heralds of an unwelcome truth on the ground.



# Demographics



**250**  
PARTICIPANTS



## DEALERSHIP ROLE

Director, Manager or Supervisor	17%
Executive Leadership	83%



## DEALERSHIP LOCATION

Urban area	15%
Suburban area	36%
Rural area	49%



## MONTHLY SALES VOLUME

Less than 50 units	24%
51-100 units	33%
101-250 units	29%
251-500 units	8%
501 units or more	5%
Don't know	0%



## DEALERSHIP SIZE

1-2 rooftops	58%
3-10 rooftops	29%
11+ rooftops	12%
Don't know	0%

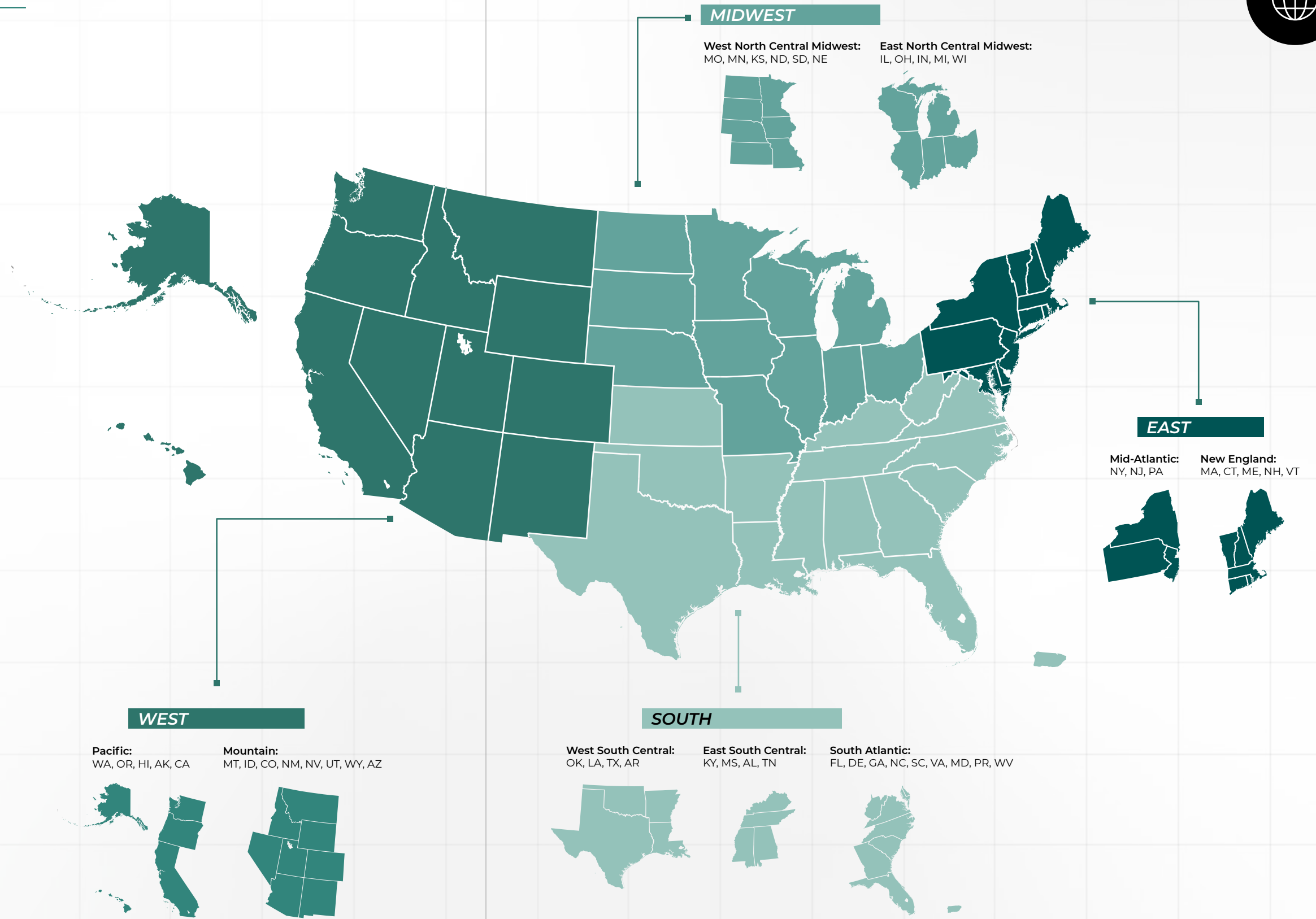
# The Importance of Geography



Great explorers throughout history often got lost along their way because their maps weren't accurate. To navigate the state of EV sentiment, it's vitally important to have a lay of the land to interpret the results in a meaningful way.

Unfortunately, we can't just go one level deep and break things down by region because even then the data doesn't tell the whole story. We take it down one more level. Not only is a place like the American West big in acreage, it's also wildly diverse. It shouldn't come as a surprise, but if you lump the very positive vibes toward EVs in the Pacific states of California, Washington and Oregon with the nearly dire outlook in the Mountain states of Montana, Idaho, Utah, Wyoming, Arizona, New Mexico and Colorado, the results will be muddled.

