

PA

PROVIDERS & ADMINISTRATORS

2020 QTR. 1 | VOL. 8 NO. 1

THE F&I INDUSTRY'S LEADING SOURCE FOR
PRODUCT PROVIDERS & ADMINISTRATORS

2020 VISION

*Leading executives from the world
of automotive F&I share their predictions
and advice for the year to come.*

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Q1 Rundown



Check out what the leaders and executives in the provider and administrator space have to say about the year ahead.

BY KATE SPATAFORA

As the automotive industry moves into a new year, providers, administrators and all executives in the F&I realm are striving to stay up to date with the changing times. For our first issue of the year, P&A spoke with a handful of the industry's leading executives, agents, and product providers and asked them to assist with the task at hand. They shared their thoughts and advice as tools to be utilized as we make our way through the next decade of automotive retail. Flip to page 8 to hear what our experts had to say.

In our next article on page 11, DAC's Kristen Gruber, dives deeper into a few of the topics previously discussed to pinpoint why the industry stands as it does and how providers and administrators can continue to be prosperous now and in the future. As Gruber said, "I don't have a crystal ball, but I'm certain there will be twists and turns that challenge us all to meet the demands of the ever-changing consumer,"

25% of car buyers are not aware of F&I products when they go to a dealership. Dealertrack's Rony Maalouf sees this as an opportunity for dealers to gain a competitive advantage by offering aftermarket products online. Check out his article on page 12 to help give your consumers what they want and take your aftermarket sales to the next level.

What should hiring managers look for when they interview female candidates? Charisma's Laurie Halter knows that we are living in a time when women are excelling across the board, from sports to executive offices. On page 14, Halter spoke with several executives to find out how businesses can best recruit and support a new wave of executive superstars.

Many people in the United States rely on credit to purchase or lease their automobiles. But in today's economical environment, is the traditional credit allocation method the only manner for the extension of credit? Or, are there alternatives? Flip to page 16, where Terry O'Loughlin with Reynolds and Reynolds, gives us a textbook-look at how credit has evolved, how its used in dealerships today and how you can be offering consumers more than one option.

"Whether you provide F&I products, sell cars, or manage other auto professionals, your livelihood is connected to the number of cars sold in the United States." So says ACE's Jim Ganther in his article on page 18. What happens around us impacts the results of our efforts, and global issues do eventually trickle down to the auto F&I arena. Ganther urges all of us to pay attention to the big picture to understand your business' place in the economy and how to stay successful during the highs and lows.

While you're flipping through the following pages, be it at home, at the office, or on the road, I dare you to question the words you are reading ... Do you agree? Disagree? Is there a topic you haven't seen covered that would be beneficial to have as a resource for yourself and your employees? We want to hear from you! Please feel free to reach out to me at kate.spatafora@bobit.com.

I look forward to hearing from you! **RA**

— Kate Spatafora

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For over 40 years, Old Republic Insured Automotive Services has been a leading provider of services and products in the F&I industry, and is recognized as one of the top auto warranty companies in the nation.

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OLD REPUBLIC INSURANCE GROUP

Replacement Parts: OEM New vs. Used vs. Reman

TO STAN MARKUZE, CEO of PMR Prime:

I like how you said you could realize significant cost savings (Q4 2016, Page 18). My wife and I are very money-conscious and we like to choose the cheapest alternative we can. Now that I know Reman engines are much cheaper than new engines, I will definitely think about getting one.

– Randy

I need to get a new engine for my truck and now there are plenty of factors in considering whether I will go with OEM new or remanufactured. I'll have to take them all into consideration before I make a choice.

– Callum



An Interview with Mark Nagelvoort

TO MARK NAGELVOORT, President and CEO of PCMI Corp.:

Wonderful article (Q3 2019, Page 20)! Mark has hit the nail right on the head. The future of such technology will continue to grow with innovation and services that meet new demands.

– Richard

That is incredible growth for a company that entered the space in 2012. Congrats Mark and everyone at PCMI.

– Mike

LET YOUR VOICE BE HEARD!

Providers & Administrators welcomes any comments or questions about any of the articles appearing within. Please email the editor, Kate Spatafora, at kate.spatafora@bobit.com. Messages may be edited for content or clarity.

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STONEEAGLE F&I PROVIDES MENU & ANALYTICS TOOLS TO RISK THEORY DEALER ADVISORS

RICHARDSON, TEXAS — Risk Theory Dealer Advisors, part of the Risk Theory Group, had a successful 2019 while using SEcureMenu and Metrics F&I by StoneEagle F&I.

The company uses SEcureMenu to provide a fast, flexible, user-friendly point of sale experience for its dealer clients. Metrics F&I then makes it easy to track and analyze dealer performance to identify opportunities for boosting revenue and driving continuous improvement.



“We partnered with StoneEagle after an extensive RFP process in 2017 and have been thrilled with our relationship ever since. Although we’re uniquely positioned and have built a competitive advantage in the space, we distinguish ourselves by being the very best at helping our Dealers maximize operational and reinsurance profitability. Ultimately, our mission is to make our dealers Raving Fans of RTDA. Delivering on that has been the catalyst behind our explosive growth and I view StoneEagle as a key partner that enables us to achieve that mission,” said Eric Dragoo, President & CEO of Risk Theory Dealer Advisors. “There are a lot of options out there that claim to offer similar benefits, but we did the research and found the right partner to help us deliver on the promise of quality and performance that our clients depend on.”

