

# AE

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# BUCKLE UP

*Industry Predictions for 2021*

**An insider's guide to  
the year ahead from twenty  
executives in the retail  
automotive and F&I arena.**

- > ECONOMIC AND  
GOVERNMENT IMPACTS
- > F&I AND DIGITAL TRENDS
- > THE EFFECTS OF 2020



Automotive  
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## 2021 Industry Trends: F&I IN THE HOTSEAT

*Agents, dealers, and product providers need to stay ahead of their competition when it comes to F&I products. Whether it be which product is at the top of consumers' shopping lists, how digital retailing is currently affecting the buying process, or trends in the way products are sold, our executives left no stone unturned.*

BY KATE SPATAFORA

### *Trends in the Auto Zone*

"I foresee the industry as a whole, inclusive of F&I, continuing to develop and hone its digital strategy," said Brian

Crisorio, vice president at UDS/Brown & Brown Dealer Services. "This involves developing a process from start to finish to provide the tools and information necessary for a consumer to comfortably make a purchase decision."

Crisorio considers implementation and commitment to the process chosen as one of the most important factors when it comes to selling F&I products. The more

information that can be put in the consumer's hand, the better. Consumers have also come to expect all the information be made available and can be resistant to instances where the information simply isn't available, which is the case with F&I products.

Spectrum Automotive Holdings' James Polley will be closely watching F&I product penetrations.

“As inventory continues to remain low for dealers, there will be more emphasis placed on F&I, service, and parts departments to maximize sales,” the CEO said. “The product mix, pricing to the consumer, and new product trends will be key.”

Tony Catania, Safe-Guard Products International’s Chief Revenue Officer outlined four trends that the company sees affecting F&I in 2021. “Where and how F&I protection is sold will continue to shift, and the industry will need to continue to support omnichannel retail.”

COVID-19 has forced the adoption of digital retailing, which has now grown to include omnichannel retailing, according to Catania. “They are no longer talking about only the showroom, F&I office, service lane, and aftermarket as points to sell added protection.”

With an emphasis on retail training continuing to pivot to support the shift in how dealers sell and who is selling, Catania noted that the second trend they are watching is the evolution of retail sales channels to include remote and digital retail, as well as increased movement to sales processes, such as a single point of contact. Creation of F&I product solutions that address the evolving market’s needs, such as EV-ready products, is the third trend on Safe-Guard’s radar.

“Current EVs in market are starting to come into the preowned space, and OEMs have aggressive plans to launch new EVs,” said Catania. “We know traditional VSCs do not work for EVs.”

Lastly, Catania pointed to a continued focus on customer care and satisfaction.

“While COVID-19 may have some lasting impacts on the way vehicles and F&I products are sold, what did not change was the importance of people who can advise and service through the process and the importance of measuring ourselves on good service and then working to do better,” he added.

“It is always fun to do some ‘crystal ball’ work and try to imagine what is coming down the road,” said Craig Almon, one of PRO Consulting’s founding members. “Clearly, the industry as a whole is

making a strong move toward all electric cars, and that may have some ripple effects on lending and insurance companies, as they regroup to assess long-term values and pricing without the benefit of any historical data.”

With that being said, Almon thinks we are looking at business to continue in the manner as it did throughout 2020 with retail sales, financing, and market pricing.

With the drastic effect the disruptive nature of the last 12 months has had on our economy, Reahard & Associate’s Rick McCormick expects consumers will come out of this economic chaos with a determination to be better prepared for the unexpected, looking for creative ways to cover the risk that it creates for them on both a personal and financial level.

“This is a perfect environment for finance managers to increase their consultative skills and be prepared to provide true insight on how F&I products can provide a much better ownership experience,” said the company’s national account development manager. “Opportunities have never been greater for a well-prepared and professionally researched F&I manager.”

“Digital tools and processes are here to stay,” stated Tony Wanderon, president and CEO of National Auto Care. “Dealers need to embrace them, customize the shopping experience for their customers, and continue to improve this part of their operations.”