While California makes up the most EV sales, the Pacific states weren't the most represented in the survey sample. The sample skewed to favor the North Central Midwest, but that's the more positive of the two Midwest subregions. This is one reason that the following results will show how stark the contrast is between subregions when they do diverge drastically.





“Electric vehicles (full battery electrics) are the kiss of death in arctic climates such as North Dakota. It’s primarily a range issue, which is always compromised when the heater is on full blast. If someone had to pull off the interstate due to inclement weather, they’d freeze to death at a rest stop.”

— Midwest U.S. Region

## Dealer Pessimism Is Real

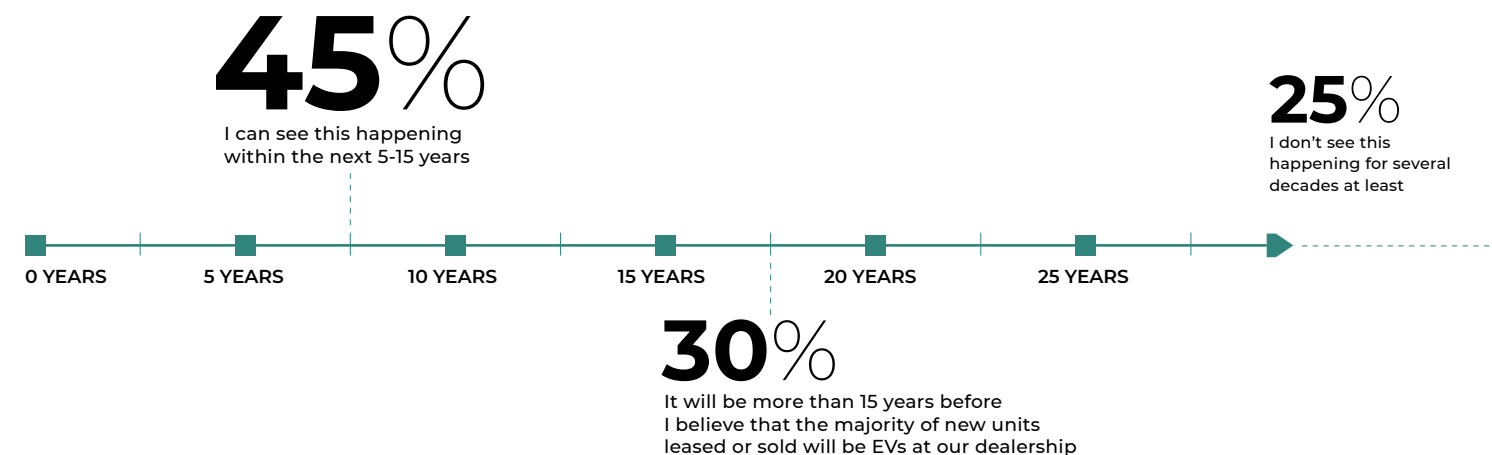
When it comes to dealer attitudes about EVs, it’s not just the single 65% pessimistic statistic driving home the negativity. Dealers also aren’t confident in their OEM’s electric strategy at this moment in time. Only 5% of dealers said they were extremely confident and another 8% said they were very optimistic in their OEM’s plans. Those numbers are troubling on the surface but when you consider the brands our respondents represent, it might be even more distressing.

Some of the brands with the most EVs in their lineups and others with widely well-regarded EVs are significantly represented by our survey. These are dealers with experience in volume and quality EVs. Yet, they’re still pessimistic.

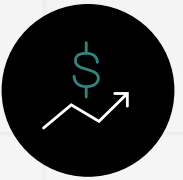
The pessimism can also be seen when we ask dealers how long they think the EV transition is going to take. Most (45%) said the industry would be at EV parity, with at least half of all sales being all electric, in five to 15 years, but a quarter (25%) said they don’t see parity taking place for “several decades at least.” The rest (30%) said it would be more than 15 years.