“We partnered with StoneEagle after an extensive RFP process in 2017 and have been thrilled with our relationship ever since. Although we’re uniquely positioned and have built a competitive advantage in the space, we distinguish ourselves by being the very best at helping our Dealers maximize operational and reinsurance profitability. Ultimately, our mission is to make our dealers Raving Fans of RTDA. Delivering on that has been the catalyst behind our explosive growth and I view StoneEagle as a key partner that enables us to achieve that mission,” said Eric Dragoo, President & CEO of Risk Theory Dealer Advisors. “There are a lot of options out there that claim to offer similar benefits, but we did the research and found the right partner to help us deliver on the promise of quality and performance that our clients depend on.”



Image by Peggy und Marco Lachmann-Anke via Pixabay

GENERAL MOTORS APPROVES DIGITAL AIR STRIKE AS A DIGITAL CERTIFIED CHAT VENDOR

SCOTTSDALE, ARIZ. — Digital Air Strike, a leading automotive consumer engagement technology company, announced it has been approved by General Motors (GM) as an approved Chat Partner in the Dealer Digital Solution program. All GM dealers who are eligible for this marketing program can now use GM - iMR Turnkey match funds to cover the cost of Digital Air Strike’s AI-powered Response Path smart assistant, which generates more leads, converts more prospects into buyers and accelerates sales. All leads generated and nurtured by Response Path will be integrated seamlessly into the dealer’s Customer Relationship Management (CRM) software.

The inclusion of Digital Air Strike’s Response Path technology in General Motors’ program will help thousands of car dealerships in North America better serve shoppers online and generate tangible ROI. General Motors extensively vets approved suppliers to ensure that dealers have access to the industry’s best service providers.

Digital Air Strike’s Response Path uses AI to enable automotive dealerships to keep their businesses open 24/7. The AI-powered smart assistant can be integrated with a dealership’s website and Facebook Messenger™ to ask and answer qualifying questions, schedule appointments, route leads, move inventory and more. Dealers can send quick, customizable and professional multi-vehicle quotes to all leads captured through Response Path.

SAFE-GUARD EXPANDS SALES LEADERSHIP TEAM

ATLANTA — Safe-Guard Products International, LLC, a provider of third-party private label protection products for the automotive, RV, marine and powersports industries, announced several additions to its sales leadership team. Broadening the leadership team signifies the first investment in people and solutions by Safe-Guard, its new ownership partner Stone Point Capital, and minority partner Goldman Sachs.

As part of these changes, Dave Duncan has been elevated to the role of executive chairman. Under his leadership the company has expanded its product offerings, grown into additional channels, and launched a range of branded solutions for clients and dealers. Duncan is a founding member of Safe-Guard, and in his new role will provide business development leadership and strategic direction for the company.

David Pryor has assumed the role of president. Pryor has been with Safe-Guard for seven years most recently serving as chief revenue officer.

Tony Catania has been promoted to chief revenue officer, leading business development across multiple channels. Catania brings over 20 years of auto experience to the role and has been with Safe-Guard for eight years driving the growth of Safe-Guard’s branded solutions.

Roger Hilterbrandt joins Safe-Guard as an executive vice president to lead Original Equipment Manufacturer (OEM) business development and account management, and direct-to-consumer (D2C) initiatives. Hilterbrandt brings more than 25-years of automotive marketing, sales, and business development experience.



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Welcome to Warranty Chain Management

For the first time in 2020, Bobit Business Media is pleased to host the Warranty Chain Management conference. Find out how this event can benefit your business.

BY KATE SPATAFORA



Founded in 2005, the Warranty Chain Management Conference (WCM) provides innovative content and access to industry leaders. WCM has become the premier annual forum for warranty professionals and executives to meet and discuss warranty-related issues and develop warranty management as an established discipline. In 2019, the team here at Bobit Business Media acquired the conference, and we are looking forward to showing you all what we have in store May 3 – 6, 2020, at the Cosmopolitan of Las Vegas.

Warranty Chain Management is an annual conference that informs and inspires executives dedicated to the advancement of protection products in a large number and wide variety of industries.

Every company that offers warranties and service agreements — be they legally mandated, optional or extendable — can benefit from sharing challenges, opportunities, and best practices in the forum WCM provides.

In a relatively nascent discipline, the tools and techniques you rely on are still evolving. WCM brings together those seeking to maximize production and profitability and minimize the bottom-line losses and legal exposure that can result from sloppy, ill-conceived, or unethical practices.

Whether your company offers warranty financing; actuarial, compliance, technology, or repair services; support systems, or call center services, you will find value in this unique event.

The Warranty Chain Management Conference is essential for executives, VPs, se-

nior managers and senior contributors in the warranty and service contract fields, no matter what industry or what discipline you belong to.

In particular, the WCM conference directly relates to the following people:

- CEOs who are interested in reducing their warranty costs.
- CFOs and financial managers who want to learn more on accrual and warranty reporting.
- Warranty managers who manage any part of the warranty chain and want to learn best practices in comparable and other industries.
- Quality managers who recognize that reducing the cost of warranty to their company is a key part of their value proposition
- Operations managers who want to learn how to identify and manage the product generation and product support processes.
- Services and call center managers who want to learn about the drivers of their support costs and how to identify and manage the upstream processes that impact their costs.
- Marketing managers who want to learn how to establish an effective warranty policy and how to use warranty as a competitive advantage.
- Product generation managers who want to understand and learn how to trade-off the role that product attributes, such as quality, reliability, supportability, usability and diagnosis have on the warranty cost envelope.

