



FOR IMMEDIATE RELEASE

EFG Companies: It's Time for Retailers and Lenders to Get Back to Basics for a Successful 2024

DALLAS, TX (December 19, 2023) EFG Companies recommends a 'return to the basics' in 2024 to offset revenue headwinds driven by high interest rates, inflated vehicle pricing, and margin pressures. Applying its proven, profit-driving track record in finance and insurance (F&I), company leaders recommend that retail automotive and powersports leaders focus on reinsurance positions, succession planning, and staff training to drive profitability from sales to service. For more information, visit <https://bit.ly/47X5UJq>.

2023 has been a year of shifting priorities. From EV mandates to UAW strikes, dealers have been buffeted between consumer and manufacturer demands. Additionally, the U.S. economy has loomed large in the auto space, with inflation and sharply rising interest rates forcing consumers to delay vehicle purchases.

According to the November 2023 [State of the Economy Report](#) from Experian, the national inflation rate slowed to 3.2 percent, with inflation still well above the Federal Reserve's target of 2.0 percent. While economic growth improved in the third quarter, unemployment also increased in several states, and consumer debt rose 9.7 percent year-over-year as incomes declined. Student loan payments resumed in October, prompting more Americans to reconsider accruing more debt. These factors have impacted overall consumer economic sentiment, reflecting declining economic expectations and continued concerns over inflation. As dealers, lenders and agents enter 2024, these economic factors present opportunities to return to basics to generate profit.

"We firmly believe there is strong revenue and profitability potential in the retail automotive and auto lending markets," said Jennifer Rappaport, President and CEO of EFG Companies. "The days of pent-up demand sales have passed, and businesses must decide whether to squeeze as much front-end profit as possible or capitalize on more lucrative back-end F&I profitability options that drive consumers back to the dealership." Rappaport, who was recently named to the position, is a 13-year company veteran. She has held numerous leadership positions, most recently as Chief Operating Officer.

F&I departments should focus on value propositions

According to the [Cox Automotive November 2023](#) retail automotive forecast, the pace of new vehicle sales remains muted despite higher inventory levels. Used and wholesale vehicle indicators from [Manheim Market Insights](#) in November reflected that inventory remains constrained, and affordability continues to be an issue as price declines at retail have been offset by financing rate increases.

"High interest rates and expensive vehicles are creating an affordability issue for both consumers and sellers, impacting dealer profit margins, holding reserves and overall profitability hostage," said Eric Fifield, Chief Revenue Officer with EFG Companies. "These factors are beginning to impact demand and will trickle down to higher inventory levels, increasing floorplan expenses. Leveraging our award-winning strategic business model,

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EFG is counseling its clients to take a three-prong focus: prioritize F&I training and improve menu selling skills, re-evaluate reinsurance positions to counter rising parts and labor costs, and solidify succession planning focused on long-term profitability." Visit <https://bit.ly/3RpARyD> for a detailed forecast.

Agents deliver value through strategic guidance

The buy/sell market for the retail automotive space has been hot for the last few years. The [Q3 Haig Report](#) indicates that demand for acquisitions has remained strong and will continue into 2024. As consolidation continues, agents can either proactively engage with their clients and get a seat at the table or be left out of the conversation. Agents focused on strengthening client partnerships and growing F&I profitability should focus on providing valuable strategic dealer guidance on income development and market differentiation to wealth management. Visit <https://bit.ly/3GLjbZh> for a detailed forecast.

Powersports demand impacted by high interest rates

Powersports dealers continued to see overall revenue decline in Q3, according to composite data from U.S. dealers who use Lightspeed DMS, with service revenue reflecting small increases across all regions. Financial pressures on front-end margins provide powersports dealers with an opportunity to capture revenue through back-end protection products. EFG recommends dealers lean into proven F&I training with their teams while working more closely with lenders to complete good deals. Visit <https://bit.ly/3GL4UvG> 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. According to Experian's [State of the Automotive Finance Market Report: Q3 2023](#), monthly payments and loan amounts experienced year-over-year increases across all risk segments. Meanwhile, 60-day delinquencies continue to rise above pre-COVID levels. Credit unions can give their members greater confidence to purchase with customer-focused education, more flexible loan terms, and valuable debt protection products. Visit <https://bit.ly/4alLuuK> for a detailed forecast.

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About EFG Companies

For more than 45 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