### EVs Making Half of the New Vehicle Sales

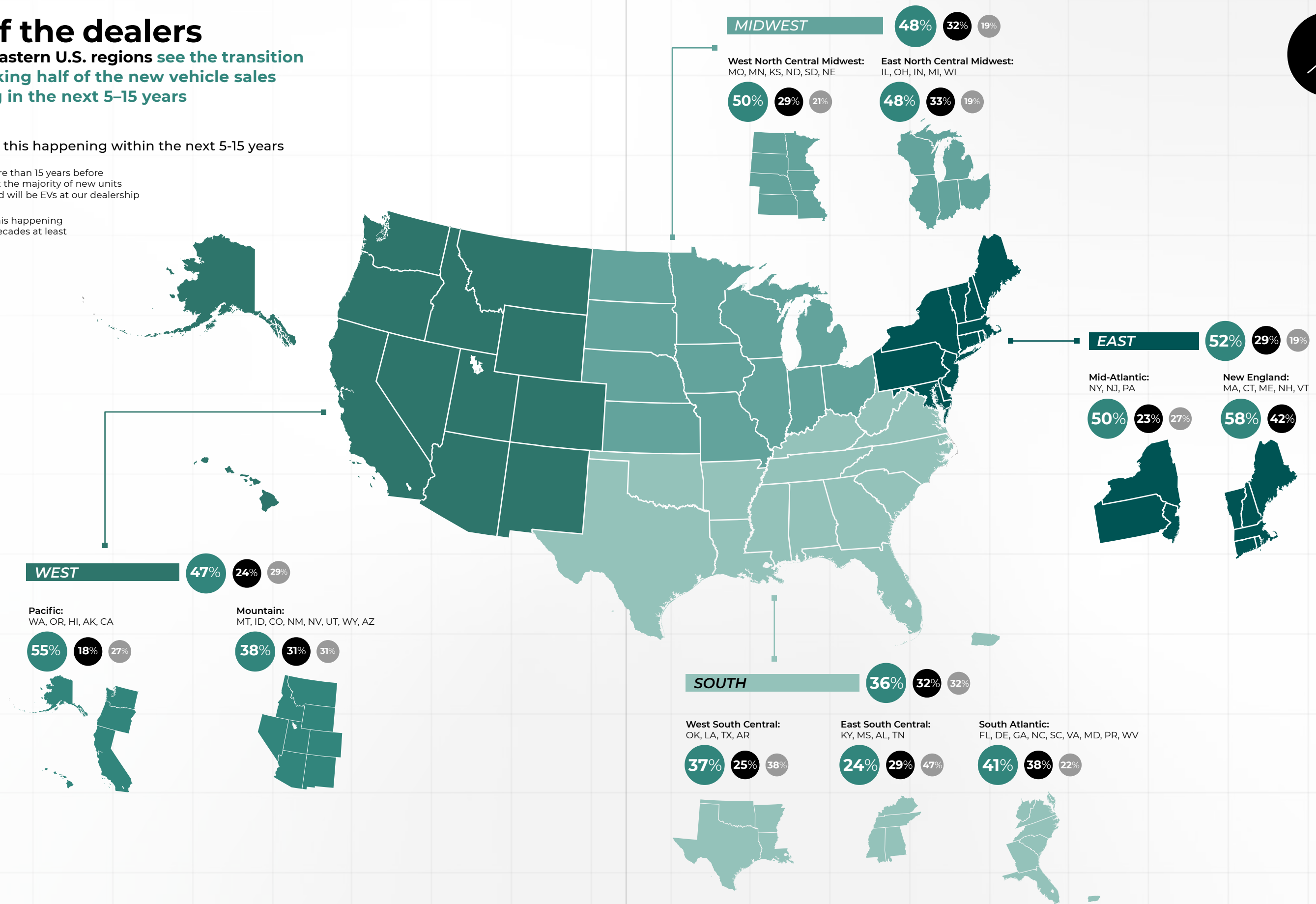
Here’s the first example of subregions answering very differently than their neighbors. In the entire West region, 47% answered the question most optimistically, which was the **third highest of the four regions**. But the Pacific states were the **most** optimistic subregion, with 55% of dealers in those states expecting EVs to reach parity in five to 15 years.



# 52% of the dealers from the Eastern U.S. regions see the transition of EVs making half of the new vehicle sales happening in the next 5-15 years



- I can see this happening within the next 5-15 years
- It will be more than 15 years before I believe that the majority of new units leased or sold will be EVs at our dealership
- I don't see this happening for several decades at least