- Customer experience managers who want to learn how processes such as customer self-repair and web-based support tools are impacting customer satisfaction.

- Supply chain and contracts managers who want to understand the implications of effectively specifying and contracting suppliers, to minimize their company's exposure to downstream warranty cost risks by managing dynamics such as Supplier Cost Recovery and inventory management.

- IT managers who are responsible for implementing cross-company warranty processes.

- Managers of security and legal departments who want to understand the potential exposure of their company to warranty fraud and methods to tackle the issues.

- Consultants and tool vendors who want to understand the challenges facing their customers in establishing effective holistic warranty chain management processes.

- Training organizations that want to understand the complexities of developing warranty chain management training packages.

Your warranty team should attend the Warranty Chain Management Conference if:

- You agree that successful warranty processes within your organization would help improve the company's bottom-line profitability.

- You believe that effective warranty management is a multi-industry challenge.

- You agree that successful best practice warranty processes can be applicable across multiple companies and multiple industries.

- You think that at some level within your organization, your team's success is linked with developing effective WCM key processes.

Stay tuned to WarrantyConference.com for news and updates. **RA**



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CONVERT LEGACY DATA

2020 VISION



Leading executives from the world of automotive F&I share their predictions and advice for the year to come.

BY KATE SPATAFORA

When asked what changes they expect in the coming year, our experts' predictions range from car values to consolidation to digitization, and everything in between. On the other hand, some expect a steady year for automotive retail in 2020. But one thing they all agree on is the need of the industry as a whole to put the consumer first and keep pace with the new technology and processes they have come to expect.

2019 brought the automotive industry into a record five-year run of auto sales with 17 million units sold. Unemployment is at an all-time low, the U.S. economy performed better than expected, and businesses reaped the benefits of the Tax Cuts and Job Acts.

Coming off such a successful year, what is on the horizon for 2020?

"I believe that 2020 will represent a benchmark year in product sales and F&I profits," said Nobilis Group's COO Stan Starnes. His opinion is based on the necessity of F&I growth to offset the continued erosion of front-end gross profits realized by the majority of new car dealers today.

Starnes added that he would love to see the NCFC environment vetted, ruled upon and finalized in 2020. "This has been a blurry topic for all of 2019 with varying opinions but no solid rendering of what the future holds for these entities."

Mark Nagelvoort, president and CEO of PCMI Corp., predicts that with positive trends in employment and consumers' desire to protect their vehicles in the long-term, we can be excited for what 2020 will bring. "We believe that it will be a fantastic year for the industry."

"With an increase in employment, consumers have gained the ability to purchase vehicles as well as the F&I products that protect them," he added. PCMI is looking forward to what 2020 will bring and expects it to be a great year for the industry.

"F&I agents and providers that are not able to deliver quality income development to their dealer clients will become irrelevant," stated Brent Griggs, Portfolio's president and CEO. Adding that significant consolidation of F&I agencies and F&I administrators will become the norm, as dealer clients demand more help to grow their profitability.

Griggs stated there has never been a better time for quality F&I providers to make a difference in the lives of their dealer clients. "With new car margins continuing to decline and service revenue increasing in importance to dealers' bottom lines, F&I departments have become more important than ever to the health of auto dealers," he said.

Reynolds and Reynolds Director of Compliance Terrence O'Loughlin sees advancements in technology at the forefront of change. "Driverless cars, driving services, remote transactions, digital driver's licenses, and centralized F&I departments where consumers close on the vehicle via a televised transaction, will continue to advance, albeit at a glacial pace," he said. "Once again, a great strength of the automotive industry is its consistency in business operations. The close of 2020 will not see an evolutionary revolution in how the industry is comported."

"With used car values decreasing by 3-4%, there continues to be increasing pressure on GAP claim severity. We will see pressure in pricing due to increasing GAP claim severity, in addition to rising frequency of total losses due to rising costs related to current automotive technological advances," stated Wise F&I's President Matt Croak. He expects adjust programs will be needed for these new advancements, within this decade.

Craig Almon, a founding member of PRO Consulting, sees more "big money" disruptors (like Carvana) continuing to

come to market. “Independent agents will play a bigger role than ever in helping local dealers not only contend with their arrival, but find ways to compete effectively against the disruptor business model,” he added.

Believing that innovation is key, Almon knows there are more opportunities than ever to be different, unique, and compete effectively in any market. Finishing on this thought, “you will either dictate to the market or the market will dictate to you. The choice is up to the man or woman in the mirror.”

“The increasing appetite of the financial community in this industry doesn’t

‘ivory tower’ effect,” said Tuno, adding, “Remember Sears?”

Lindsey Bird, Evolution Vehicle Protection by DentWizard’s division vice president, expects to see some adoption by the major fuel retailers to implement fast charging technology in their service stations and that EVs will continue to increase in market share compared to internal combustion engine vehicles. “Dealers will need to rethink how they sell services to these vehicle owners,” he said.

“I don’t see any other major changes in 2020. We just need to continue working hard to take care of our industry and

matic, sweeping changes. “We have seen a dramatic change in F&I over the last decade, and I anticipate the pace being even faster in the next decade.”

He believes the customer experience is more important than ever and will be what differentiates you from the competition.

“Based on our sales activity in Q3 and Q4 of 2019, we believe that 2020 will be another great year in the automotive industry,” said CNA National’s Alan Miller, who serves as the company’s senior vice president of sales. “Processes continue to be refined and improved; technology is evolving at a rapid pace; and the quality of vehicles sold is also improving. Pre-

“The industry needs to become even more hyper-focused on the overall customer experience. We need to get comfortable doing business with the customer, where the customer wants to do business. The customer has spoken, and the customer will win.”