Wanderon believes offering more information about F&I products to consumers prior to any visit to a dealership is in line with the accelerated pace of dealers’ adoption of digital retailing tools, as well as surveys that demonstrate consumer desire for this information at an earlier phase of their vehicle shopping experience.

“The sheer number of manufacturers that are committing to all-electric lineups is staggering,” said Portfolio’s President and CEO Brent Griggs. While he still expects internal combustion engines to dominate for many years to come, he added that the move to EVs is unavoidable

and will be accelerated beyond what he would have expected even last year.

John Lutman will continue to watch how technology will play a larger role within F&I and the F&I experience at the dealership. “Many in the industry implemented new technologies last year at the onset of the pandemic, and I think we will see some of that technology maturing in 2021,” said IAS’s SVP of enterprise sales.

“We need to continue looking for ways to shorten the amount of time that customers spend transacting — whether that’s online, at home, or at the dealership,” Lutman added. “And we need to help agents and dealerships do that without sacrificing attachment rates of our products.”

Another trend that IAS is noticing is the increased cost time to get forms approved. “This has an impact on choice for both dealerships and their customers, and we’ll be interested to see how this evolves in 2021,” said Lutman.

“Transparency will be required for the customer experience moving forward,” said Cliff Childers, national business development manager at National Automotive Experts/NWAN. “More and more customers have access to information, and the ability to make educated decisions before they get to the dealership.”

That said, Childers doesn’t think the dealership world as we know it will go away. Buying a vehicle is still the second biggest purchase the consumer makes, and 2020 taught us that even with social distancing, people still want physical interaction in their car buying process.

“What I do see changing is that the buying journey will be done through mobile devices, including the scheduling of maintenance and repairs,” Childers said. “If a dealership does not have a process and/or the right technology to interact with the customer before, and especially after the purchase, they will be left behind.”

Why is it we can purchase anything online and get full disclosure of our buying options, yet the majority of dealerships can’t provide this to their custom-



ers during the sales process, Childers questioned.

“We are seeing more of a digital presence and tools to assist in online and digital retailing,” said ECP Director Brian Feldman. “F&I has historically adapted to market changes and we expect that this will continue into 2021.”

Adam Ouart at EFG Companies has begun to see an increase in consolidation, both on the dealership side and the agent side as well.

“In this situation, it’s important for the agent to have a strong relationship with their administrator, understand how all of their products are performing and possess a clear view of the business challenges” said the company’s vice president of agency services.

“Online-retailing will continue to grow or pull back because of less stringent COVID precautions and protocols,” predicts Cory Schroeder, vice president of product development at Wise F&I.

APCO Holdings’ senior vice president of strategy and planning, Scot Eisenfelder, expects a continued increase in product penetration, particularly insurance products that make operating expenses more predictable.

“The pandemic depleted savings for many Americans, increasing the number who cannot afford a major repair,” Eisenfelder added. “Greater protections will give consumers greater peace of mind as they recover their financial stability.”

“I think that the EV segment will be an area that will be of particular interest and there will likely be some federal stimulus to encourage customers to purchase EVs,” said Paul McCarthy, senior vice president of agency and dealer sales at AUL Corp. “Gas prices will always play a significant role in determining the balance between car, truck, and SUV sales.”

Another area McCarthy will be focusing on is the ongoing development of the “digital experience” in the F&I space, with dealerships continuing to develop their skillsets and technologies in response to consumer demand. While he credits 2020

with great adoption rates of heretofore underused technologies, McCarthy predicts 2021 will see a refinement of these tools based on their success or lack thereof in 2020.

Classic Product’s Jennifer Holcomb will also be watching the electric vehicle segment.

“Most of the current auto manufacturers have announced multiple electric vehicles to be released to compete for the electric market share that Toyota initially created, and Tesla dominated for years,” said the company’s vice president of operations. “There are new electric vehicle manufacturers appearing in the market looking to grab a piece of the action and dilute the pool.”

As a company, Classic will also be watching the shift to more digital retailing as many retail dealers had already embraced that market, but few of the non-franchise or specialty markets had fully delved into that arena pre-pandemic.