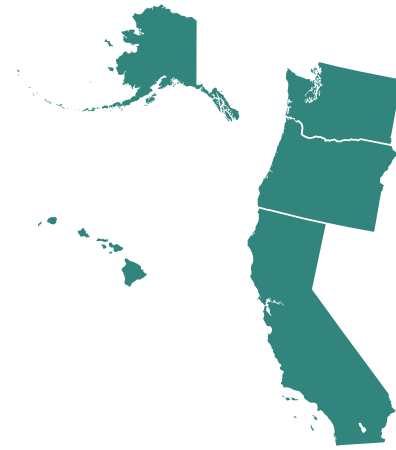


# What Dealers Hear From Shoppers

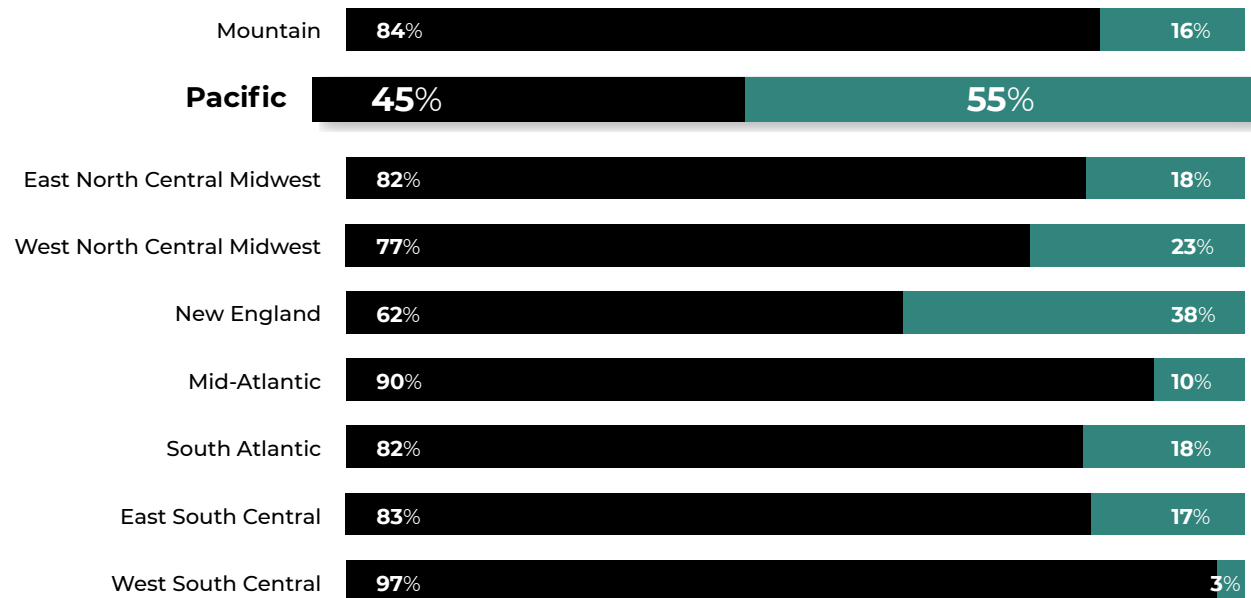
This pessimism is born from a number of factors — mostly financial — but a lot of it comes from the customers shopping for a new vehicle but not choosing electric.

Only 7% of dealers nationally said their customers were very or extremely interested in EVs. When asked about plug-in EVs, that number rose to 23%. It won't be a surprise at this point to learn that Pacific and New England dealers had the most interest in EVs from customers, at 23% and 15% respectively.

Zero dealers from three subregions had customers who were very or extremely interested in EVs. Those were Mountain, mid-Atlantic and West South Central states, which make up 32% of all respondents.



## The Pacific region shows the highest positive intent toward EVs



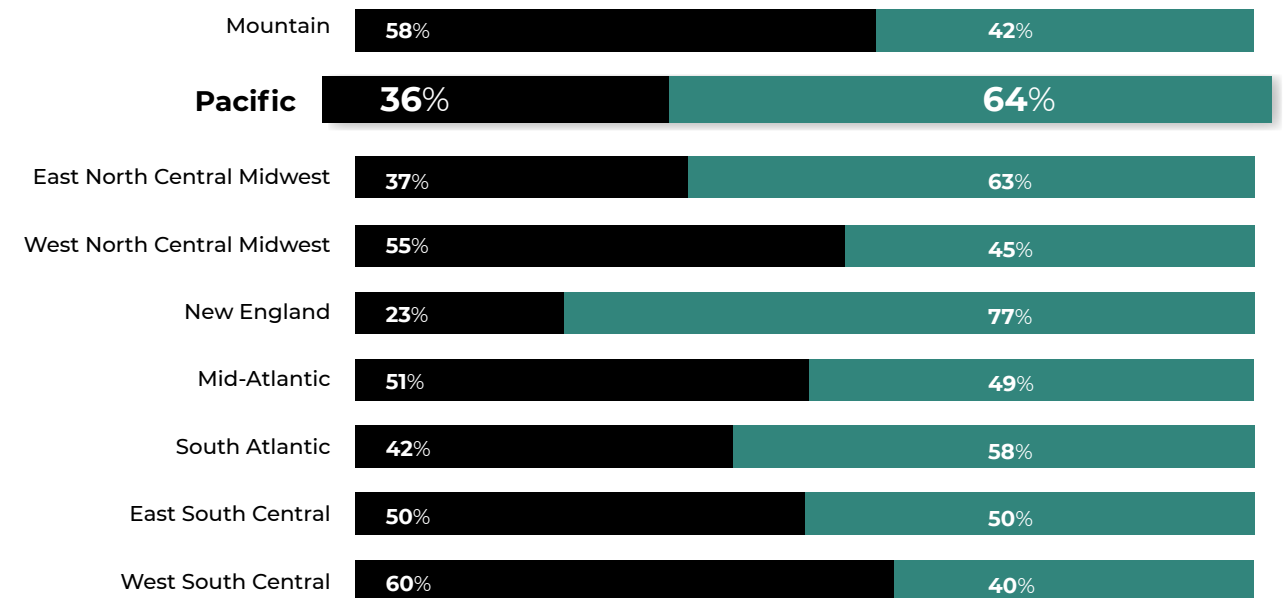
Not or Slightly Interested   
 Moderately to Extremely Interested

Lately, there's been a shift in interest to plug-in hybrids as a class of vehicle that captures the best of both worlds, allowing for all-electric driving around town without the range anxiety on long trips. And while, once again, the Pacific states overwhelmingly showed more interest than other subregions, all had at least 13% who said there was a high level of interest (very or extremely interested).