— DAVID NEUENSCHWANDER, PRESIDENT, NAE/NWAN

show any sign of slowing down. The financial returns that the investment community enjoys will continue to manifest itself in all aspects of the industry,” said ARMD Resource Group President Michael Tuno. He added that the major change to the areas of investment will begin to surface in the compliance space so the investment community can better manage their risks, and that those companies that are in the compliance business will become ripe opportunities for the investment community.

“The continued consolidation of the retail side of the business, the TPA side of the business as well as the agency side of the business presents some interesting observations. Often bigger isn’t better as history has proof that shows the dangers associated with too big becoming too insulated to the marketplace and indifference or ignorance of the importance of the consumers wants and needs. This phenomenon is often called the

continue finding programs and products that will be useful to the consumers and make sense in today’s environment,” said William Kelly, executive vice president of Automotive Development Group (div. Brown & Brown Dealer Services). “If we continue putting the consumers best interest first and build the cultures of the dealerships to represent a true team environment, we will attract customers to our showrooms and service departments where they should be.”

Kelly wants to stop letting other people come into our industry and steal our customers with fancy gimmicks and flashy sales tactics who don’t really know how to take care of the consumer from start to finish. “The dealership model is truly the best for consumers and we need to help our dealers prove that on a daily basis.”

Jimmy Atkinon, president and CEO of AUL Corp., sees more of a steady pace of change over the next year than dra-

owned vehicle sales continue to grow, and F&I numbers have shown impressive increases across most of our client base.”

As an industry, Miller believes part of the challenge will be to enhance the vehicle-buying experience for customers and evolve communication capabilities, so customer interactions can be managed faster and more efficiently.

“The industry needs to become even more hyper-focused on the overall customer experience,” said president of NAE/NWAN, David Neuenschwander. He believes the main goals should be to get comfortable doing business with the customer, where the customer wants to do business, and that processes and products need to evolve.

Neuenschwander ended the conversation with a lasting thought: “The customer has spoken, and the customer will win.”

What do you think is on the horizon for the world of automotive F&I? **RA**

EXPERT ADVICE

The automotive industry evolves at a rapid pace. An industry expert shares her predictions for the year ahead.

BY KRISTEN GRUBER

The start of a new year is a great time to reflect on where we've been and plan for what's in store. Looking back on the year in review, we had a lot to be grateful for.

At times during 2019 the consensus view forecasted an increasing likelihood of recession. This did not in fact, materialize.

Instead, by several important measures, the U.S. economy performed very well; consumer spending was strong, real wages increased, and the financial markets generated exceptional returns.

GDP quarterly growth was in line with previous years in the 2-2.5% range. Corporations reaped big savings from the Tax Cuts and Jobs Act, resulting in significant increases in after-tax profits that should support future growth.

50-year lows in unemployment, combined with continued low-interest rates and robust consumer confidence, extended our five-year record run of auto sales. In 2019, automakers sold 17 million cars.

Strong fleet sales, record manufacturer incentives and continued advancements in technology and safety hasten the obsolescence of existing models in favor of newer ones. That's an impressive performance for an industry that has peaked and is now on a declining plateau.

So where are we headed in 2020? Everything I read suggests that the U.S. economic outlook will remain healthy with a moderate growth rate. We're in late cycle



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of a Goldilocks' economy where growth is warm enough to prevent a recession but not so hot to raise inflationary risks. The Fed seems set on a steady course in 2020, barring any major changes in the economy.

Growth projections for the automotive industry however, are weaker than last year. NADA just released their new-vehicle sales forecast of 16.8 million new car sales, which is 1.2% lower than 2019. There is no doubt that consumers are buying fewer new cars and the market is under some pressure, largely due to new car prices that are increasing faster than income growth.

What's to blame for this?

Consumers demand more features that now come standard on new vehicles; touch-screen infotainment systems and wireless connectivity are the norm.

Popular safety technology, such as collision warning, automatic emergency braking, and lane departure warnings, are expensive additions to vehicles.

Regulators drive up prices with fuel economy and emission standards. And customer preference continues to migrate away from compact and midsize cars to more expensive trucks and SUVs.

All of this adds up to an affordability challenge for new car buyers. I expect to see increased levels of certified pre-owned and used car sales in 2020, along with steady leasing rates. The good news is that there should be plenty of CPO inventory with ~4M off-lease vehicles expected.

One trend I will track this year is the continued digital transformation of the automotive industry. Although sales of electronic vehicles are still nascent at 2% of the U.S. market and autonomous vehicles remain far away, automakers made big investments in 2019 to develop next generation vehicles. General Motors' three plant closings during the year, which sparked a long and costly strike, were done to free up money needed to innovate.

One example is the latest partnership between big tech and automakers to turn cars into monthly revenue-generating gadgets, where upgrades and streaming services are provided over the air using the same wireless data networks used by smartphones. Automakers have long collected telematics data on how we drive. Now they want to cash in on the fee-for-service business while they learn exactly what we do in our cars.

Change continues at a rapid pace, and the automotive landscape is transforming faster than I can keep up with. So where will the coming year, or even the coming decade, take us? I don't have a crystal ball, but I'm certain there will be twists and turns that challenge us all to meet the demands of the ever-changing consumer.

Let's buckle up and enjoy the ride! **RA**



Kristen Gruber is president of Dealers Assurance Company (DAC) and has worked in the insurance arena for over 25 years, much of it focused on the F&I industry.

