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EFG Companies Foresees Market Uncertainties, Recommends Flexibility in 2021 Dealer Principals, Agents and Lenders Must Strategically Plan for Revenue Gains

DALLAS, TX (January 19, 2021) EFG Companies, the innovator behind the award-winning Hyundai Assurance program, foresees several market uncertainties in the first half of 2021 for the retail automotive and F&I industries, due in part to the pandemic-impacted economy, consumer confidence, the unemployment rate, and a new, incoming government administration. Company leaders recommend that dealer principals, agents, and lenders approach the year with a flexible strategy designed to maximize revenue, compliance and employee effectiveness.

According to [The Conference Board economic forecast](#) issued January 13th, several factors will impact the US economy in 2021, including:

- scale of the ongoing COVID-19 resurgence and any resulting lockdowns;
- status of labor markets and household consumption;
- size and timing of additional fiscal stimulus;
- timing and availability of a COVID-19 vaccine; and,
- degree to which volatility in the US political transition affects consumer and business confidence.

“While there are many factors at play, smart business owners will plan for a variety of strategies in 2021, keeping their teams nimble and customers squarely in their sights,” said Eric Fifield, Chief Revenue Officer with EFG Companies. “Regardless of how these factors play out, there remain numerous opportunities for revenue in the first half of next year.”

Fifield and other executives from EFG Companies emphasized that consumers will continue to look for added value in automotive and powersports purchases. “Economic uncertainty exists on both sides of the negotiating desk,” added Fifield. “From the consumer demand for digital retailing to the impacts of a reinvigorated Consumer Financial Protection Bureau, dealers, agents and lenders must ensure their teams are trained to maximize value while maintaining the highest level of local, state, and federal compliance oversight.”

The Knowns and Unknowns in 2021

There are several known economic components which can provide a planning framework for business owners. The [Federal Reserve](#) has signaled that it will keep interest rates near zero through at least 2023 in an attempt to prevent the economy from sliding further into a pandemic-induced recession. Unemployment rates will continue to be high through at least the first quarter, according to the Bureau of Labor Statistics. Savings rates will also continue to be remain strong through the first quarter, with consumers staying home and spending less.

Although the unknown factors could introduce volatility, astute planning can result in market gains while increasing revenue. EFG Companies executives and subject-matter experts provide their experienced perspectives to guide clients toward the best outcome.

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Retail Automotive – Scott Kaskocsak, Executive Vice President, Dealer Services

Overall, unit sales will be very difficult to predict throughout the first half of next year. The good news is that because of the pandemic and resulting manufacturing shutdowns, new inventory is actually right-sized for the first time in years. As a result, dealers currently are not swimming in excess and are expected to generate more front-end new gross revenue in the near-term. However, as manufacturers ramp up production, we can expect a flood of new vehicles hitting dealerships later in 2021. Economic uncertainty will continue to make market-differentiating F&I products vital in the race to generate sales and revenue. Today's buyers are more educated about the vehicle buying process and F&I products than ever before; and they are searching for added value and confidence in their purchase decision. As consumer demand for an online or hybrid online/instore sales model continues, we can expect to see the technology for online retailing improve. There are still significant roadblocks for the industry to overcome with regards to verifying identity and maintaining compliance in online transactions. With that in mind, we are already in discussions with clients to ramp up compliance training as we expect regulatory compliance oversight to be a focus of the new presidential administration.

Independent Agents – Adam Quart, Vice President, Agency Services

Both the retail auto and independent agency industries experienced an increase in merger and acquisitions activity in 2020, prompting a reshuffling in businesses and relationships, and a greater need for agents to provide demonstrable value to their dealership client base. Pandemic restrictions also forced agents to adopt a technology-based service model. In 2021, agents have the opportunity to 'be the expert' for their clients, advising on everything from new products and digital sales models to training and compliance matters. Those agents who effectively utilize their product administrative partners to provide a multi-service model for their clients have a greater opportunity to acquire and maintain more clients by becoming a highly-valued partner.

Automotive Lenders – Brien Joyce, Vice President, Lender Services

With interest rates remaining at near zero percent for the foreseeable future, financial institutions will need to be creatively competitive to capture market share. Lenders looking to differentiate themselves will need to build value into their auto loans with products such as WALKAWAY vehicle return. Also, with demand from both consumers and dealers for easier digital retailing lending solutions, we should see lenders beef up their online lending solutions. If a pandemic stimulus package is offered in the first quarter of 2021, we can expect pent-up demand for vehicle purchases to result in greater opportunity to capture market share. Lenders who actively promote their loans with value-added products will gain the sale.

Independent Dealers – Gary Biskup, Vice President, Independent Services

Independent dealerships experienced significant market share gains in 2020, competing nearly on par with franchise dealers as consumers sought more value in their vehicle purchase. This trend will continue with strong revenue opportunities for those dealerships utilizing vehicle service contracts and certified pre-owned protection products as market differentiators. Independent dealers are no longer willing to leave money on the table by focusing only on front-end profit via unit sales. To maximize F&I product revenue opportunities and further differentiate themselves in the market, independent dealers are

getting wiser about selecting their inventory, buying vehicles that are still within factory warranty. They are also emphasizing F&I and compliance training.

Powersports Dealers – Glenice Wilder, Vice President, Powersports

Powersports dealers experienced a historic sales windfall in 2020. According to the Motorcycle Industry Council, through the third quarter of 2020, off-road recreational purchases were up 37.2 percent and dual on-road/off-road units up 23.8 percent. However, on-road vehicles declined by 3.7 percent. This trend is expected continue through at least the first half of 2021, as consumers seek new recreational outlets for family adventures. A mild winter and continued pandemic stay-at-home mentality should sustain the trend. Dealers who focus on F&I sales and back-end profitability will see their revenue grow higher, encouraging repeat sales. Strong used sales will occur if unemployment spikes further, but inventory issues could hamper deals. Additionally, compliance and regulatory oversight will gain increased attention from powersports dealers as the year progresses.

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About EFG Companies

EFG Companies drives the industry's highest-reported compliant F&I profitability through its distinct engagement model in which the company operates as an extension of the dealer's management team. EFG addresses total dealership performance, and its client satisfaction Net Promoter score is higher than national corporate leaders such as Nordstrom, Ritz Carlton, and Amazon. Learn more about EFG at: www.efgcompanies.com.