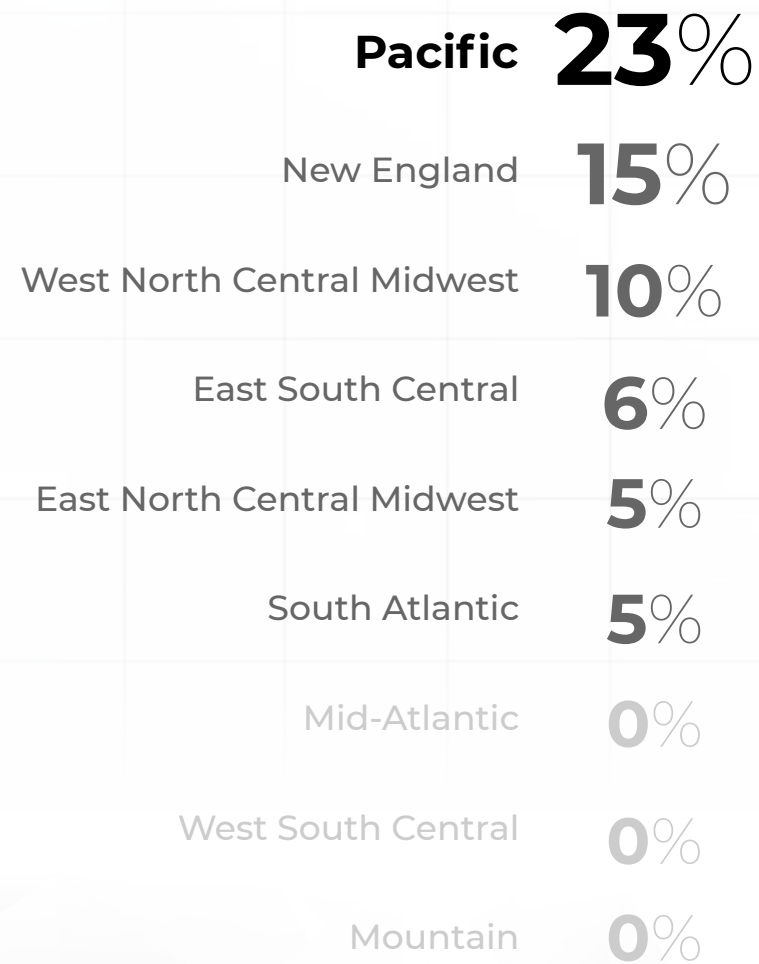


## PLUG-IN HYBRID INTEREST OUTPACING EVs

### High positive intent across regions signals a surging demand for plug-in hybrids



## Percent of Dealers Who Report That Customer Interest in EVs Is Very or Extremely High



Why aren't customers all-in on fully electric vehicles? The top three concerns cited by dealers were similar to what we heard from car shoppers in our earlier studies: not enough range, long charging times, and higher upfront costs.

## Top Three Reasons customers aren't interested in EVs

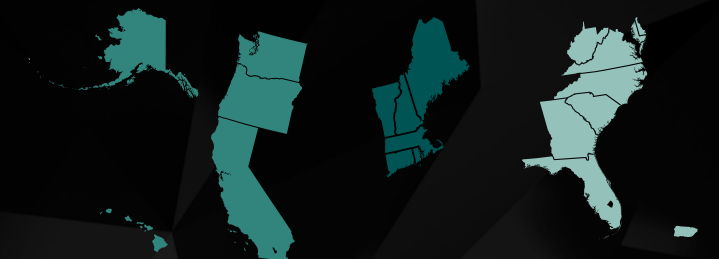
1. Range doesn't meet my needs
2. Charging is too difficult or takes too long
3. Purchase price is too expensive

62%

47%

34%

According to dealers, there were three subregions — **Pacific**, **New England** and the **South Atlantic** — where charging issues outweighed overall range as the top issue.







## Range is the biggest problem

in Mountain and East South Central, whereas charging-related problems are a bigger concern in New England and the South Atlantic

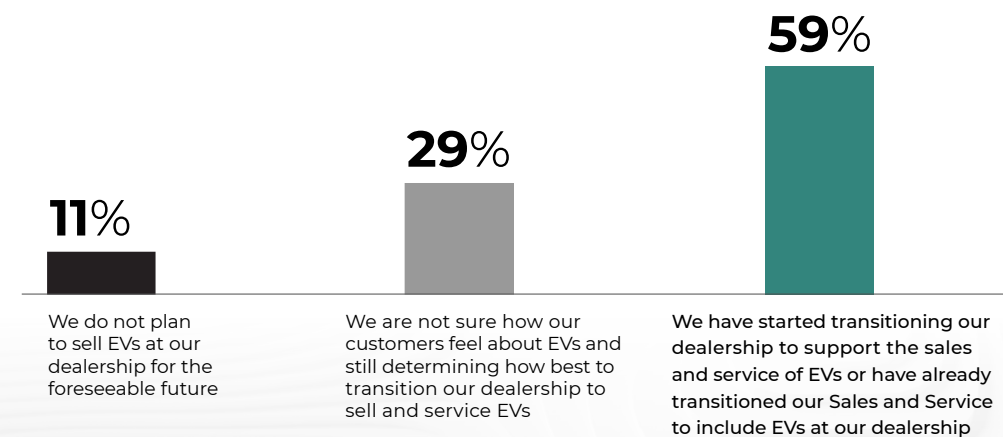
## The Transition to Date

All of this negative sentiment entering the dealership has certainly had an impact on how quickly stores are moving to support sales and service of EVs. Nearly nine out of 10 (89%) respondents said they represent brands that sell EVs, yet only 59% said they have started or completed transitioning to sell and service EVs.