GAIN A COMPETITIVE ADVANTAGE

BY OFFERING AFTERMARKET PRODUCTS ONLINE

The growing prominence of digital retailing is opening up significant opportunities for the aftermarket industry.

BY RONY MAALOUF

It's an exciting time for companies that offer voluntary protection products for car buyers.

The growing prominence of digital retailing opened significant opportunities for the aftermarket industry. We are still at early stages for providers to fully embrace the potential of digital retailing and give themselves a competitive advantage.

Give Consumers What They Want

The rise of digital retailing in the automotive business is driven by consumer preferences.

Consumers continue to become more accustomed to shopping online, whether they search for the car, compare prices or understand add-on aftermarket products.

Aftermarket is a key aspect of the car buying experience. Just like other online transactions, car buyers seek transparency in all aspects of their deal including trade-ins, insurance and protection products, taxes and fees and more.

According to the Drive to Decide Survey*, 92% of car buyers do online research before they buy. In addition, 71% of consumers prefer to learn about F&I products online. Cox Automotive's 2019 Car Buyer Journey research indicates 63% of shoppers are more likely to buy aftermarket products if they learn about

them on their own time before they finalize their vehicle purchase.

This demonstrates consumers' desire for more seamless online to in-store car buying experiences—ones that include the presentation of aftermarket options. Creating a better shopping experience could help increase sales and profits for dealers and providers.

There is so much opportunity in the market—with car buyers who make more decisions online. By the time they arrive at the dealership, many of those car buyers are ready to buy.

For buyers who are not properly educated online during their shopping process, aftermarket products become an afterthought.

If a customer has already structured the deal with a monthly payment in mind, they're less likely to buy additional products or options once in the store. In a published study by Stanford University, Best Buy learned that the hard way when they failed to add warranties to their online shopping experience. They lost a large portion of their warranty business in the process.

The 2018 Cox Automotive Car Buyer Journey study found 25% of car buyers are not aware of F&I products when they go to a dealership. That's another reason it's important to have educational resources

available within a dealership's digital retailing experience—including their own website and on third-party websites.

Allowing consumers to learn about and price aftermarket products outside of the traditional F&I office experience may seem risky given that department's high profit potential.

The truth is that online education within a digital retailing experience allows the F&I manager to extend their reach and effectiveness.

Think about a busy Saturday when there are six or eight customers waiting. Expose more customers to protection products online, and the F&I manager will spend less time educating buyers and more time expounding on products' value and benefits, most likely to a more receptive audience.

Get Aftermarket Products Online

Most aftermarket providers already understand the value of putting F&I products online but accomplishing it the right way is a challenge. It's a complex process to create real-time, dynamic content, descriptions and pricing for multiple products that is accurate, appealing and compliant with consumer protection regulations.

Let's break down those elements and examine why they're important.



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- **Real-time connectivity** with aftermarket providers is necessary to ensure up-to-date pricing and product details.

- **Dynamic pricing** allows for coverage descriptions that accurately represent the product rating response. Product eligibility is often driven by factors such as VIN, mileage, zip code, lease vs. finance, finance terms and program type such as certified pre-owned. The product presentation needs to shift dynamically to reflect the available options and accurate pricing for each customer.

- **Appealing and engaging content** showcases products for consumers to illustrate their value. The better the experience (descriptions, images, video, etc.) the more likely customers are to consume the information and buy the products. When combined with a recommendation algorithm based on vehicle, finance terms and other factors, this content can help customers discover the products that may benefit them the most. Finally, making your aftermarket presentations available in multiple languages increases your potential customer base.

- **Regulatory compliance** hinges on how product information and coverage descriptions are presented or, more importantly, not presented. Whether a customer is online or at the dealership,

25% of car buyers are not aware of F&I products when they go to a dealership.

they should be seeing the same aftermarket presentations and prices. There are also dynamic aspects to state-by-state compliance, with some states mandating specific language in the descriptions of certain types of products.

There are a lot of moving parts, but any aftermarket provider who wants to stand out may consider taking full ownership of the information about their products and be sure to hit all of these touch-points.

Take Aftermarket Sales to the Next Level

Aftermarket providers are key players that reduce friction during the buying process and help sell more products.

They start by owning the information about the products offered and effectively communicate their value to consumers.

Taking ownership of this means hav-

ing a handle on all the variables that go into making content dynamic and engaging for the buyer. The goal is to ensure that costs and details are accurate and up-to-date, and that all aspects of the program are solidly grounded in regulatory compliance.

It takes time and expertise to build the necessary databases and marketing assets for an aftermarket provider to embrace the full potential of digital retailing. Accurate incorporation of aftermarket products into a dealership's online presence is complex. It's important to look for solutions providers who can partner with you to help eliminate the roadblocks to a comprehensive digital retailing experience.

Help Dealerships Succeed

Dealerships work to develop the right online marketing and sales strategy to help buyers get to "yes" online for the entire deal—and that includes aftermarket products. When it comes to solid customer experience, 51% of dealers look for support from partners. Aftermarket providers are in the position to help their dealership partners deliver against the challenge.

Get In Front of the Pack

The choice of technology partners and development of the right dynamic content, provides a tremendous head start to your company and your products ... That said, it will not be an easy or quick process. Start by ensuring that your product descriptions are all in place, fully detailed and accurate at the price level being quoted. Also, work to make sure that customers receive the same information online and in-store.

From there, the next step is content that is dynamic to the consumer's profile and vehicle, including mileage, finance terms and location.