“Many dealers saw 2020 as their most profitable year with high per vehicle profits, and if inventory is tight, this will continue to bring strong margins,” predicts Lindsey Bird, president of Sonsio. He also believes dealers will continue to run lean on staffing as they did in 2020. Adding that, with potentially fewer unit sales, dealers will continue to focus on F&I product sales as key to increasing profitability.

Michael LaMotta, founder and CEO of DOWC, knows online auto retailing is here to stay and it must include the F&I portion of the sale — a rapid and streamlined adoption of full-scale digital retail sites for dealers is a necessity in 2021.

“Leveraging opportunities like email marketing and remote outreach are critical additions to transition the standard brick-and-mortar business model into a resilient modern retail operation,” he said. “Reputable marketing partners can help dealers unlock post-sale opportunities and tighten the loop on positive customer relationships in an environment where local can lose its meaning with so much nationwide access.”

LaMotta expects we will start to see a

significant shift in how F&I products are made available to the consumer as providers and dealers seek new ways to meet customer demand for transparency and flexibility.

“Another trend we’ll be watching is the increased importance of training on F&I to increase sales, build wealth, and ensure growth for dealers in the face of ongoing economic challenges,” he said. “Continued inventory challenges may push consumers towards used vehicles, and dealers will need to really show customers the benefit of F&I products up front, not only at the end of the sales process, for new, used, and lease transactions.”

## Popular Products for 2021

“Products that drive customer retention for the dealership will be highly desirable, and COVID-19 has been a great lesson in how important it is for a dealership to have a strong customer base and good relationships to sustain it through difficult times,” said Spectrum Automotive Holdings’ James Polley.

Polley predicts dealers will be more focused on ensuring the product mix they are offering enhances the customer experience. It will be imperative to drive the need to return to the selling dealer in an effort to continue to build a strong brand relationship.

NAE/NWAN’s Cliff Childers expects tech-focused products, ancillary bundles, and lifetime programs that drive customer retention will continue to be popular.

“I also think we will begin to develop more subscription-based products that are focused on mechanical, maintenance and appearance,” he added.

Service contracts continue to be popular, particularly as more people are unable to afford an unexpected mechanical breakdown repair, according to Tony



Wanderon of National Auto Care.

“And with vacation plans for 2021 looking largely based around road trips, coverage that will keep a holiday on track — and on the road — also offer strong value propositions,” he added.

Jennifer Holcomb with Classic Products recognizes that the disinfectant products that offer interior protection coupled with the ability to eradicate germs on surfaces have made a huge debut because of COVID-19 and will likely stick around for a while.

“We know RVs, powersports, and boats were big sellers last year,” Holcomb added. “And we think this will continue with products geared towards them, specifically, being a big win.”

“We can expect dealers and manufacturers to utilize products that help customers alleviate significant financial loss, such as vehicle return protection,” said EFG Companies’ Adam Ouart. “Products like this can help motivate purchasing behavior by allowing customers to return their vehicle with no impact to their credit, should they experience a financial loss such as involuntary unemployment.”

Michael LaMotta of DOWC thinks

there will be continued stress on COVID-related products, such as antimicrobial sanitizers and payment protection, in case of future waves of job loss or layoffs.

“As the economy continues to be a concern for consumers and dealers alike, the focus will be on overall value and more substantive coverage,” LaMotta added. “Customer education and transparency will drive positive results in this area, and the ability to share clear, concise communications digitally will be key.”

Sonsio’s Lindsey Bird is keeping an eye on a trend where dealers are moving away from bundled products to stand-alone product offerings. “This will lead to a more streamlined number of products being offered in F&I and, as a result, we expect an increase in front-end appearance add-ons.”

Bird noted that in addition to this, as consumers have greater confidence in all-electric vehicles, there will be an impact on mechanical service contracts which provides increased opportunities for tire and wheel, theft protection, and appearance products.

“I believe coverage on major repair

items will be in high demand as consumers seek financial stability,” said APCO Holdings’ Scot Eisenfelder. “I also think we’ll see an emergence of products that cover new risk.”