**Dealers are navigating the transition to EVs as the industry undergoes a shift toward more sustainable and environment-friendly vehicles.**

Dealerships' current position with EVs

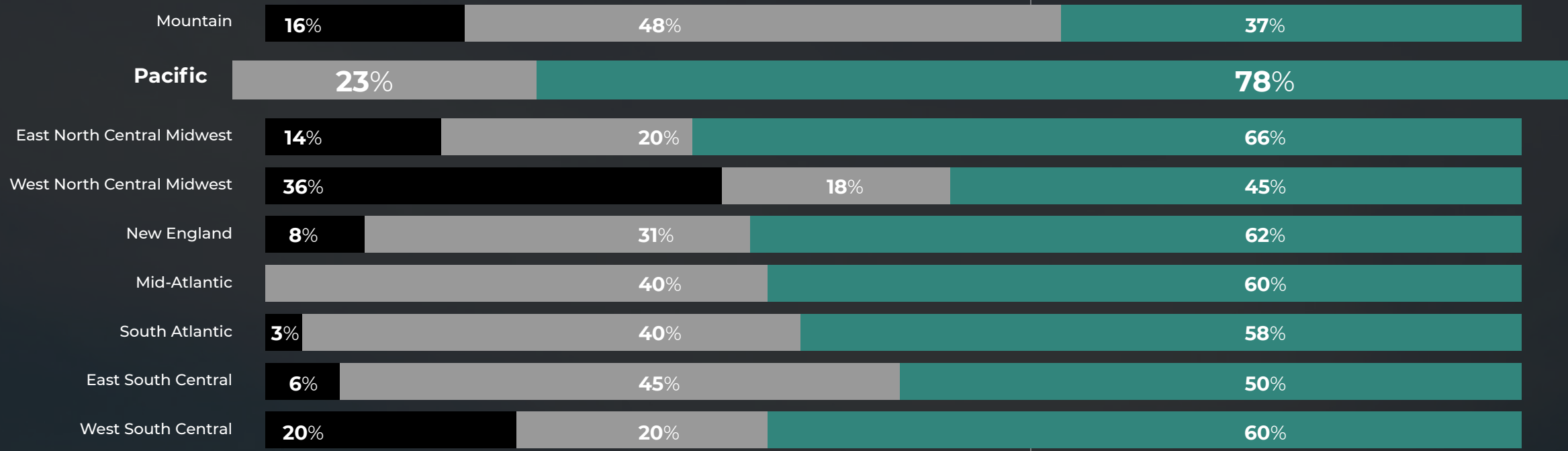


One in 10 said they don't plan to sell EVs for the foreseeable future, with most of these responses coming from the West North Central Midwest and West South Central subregions. No dealers in Pacific or mid-Atlantic states held this stance at all. They were somewhere along the spectrum of either selling EVs or

still figuring out the best approach for their specific store and their local customers.

Most of these EV-resistant dealers are generally smaller operators as well, with 75% saying they own one to two rooftops and 89% in rural areas.

The highest transition of Sales and Service to include EVs at dealerships observed in the Pacific region



We do not plan to sell EVs at our dealership for the foreseeable future

We are not sure how our customers feel about EVs and still determining how best to transition our dealership to sell and service EVs

We have started transitioning our dealership to support the sales and service of EVs or have already transitioned our Sales and Service to include EVs at our dealership

And while not planning to sell EVs may sound severe to many industry watchers, **the geography is a significant player in these dealers' minds.**

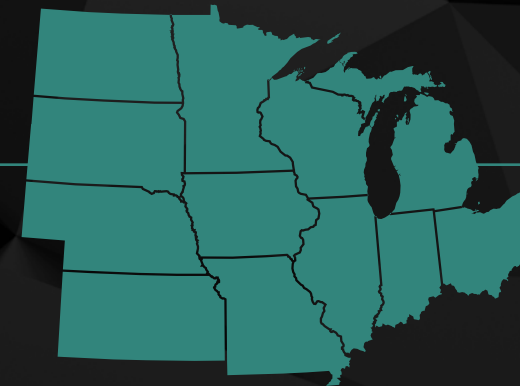
Infrastructure will eventually reach more areas of the country but currently, states like North Dakota and its neighbors have the least public charging options available. North Dakota is dead last with just over 200 public EV ports available to drivers\*. Montana, its neighbor to the west, has just 375 ports, while there are nearly 2,000 directly east in Minnesota.