Whatever stage your business is in this process, focus on moving the needle forward so that dealerships can sell more products and make more money. **RA**



Rony Maalouf is associate vice president of product for Dealertrack's contracting and aftermarket solutions, where he is primarily responsible for product strategy and innovation.

MINING FOR DIAMONDS: FOUR THINGS TO LOOK FOR IN INTERVIEWS WITH FUTURE FEMALE LEADERS

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What should hiring managers look for when they interview female candidates and how can they best support these superstars as they come on board?

BY LAURIE HALTER

We're living at a time when women excel across the board—from the women's soccer team winning the World Cup to the top five winners of the STEM Competition being girls for the first time ever to a teen girl championing the climate crisis as Time's "Person of the Year."

I think we can officially call 2020 the year of females rising.

With this in mind, I've spoken with several female executives to find out what hiring managers should look for when they interview female candidates and how they can best support these superstars as they come on board.

1 Fire in the Belly

All of the women I interviewed talked about a certain X factor, or fire in the belly, that is a calling card for future leaders. Whether it's due to charisma, confidence or raw determination, this fire in the belly mindset is the Holy Grail of future leaders.

These are your hustlers, and you can usually tell who they are by the questions they ask during the interview. They don't just want to know what the job entails and the benefits provided. These ladies have a goal in mind and it comes down to

one word—growth. They will be the candidates asking questions like, "What are additional opportunities," and "How do you see me growing with this company?"

As Denise Casagrande, president of PCG Digital said, "When you are interviewing and you ask someone what they're looking for in a company and they don't say growth, that's a big red flag. I get some stellar resumes, but if they come in and don't interview well and don't talk about growing with the company, they're not for us."

2 Cast the Talent Net Wide

One of the leading women I spoke with, Jacci Grillo, Director of NE Sales for Cox Automotive, did not have an automotive background before Cox recruited her. She was actively recruited because she was rock solid in her current position and her hiring manager knew that while he could teach her the automotive part, the will to succeed is an inborn trait. The hiring manager was right.

When Grillo began her new role, the first thing she did was take her laptop and work at a dealership in order to learn the ins and outs of the business. She then took that knowledge to help earn her client's trust, climbed the ladder quickly and became a director of sales for Cox Automotive in fewer than ten years.

"I think the key is finding great people, no matter where they are, and aggressively showing them what tools you are going to give them to help them succeed," said Grillo.

3 There is No Summit

One of the leaders I interviewed, Katie Steele, Founder of THRIVE Bend, ex-

plains that even as she opened and grew her family therapy business, she dreamed of more.

"There is no summit," Steele explained. "I am a dreamer and I will never be fully satisfied. I think when it comes to self-worth and dreaming, there will always be more."

Hiring managers, if you have an interviewee that comes in hungry for more in this way, stop the interview and offer that future leader a job immediately.

4 Positivity

It comes through loud and clear in their interviews—every single one of the leading females I've spoken to believe in the power of positive thinking.

They all believe that the energy put out by individuals is the energy they receive back. These women put out some serious buzz, you guys!

Cox Automotive's Grillo says it best when she advises, "Don't say, 'I'm going to go into this deal one more time so they can tell me no.' Go in saying, 'I'm going to go in one more time so they can tell me yes.'" That is the power of a positive mindset!

From a positive attitude to determination to a team-friendly attitude, women bring so many gifts to the companies they serve. Look for the above traits in your next interview and when you find the next female candidate who ticks all four boxes, offer that future leader a job on the spot! **RA**



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You Breathe, You Drive

Is the traditional credit allocation approach the only manner for the extension of credit? Or, are there alternatives?

BY TERRENCE J. O'LOUGHLIN, J.D., M.B.A.

Many people in the United States rely on credit to purchase or lease automobiles. Some people have good credit and others do not.

Traditionally, credit scores provided by Experian, 700 Credit, Equifax, TransUnion and other credit reporting services, tell the tale.