To this, Eisenfelder offered an example: “There has been an explosion of new electronics in vehicles, and I think it becomes important to provide coverage for electronics, either in addition to or separate from, other coverages.”

Another new risk Eisenfelder is watching is EVs, as covering these vehicles is different, with all their technology.

“Batteries are expensive, so getting the coverage right is important because the loss could be significant,” he said. “As we get more experience, we can better answer these questions.”

“I believe products that have an ‘unlimited’ time aspect will be essential in 2021,” said AUL’s Paul McCarthy. “2020 saw a significant change in driving habits for most of the population, and for some, this change will be permanent.”

McCarthy attributes unlimited time products as allowing for change while remaining solely focused on the actual usage by the customer of their automobile.

ECP's Brian Feldman has found that non-cancelable products, such as paint and interior programs, are very popular and believes that this trend will continue into 2021. "Dealers are looking for ways to generate more front end non-charge-backable gross and these programs offer high penetrations," he added.

"2020 was such an unprecedented year for all of us, and now 2021 really allows us the opportunity to focus, which is especially necessary given inventory challenges, the large volume of used vehicles, and the uncertainty that remains," said Tony Catania with Safe-Guard Products International.

"While no two brands are the same, in general, we see retailers focusing on a core set of products that meet current consumer needs and drive value — vehicle service contract or term protection,

GAP, and tire and wheel protection are four that are doing well," he added.

IAS's John Lutman predicts products specifically designed for EVs will continue to grow in popularity in 2021 as OEMs release more electric and hybrid models.

"Products designed to add value to consumers that are increasingly choosing to lease vehicles instead of buying them will become more and more popular," said Brent Griggs of Portfolio. "The continued low interest rate environment will make leasing a very attractive alternative to buying for many years."

**Craig Almon** with **PRO Consulting** recalls on several occasions looking back on his career and noticing how F&I products have changed during that time.

"When I first started in the industry with Pat Ryan & Associates, Credit Insurance was king from a premium and prof-

itability standpoint in the dealership and value to the consumer in claims paid. Fast forward from 1998 to about 2008, and credit insurance had gone the way of the dinosaur," said Almon.

As it relates to current product mixes sold at dealerships, Almon thinks vehicle **service contracts** will continue to be the primary offering accepted by a majority of consumers, with appearance protection packages coming in a strong second.

"Will there be new products this year?" Almon questioned. "Could be depending on how prevalent the shift to electric vehicles is in major markets as a percentage of total retail units sold."

He ended his thought with what he believes to be good news — we are likely to have a phase-in of market changes versus a sudden change like we had in 2009, and we will figure out how to make the

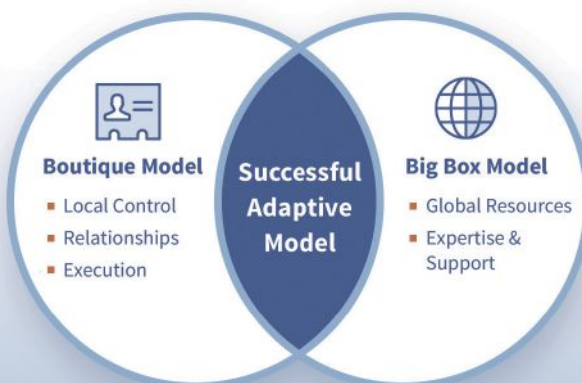
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necessary changes to keep products current and valuable to the consumers.

“The need for the core products such as the service contract and GAP protection will see an increase and expectations of higher acceptance levels of consumers should be realized,” predicts Reahard & Associates’ Rick McCormick. “Customers are walking into dealership F&I offices with a higher risk of economic interruption and are more concerned than ever about the future.”

McCormick views F&I products as invaluable, as they can provide consumers with “one less thing to worry about” in our environment, and something that consumers will pay for when illustrated effectively.

Wise F&I’s Cory Schroeder predicts, the demand for products that address computer software on vehicles and products specifically geared toward EVs and AVs will be popular.