“*We live in a rural area with large distances between towns and we have some ranch customers who cannot recharge in the field. It’s just not a viable alternative to ICE.*”

— Ford Dealership Leader in Montana

“*There are **hardly any public chargers around and especially not fast chargers** for people to use or trust that will be available when they need them and that leads to charging anxiety when they head out in their vehicle.*”

— Midwest U.S. Region



# The Bottom Line

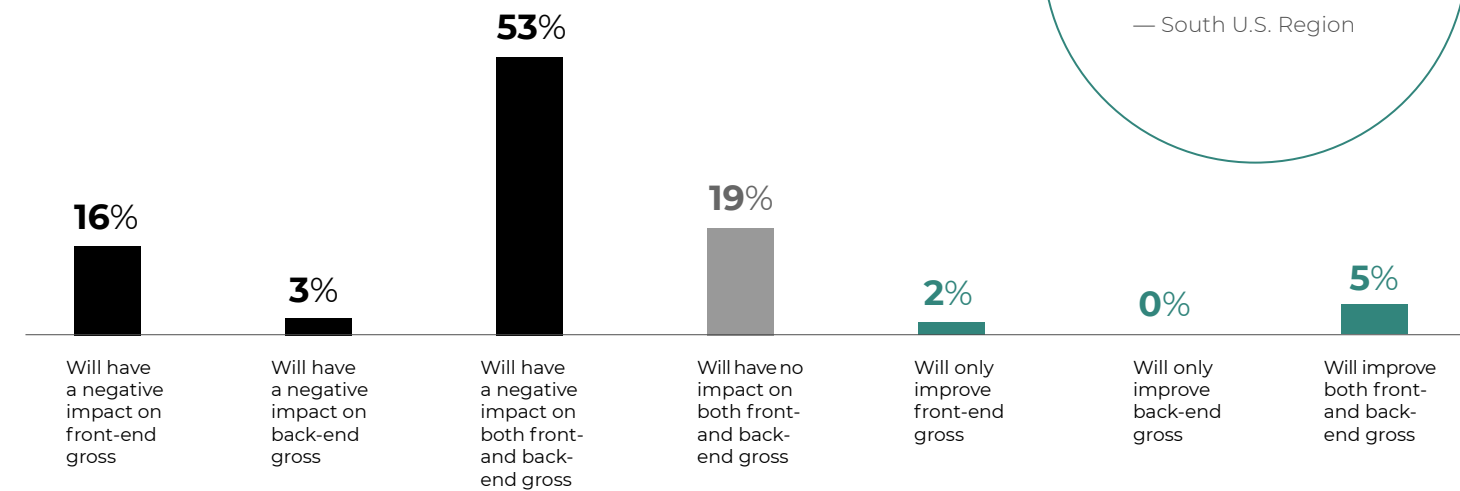
It's possible that much of the negativity encountered throughout this study has one true root cause: money.

There's nothing that motivates dealers like the ability to turn a profit and keep their stores open and thriving. And when just 7% of our respondents said that EVs will positively impact their stores back- or front-end gross, it's not surprising that the technology is receiving a frosty reception. This number didn't improve much depending on subregion, peaking only at 14% in the West North Central Midwest and falling to absolute zero in the Mountain and East South Central



## 53% of the dealers think that EVs will hurt both front- and back-end gross of dealership financials

Impact of EVs on dealership financials



The volume of sales is also likely not helping matters. When asked about the sales impact EVs have at their stores, 41% of respondents said their EV sales volume was 1% or less of their total sales. Half of the subregions had at least some respondents on the other end of the spectrum saying EV sales made up 8% or more of their total volume.

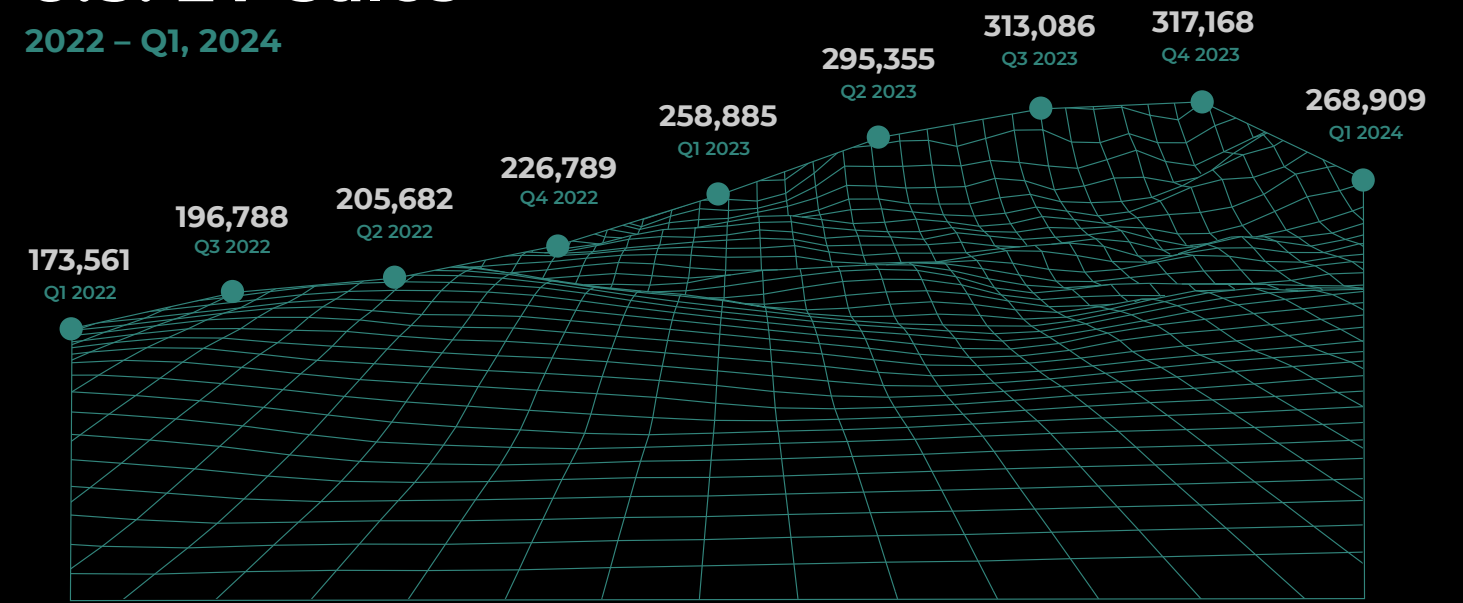
When broken down by subregion, there was much more variety when it came to the sales volume question than some of the others we covered. With the exception of Mountain states, many areas had both large percentages reporting very low sales with a mix of very high as well.