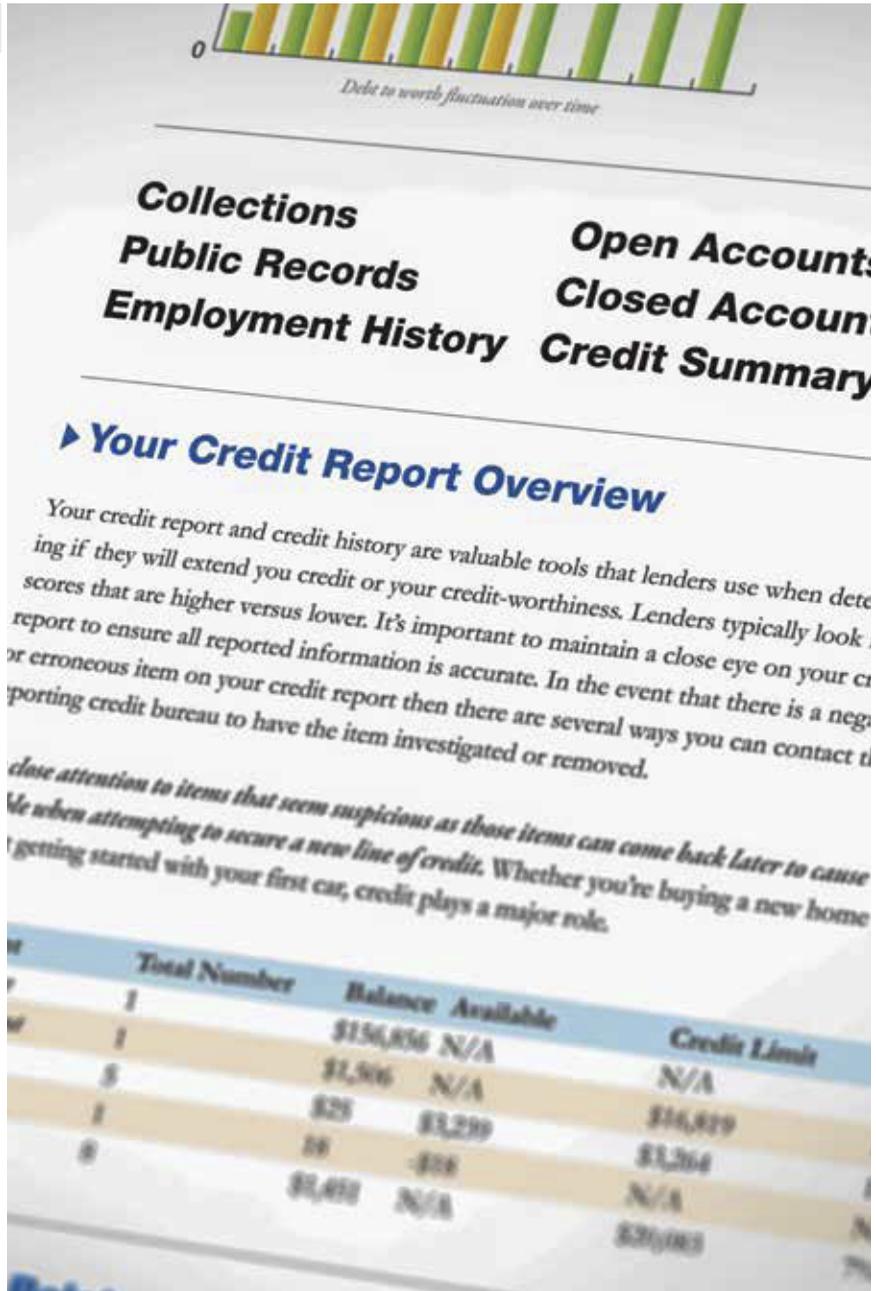
Credit applicants, otherwise known as ups, customers, and consumers, are classified by their scores, which range from 300 to 850. These credit-reporting organizations rely upon certain information to create models to yield these credit scores.

Applicants with acceptable credit qualify to access capital (i.e., money) from financing sources including a bank or a captive finance company. The higher the credit score, the more attractive the rate. In the car world, customers do not borrow money for car loans, despite what the Consumer Financial Protection Bureau (CFPB) stated. Customers sign retail installment sale contracts and agree to make payment in exchanges for the car title.

Is this traditional credit allocation approach the only manner for the extension of credit? Or, are there alternatives? Is the use of alternative data a possibility for some dealers?

Buy Here Pay Here (BHPH) dealers have already answered this question.

Many of these BHPH dealers current-



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ly use the advertising slogan, “You work you drive,” and ignore the conventional criteria employed by the credit reporting services to determine who should qualify for credit.

Instead, BHPH dealers rely upon other information about the customer, such as the paycheck and the number of years he lived at the current residence.

Recently, the Board of Governors of the Federal Reserve System (FRB), Consumer Financial Protection Bureau (CFPB), Federal Deposit Insurance Corporation (FDIC), National Credit Union Administration (NCUA), and the Office of the Comptroller of the Currency (OCC)

issued a statement that tepidly advocated other approaches to evaluate whether a customer qualifies for credit: “Interagency Statement on the Use of Alternative Data in Credit Underwriting.”

These prestigious agencies (with many acronyms) issued this declaration:

“The agencies recognize that use of alternative data may improve the speed and accuracy of credit decisions and may help firms evaluate the creditworthiness of consumers who currently may not obtain credit in the mainstream credit system. Using alternative data may enable consumers to obtain additional products and/or more favorable pricing/terms based on enhanced assessments of

repayment capacity. These innovations reflect the continuing evolution of automated underwriting and credit score modeling, offering the potential to lower the cost of credit and increase access to credit.”

One of the examples, cited by these agencies, is the use of alternative data, such as cash flow analysis:

“Cash flow data may include a range of metrics that examine categories of income and expenses (e.g., fixed expenses such as housing, amount of variable expenses, etc.) and how a consumer or small business has managed an account over time (e.g., residual balances).”

Is this much different from relying upon a prospective customer’s paycheck and their employment tenure?

These agencies try to offer financing sources to expand credit resources to consumers while limiting risk to these financing sources at the same time. In addition, it may allow certain consumers to qualify for a better interest rate and could be used in addition to the traditional credit report.

In reality, these federal agencies emulate the BHPH model.

The success rate for BHPH dealers is approximately 70%. In other words, 30% of BHPH customers default on their retail installment sale contracts while 70% do not. Would the use of alternative data produce this result? On the other hand, could it be utilized in other ways to improve upon this result?

A Brief History of Credit

The concept of credit has been around for thousands of years.

Babylon’s Code of Hammurabi provided maximum loan interest rates. When Roman statesman Cicero’s neighbor bought a large parcel of land, he did it with credit notes.

In the U.S., providing credit to consumers began when local shopkeepers allowed customers to run tabs for their purchases (anyone who has ever watched old westerns observes hardware stores and saloons provided this form of credit.)

In the nineteenth century, installment credit became more popular for those who purchased home furnishings,

business equipment and other relatively expensive durable goods. The purchases were paid off over time, with interest.