“We also see diminished value protection and other vehicle service contracts that cover high-tech components gaining traction with sellers,” he added.

## Digital Retail on the Rise

Eisenfelder with APCO Holdings sees adapting the in-person F&I process to online to be very challenging, given product complexity and limited consumer understanding about the products.

“The ability to simplify products and create a more modern presentation will be critical to supporting the online consumer,” said Eisenfelder. “Paving the current F&I cow path will not work, meaning that automating the current F&I process as is, without re-thinking process efficiency, will not result in the best customer experience.”

It’s important to invest in technology that helps consumers self-serve, Eisenfelder added, by engaging them in a discovery process that identifies their needs, then matches products to those needs.

“The growing use of remote selling will force automotive retailers to be much more in tune with the e-sign act as well

as cyber-security because remote selling means more internet time and the increased knowledge of automotive retailers to safeguard data along with the terms that make remote contracting legal via the e-sign act,” predicts Michael Tuno, president of ARMD Resource Group.

Tuno believes the remote selling environment will also require automotive retailers to manage their Red Flags Rule program, much more closely, because of the increase for fraud from identity theft as dealers will have less “face-to-face” time with the consumer and making identity validation harder.

“I think that we will see the continued development of digital retailing, with a significant focus on creating a seamless process for the customer,” stated AUL’s McCarthy. “Many solutions exist today that deal with only part of the buying process, and the next big developments will revolve around the linking of these individual solutions into one simplified process for the consumer.”

Automotive Development Group’s Joel Kansanback views the digital retail environment as a very fluid situation.

"We know for sure that digital retail isn't a COVID-times only phenomenon and it's here to stay," said the company's executive vice president. "To this point most dealers have simply put their toe in the water and haven't fully committed resources toward being great at digital retail."

Kansanback expects that we will continue to evolve from this just being the 5-10% of cutting-edge dealers to more of a mainstream topic.

"Additionally, most dealers are not tracking F&I results from remote deliveries broken out from the traditional in store deliveries," he added.

"Digital retailing is evolving at a rapid pace and, in many cases, the process has become an entirely virtual experience," said Sonsio's Bird. "Online purchasing capabilities have been enhanced over the past 12 months, and we expect to see con-

tinued growth of the digital selling experience as well as other technology upgrades throughout the dealerships."

As such, Bird will continue to look for new ways to communicate their products and services digitally, with more electronic selling tools and interactive media both for dealers and end consumers.

Digital F&I "done right" has been a constant topic for many years, but dealerships have to push it as far as they can.

"They need to explain and sell F&I products through video chatting and quick, easily digestible digital resources," said LaMotta of DOWC. "Also, customers want control. Send them their options, let them navigate the process themselves, determine the price point that works, and allow them to purchase — all on their terms and their timeframe without having to speak to anyone."

LaMotta sees companies emerg-

ing that provide the level of independence the F&I customer is craving.

"Until recently, the F&I product has been tied to the point-of-sale for any decent coverage," he said. "The customer is dictating they want on-demand services without extended-term contracts."

We're living in a subscription-based world, and he recommends dealers need to adapt or watch the next guy succeed.

"There have been many improvements to dealership technology, and it will continue to evolve as the landscape changes," said ECP's Feldman. "We have seen an increase in the use of digital sales tools, due to the pandemic, such as digital marketing pieces and videos. We have worked with many of our customers to create custom marketing pieces to integrate into their digital selling process."



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Feldman added that while each customer has been different, and he expects that over time a more standardized process will be used by dealers, much of what has been done today has been forced upon dealers due to restrictions caused by the pandemic.

“While online sales have continued to climb during the pandemic, we are still seeing a lag in the supporting digital retailing technology needed to provide scalability,” said EFG’s Ouart. As dealers scale up their online operations, he expects to see digital retailing technology development accelerate.

“Additionally, as online sales rise, so does the risk of fraud and cybersecurity challenges,” Ouart added. “We have spent significant man hours and dollars investing in our IT infrastructure and cybersecurity capabilities and encourage agents to work with dealer clients in a consultative manner, impressing upon them the critical task of securing their own IT systems.”

