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EFG Companies: Market Strength and Consumer Confidence Among Industry Concerns for a Profitable Second Half of the Year

DALLAS, TX (July 12, 2023) While EFG Companies sees some market strength and positive economic and consumer trends, slow inventory growth, price concerns and stubborn inflation have the potential to create revenue barriers in the second half of 2023 for the retail automotive and powersports industries. Company leaders recommend that dealer principals, agents, and lenders approach the remainder of the year strategically focused on a return to customer-first sales methods that emphasize education and value, along with employee training to ensure effectiveness and retention.

"While we have seen strong growth in many retail markets, some persistent challenges remain that are preventing buyers from purchasing the vehicle of their choice," said Eric Fifield, Chief Revenue Officer with EFG Companies. "Savvy dealer principals, lenders and agents will ramp up customer engagement and employee education. Regardless of how market factors play out, numerous opportunities for revenue remain for the remainder of 2023."

Fifield and other executives from EFG Companies emphasized that cash-strapped consumers need added value and protection for their bank account in their next automotive and powersports purchases.

Say goodbye to the seller's market

During the first half of the year, new vehicle sales and inventory levels have improved for dealers, but back-end profit margins continue to shrink due to increased interest rates, lack of manufacturer incentives, and high used vehicle price tags. Since March 2022, the Federal Reserve has increased the Federal Funds rate by 62.5 percent via 16 separate rate hikes. While it paused rate hikes during the June 13-14, 2023 meeting, it signaled that more rate hikes could still take place this year.

Additionally, auto lenders have reduced the available pool of buyers by eliminating more credit scores from their approval matrix as reflected in the latest *State of The Automotive Market Report* from Experian. According to the report, super prime borrowers accounted for 82 percent of auto lending portfolios for new vehicles and 56 percent of their portfolio for used vehicles in the first quarter of 2023.

This confluence of circumstances has resulted in more consumers holding off on their next vehicle purchase. To end the year at a sustainable level of profitability, dealers need to focus on returning to customer service best practices for both sales and the service drive. Gone are the days when sales teams can use the "take it or leave it" approach. Visit https://bit.ly/3rktTl9 for a detailed forecast.

Consumer demand is strong but economic pressures impact powersports dealers

Consumer demand for off-road, boats, and personal watercraft units remained strong for the first half of 2023. However, high prices and financial barriers have impacted sales.

While powersports dealers were early movers in digital retailing, EFG recommends dealer principals take advantage of this opportunity to strengthen online sales models, not just for vehicles, but also for consumer protection products. Those dealers who continue to maximize online sales revenue opportunities, focus on localized financing, and bolster service capabilities for older models should offset potential revenue loss due to high interest rates. Visit https://bit.ly/3pHy9KU for a detailed forecast.

Agents find revenue through education

Agents armed with playbooks for electric vehicle education, debt protection products, and certified pre-owned warranty best practices will prove invaluable to dealers who need to ramp up their level of customer service in 2023. By educating dealer teams on how to sell electric vehicles and how to provide more value to their consumers, agents can uncover hidden revenue for dealers navigating the current sales environment. Visit https://bit.ly/3De6AMc for a detailed forecast.

Lenders bridging the gap between price and interest rates will benefit

Rising interest rates and inflated vehicle prices are giving consumers second thoughts on purchasing a vehicle today. According to Experian's *State of the Automotive Finance Market Report: Q1 2023*, monthly payments and loan amounts experienced year-over-year increases across all risk segments, while both 30-day and 60-day delinquencies rose above pre-COVID levels for the first time. While credit unions continue to gain market share with used vehicles, we're seeing more consumers priced out of both the new and used vehicle markets. Credit unions can give their members greater confidence to make that purchase with customer-focused education, more flexible loan terms, and valuable debt protection products. Visit https://bit.ly/3O5hAAX for a detailed forecast.

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