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EFG Companies: Industry Opportunities Amidst Volatile Markets and Political Uncertainty in the Second Half of 2024

DALLAS, TX (July 31, 2024) – While EFG Companies sees some market strength and positive economic and consumer trends, ongoing price concerns and lingering inflation coupled with the heightened political climate spell challenges for retail automotive and powersports dealers through the end of the year. Company leaders recommend that dealer principals, agents, and lenders maintain a customer-focused approach to maximize revenue opportunities while strategically emphasizing education and value. For more information, visit <https://bit.ly/47X5UJa>

According to the [Q2 2024 Cox Automotive Dealer Sentiment Index](#), US retail dealers are pessimistic and cautious, with many seeing a weak market. Dealers continue to face pricing pressures on a variety of fronts. From higher interest rates and longer days-on-lot to parts pricing and labor rates, profit margins are shrinking on all sides. The second half of the year doesn't look much different. In June, the [International Monetary Fund](#) projected that the United States economy would grow more slowly, resulting from weaker consumer spending and a softening job market. In July, [The Conference Board](#) corroborated the IMF's findings, stating that they expected consumer spending to cool further and real GDP growth to decelerate. They do not expect GDP growth to pick up until later in 2024 or 2025 based on if and when the Federal Reserve will cut interest rates.

Despite these challenges that are outside of dealers' control, EFG leaders see a path to profitability for those dealers, agents, and automotive lenders who refocus on leveraging the things they can control.

"While continued high interest rates, consumer reluctance to spend, and election year distractions add an aspect of volatility, dealers have plenty of controls in place to weather this uncertain time," said Jennifer Rappaport, President and Chief Executive Officer, EFG Companies. "Having helped dealers achieve their sales and profit goals through six recessions and 11 presidential elections, we firmly believe that refocusing on controllables combined with a value-based approach to differentiation will lead to success for our clients in the retail automotive, powersports, and lending spaces."

Focus on what you can control

EFG leaders met in June to discuss the wide range of challenges faced by dealer principals throughout its client base. Topics ranged from election, economy, and interest rate uncertainty to the block and tackle of daily operations, like increasing margins on used cars and retraining sales and finance staff.

EFG recommends that retail automotive dealer principals set aside feelings of uncertainty and focus their efforts on F&I, training customer service best practices, and differentiating their dealerships based on the value provided.

"Volatility is nothing new to our industry, and we've all experienced markets like this in the past," said Eric Fifield, Chief Revenue Officer with EFG Companies. "When front-end

margins shrink, back-end margins must expand, and we believe the best way for dealers to accomplish this is through optimally performing F&I products. Our clients' biggest differentiator right now is the pairing of sales and finance training with our PRU guarantee, which enables dealers to provide better options for navigating the marketplace, positively impacting penetration rates."

Fifield and other EFG executives emphasized that numerous opportunities remain for the remainder of 2024. Visit <https://bit.ly/3WLB3ej> for a more detailed forecast.

Big-ticket recreation for the win

As with retail automotive, the powersports and marine industries have felt the pressure of inflation-impacted sales. According to the [Conference Board](#), consumer confidence continues to weaken with persistent concerns about inflation, causing consumers to hold off on purchasing homes and autos. However, buying plans for big-ticket items like appliances, smartphones, and vacations increased. This should bode well for a market that caters to recreational pursuits.

EFG recommends that dealer principals take advantage of this pursuit of fun and lean into value-focused opportunities. Maximize online sales engagements, focus on localized financing, bolster service capabilities for older units, and reinforce training for all team members to remain positive. Visit <https://bit.ly/3YqOrXI> for a more detailed forecast.

Focused flexibility matters

Recent cyberattacks and system outages illuminated the value of a strong agent partnership in weathering unpredictable challenges. While dealers faced business disruption, EFG's agents and their dealers were able to keep business flowing by deploying teams of trained support staff to help with sales and provide access to EFG **DRIVE**, EFG's nationally award-winning online portal that allows dealerships to electronically rate, contract, and submit aftermarket products in F&I, and electronically submit, self-adjudicate, and receive automatic claims approvals in service.

By assisting with manual vehicle transactions and re-educating dealers on EFG's technology solutions at the retail level, dealers could still maintain profit margins with valuable consumer protection products. While challenging, this experience proved that with training and a focus on positive flexibility, agents, and dealers can weather continued market volatility successfully. Visit <https://bit.ly/3A5RJ8z> for a detailed forecast.

Moving beyond the way it's always been done

While credit unions have experienced a persistent decline in auto lending versus banks and captives, numerous opportunities exist for lenders seeking to grow their portfolios. With persistently high interest rates, credit unions are evaluating other options to protect their loan portfolio outside of APR and loan terms, including using alternative ways to establish creditworthiness and utilizing consumer protection products to protect their portfolio from the risk of default while also differentiating their auto loan offerings from the competition. Visit <https://bit.ly/4c5q3Of> for a detailed forecast.

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About EFG Companies

For nearly 50 years, EFG Companies has provided consumer protection programs for vehicles and residences across seven market channels. The company's strategic intent is to build sustainable market differentiation and profitability for its clients and partners, including dealers, lenders, manufacturers, independent marketers, and agents. EFG's award-winning engagement model is built upon the belief that the company serves as an extension of its clients' management teams, providing ongoing F&I development, training, product development, compliance, and nationally recognized product administration with an ASE-certified claims team. Learn more about EFG at: www.efgcompanies.com