The biggest trend Lutman with IAS is watching, is how dealerships are using so many different technologies to perform different functions within their stores.

“We see dealers wanting to consolidate those services into fewer providers when possible, so they can make one phone call to solve any number of potential problems.”

“We will see a continued push towards virtual F&I transactions, and this trend will bring with it, a whole new type of selling, objection handling, and product presentations,” said NAE/NWAN’s Childers. “It’s easy for us to focus on the buying process verses focusing on when the customer needs us the most, which is at the time of vehicle breakdown.”

Childers added that brands are built or destroyed in these few minutes or hours after the time of breakdown. “What can we do to help the customer while creating transparency and empowering them to have the control to do what they need to do?”

“Massive amounts of capital have been pouring into the digital retailing space,” said Griggs with Portfolio. “I expect that to accelerate the growth of consumers purchasing vehicles and F&I products on-

line, particularly in the used car area.”

PRO Consulting’s Almon views technology as a great tool for process efficiency, compliance, and sales effectiveness — shortening the time it takes to start and finish a deal, making it easier to share information, and confirm that correct information is being shared are all huge wins for both the industry and the consumer.

“From what I see, technology is the next step in making the car business better,” Almon added.

One of McCormick of Reahard & Associates’ concerns is that dealerships as a whole have been very slow to pivot, adapt and change to the demands of the consumer, to complete more of the transaction online when buying a vehicle.

“However, we must protect against the other extreme as well,” McCormick cautioned. “While customers have clearly stated they want to complete more of the transaction online, a high percentage of those consumers say they would like to finalize the transaction in person at the dealership. Dealerships must forge solutions for this blended approach.”

Safe-Guard’s Catania predicts we will likely see further integration, perhaps some consolidation across the technologies that retailers use. Dealer site, on lot, in-store, service lane and everything behind those.

“For F&I specifically, we will hopefully see continued inclusion and integration of these products into those solutions, in order for retailers to have more opportunities to make consumers aware of and sell the products,” he said.

Catania also believes we will likely see some continued pivots of B2B technology over to B2C, and technologies adding functionality in the increasingly consumer-driven F&I purchasing experience. As well as increased efforts to connect the entire consumer research, shopping, and buying experience.

“For dealers, this will mean a tighter connection between the tier 1/brand site and their tier 3/dealer site and supporting processes,” Catania added. “F&I providers will need to support all these various

retailing solutions with the content and connections to power those platforms.”

“Customers still want to see, touch, and drive the vehicle they ultimately buy or lease,” said Polley with Spectrum. He doesn’t anticipate any major developments impacting dealership or F&I technology in today’s market.

“There will always be a small percentage of consumers who, for various reasons, will prefer a fully digital purchase,” Polley added. “However, the majority will continue to want to physically be part of the transaction.”

Brian Crisorio with UDS/Brown & Brown Dealer Services is keeping an eye on the numerous technology companies racing to develop the perfect solution. “I don’t believe any have achieved that just yet, but they are adapting quickly based on experiences and feedback daily.”

From an F&I perspective, Crisorio recommends available protection options must be presented early, specifically on a dealer’s website. This could range from general information about the benefits of each program to a more robust solution tapping into VIN rating and purchasing solutions.

“Beyond that, I think menu providers have done a good job making remote delivery solutions available where options can be presented and sold via a tablet or other device,” Crisorio added.

Wise F&I’s Schroeder predicts we will see greater adoption because the customer is going to demand digital retailing based on other industries proving that ease of doing business. “As we have all experienced with COVID-19, virtual options are going to be the key to success,” he said. “I do see smaller/mid-tier size lenders becoming bigger forces in automotive lending with dealers. This is because of integration through technology.”

Schroeder sees smaller/mid-tier lenders having more opportunities with a multitude of initiatives to help capture this market. “The bigger players are already there, but the smaller fish have more opportunities with a multitude of initiatives from folks like DealerTrack and others to capture this market,” he added. **AE**

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