*“Lack of demand is the biggest issue.”*

— South U.S. Region

# U.S. EV Sales

2022 – Q1, 2024



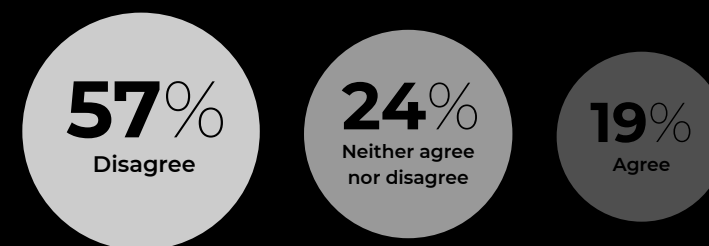
And if store leadership isn't thrilled with EV prospects, the Sales teams seem to be somewhat more upbeat about moving the electrified metal. Over half (51%) said their Sales teams were excited in some way, but only 8% said they were very or extremely excited to sell EVs. And these Sales teams seem to be well-trained on EVs, with 88% saying their staff is at least moderately trained.

Whether it was training or more intensive transformation of facilities, the preparation to sell EVs was not easy according to our respondents. More than half (57%) said it wasn't easy to bring electrics into their portfolio.

## Challenges in transition to sell and service EVs

- 60% Facilities modifications
- 28% Understanding and adapting to changes in new laws, taxes, and qualifying incentives for EVs
- 28% Educating and informing customers
- 22% Working with the OEM to adapt to their EV program
- 16% Training the Service department
- 12% Training Sales on how to sell EVs
- 6% Getting sufficient supply to meet demand
- 6% Inventory planning for EVs

## Transitioning the dealership to selling and servicing EVs was easy



# Key Takeaways

If the shift to electric vehicles is truly inevitable, the findings in this study show hesitance to that shift as well as hard braking depending on what part of the country respondents were in.



## 1

### **LOCATION, LOCATION, LOCATION**

They may be the three most important words in real estate, but when it comes to understanding EV sentiment, dealer or otherwise, geography can't be left out of any discussion. Not only are EV sales predominantly coming from just a few states, but the customer base, the size of dealership networks, and other factors are radically different for large swaths of the U.S. from the EV hotbeds. There's been little coverage of rural dealers and what they face as the world tries to go electric. These stores could possibly know their customers at generational levels with more connections and conversations occurring outside of the store. Trust them when they say they're not ready, not interested or not enthusiastic about EVs.

## 2

### **WINDS CHANGE DIRECTION**

At the beginning of 2023, overall sentiment around EVs was rather optimistic. In the course of a year, it took a 180-degree turn to such a point that major automakers are scaling back their electric ambitions today. But what if that changes come 2025? What if a new wave of politicians at state or federal levels are ushered in to add even more consumer-facing incentives? What if gas moves over \$4 a gallon for a prolonged period? And what if an automaker is able to produce a more affordable EV that's also desirable? What if we check all of the above? That inevitable wave of electrification could arrive faster than those in this study believe.



## 3

### **LEADERSHIP'S IMPACT**

It's important to reach out to store leadership when talking about topics at this level of importance. The owners, Dealer Principals and General Managers are often the ones in the room with their own local politicians and neighboring business leaders as well as dealership associations at the local and national level. They also set the tone for their dealerships through their interactions with staff and management. However, some of the findings, namely around Service revenue, are very different from what we uncovered in our EV Service study. When speaking to those lower down the rungs, there was significant positive outlook about the financial impact of EVs on Service revenue.



## About This Study

CDK is focused on matters large and small that impact the nation's robust car dealer network. This is the fourth and final report in a series that looks at the current state of electric vehicles from the shopping and ownership experience to how the technology is impacting dealers.



**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

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