This trend became amplified in the automobile industry when car manufacturers expanded their operations by adding captive finance companies which employed installment lending to provide another avenue for purchasing through routine periodic payments (i.e., retail installment sale contracts). The leading example of this approach was the creation of the GM Acceptance Corporation (GMAC), established by General Motors Corporation in 1919.

A Brief History of Credit Reporting Agencies

Credit reporting companies began to form in the nineteenth century, as well, correlating with the rise of granting credit. For example, Experian dates its roots back to the 1830’s as the Retail Credit Company. Equifax began in 1899. These organizations collected information from newspapers and public records and maintained their records manually.

The Decision-making Process

In 1956, engineer William Fair and mathematician Earl Isaac developed the credit scoring system, generally used by the industry today: the FICO score representing the initials for the Fair Isaac Corporation. The factors used for the FICO Scores include payment history, amounts owed, length of credit history, new credit, and credit mix. Alternative data is usually not part of this calculus.

For the car world, the car loan credit tiers (FICO Auto Industry Option) are A+, A, B, C, and so on through F. Other versions may designate numbers: Tiers 1, 2 and 3; or metals: platinum, gold and silver. Each tier represents a given range of FICO credit scores, 300 to 850.

Credit Applications

A credit application requires a consumer to provide information about his basic identifying information such as his Social Security and driver’s license number. In addition, the applicant may be required to provide information about assets and

income. The lender may also request other information, such as residence and employment history, personal and bank references, military experience and assets.

Alternative Data Regarding Credit Applications

Some of the information collected on the credit application can be considered subjective and not readily converted to a number.

This information, such as personal and bank references, could be considered alternative data and may vouch for a consumer’s creditworthiness. Creditors would prefer automation. That would leave credit decisions to computers sans human involvement. Basing decisions on alternatives would seem to require additional human involvement. However, could this other information provide consumers increased access to credit? The answer is undoubtedly affirmative and should be supported.

Personal Reflection and Conclusion

This writer has spent more than 30 years either prosecuting or protecting dealers and continues to be impressed by the creativity of dealers in solving business problems.

The BHPH industry, and other segments of the car retailing industry that use special financing, created their own models to address credit needs in the market place that major federal government agencies now recognize.

The previous administration’s version of the CFPB, under Richard Cordray, disdained small dollar lenders and BHPH dealers. Have the CFPB, and other agencies, now become advocates of industries that have served this segment of society for generations with alternative data? It would appear so.

Govern yourselves accordingly. **RA**



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Anatomy of a Hit

What happens around us impacts the results of our efforts and global issues do eventually trickle down into the automotive F&I arena. By understanding the big picture, you can help drive success.

BY JAMES GANTHER

One way or another, if you're reading this article you are probably involved in the retail auto industry. Whether you provide F&I products, sell cars, or manage other auto professionals, your livelihood is connected to the number of cars sold in the United States.

Consumer confidence, disposable in-

come, and the price of gas are some of the subjective factors that drive sales volume. If we focus just on those familiar factors, we'll miss the bigger picture, which affects our fortunes.

In my office stands a large globe on a pedestal. If you glance at New York City on that globe and look due east, you'll see Portugal facing the Big Apple across the wide expanse of the Atlantic Ocean.

But in real life, if you set your rudder for due east and sailed from New York Harbor you would miss Portugal by a mile. Actually, you'd miss it by more than 1,000 miles and pass to the north of Scotland before you made landfall in Norway. Why? Because the water on which you're sailing is itself moving from southwest to northeast in a powerful current called the Gulf Stream.

Applying that natural phenomenon to our daily lives, we need to be aware of

our surroundings. What happens around us impacts the results of our efforts. Ignore your environment and you'll never reach your goals, at least not by the route of your choosing.

I write this article in the immediate aftermath of the United States' assassination of the chief architect of Iran's strategic terrorism program, Qasem Soleimani. That event, what preceded it, what followed, and what it all portends, impacts the retail automotive industry. It's part of the unseen current that carries us along. We need to understand it in order to plan for its implications.

First, the lead-up.

Recall Soleimani's resume: he was head of the Iranian Revolutionary Guards Corps (IRGC) Quds Force. In that role, he engineered the 2012 attack on the American

Embassy in Benghazi, the bombing of the Israeli embassy in Buenos Aires that killed hundreds of Jews, and the deaths of over 600 Americans through IED attacks in Iraq.

Not a good guy, at least from an American perspective. And from an operational standpoint he was a far more important target than Osama bin Laden or Abu Bakr Al-Baghdadi. As such, he was surely on America's hit list for some time. Why did the hit come now?

Before we answer that question, consider also the nature of the hit. It was perfect. Soleimani and his entourage were hit on an access road at Baghdad's airport with no other traffic in sight. There was zero collateral damage. The hit was surgical in its precision.

How did the U.S. know Soleimani would be at that exact place at that exact moment, with no one else around to get

caught in the crossfire? Intel of that quality is the gold standard, and almost impossible to obtain in time to act upon it. It's almost as if someone from inside Iran tipped off the Americans.

Why would the Iranians serve up their top General to the Americans? Remember that Iran is not a free democracy. Soleimani was generally considered the right-hand man of Supreme Leader Ayatollah Ali Khamenei and the second most powerful man in Iran. But seconds-in-command are also rivals, and Khamenei could certainly see Soleimani as a threat.

Soleimani's job description was foreign covert military activity (terrorism, from the American point of view). Peace in the Middle East equals a pink slip for him and his Quds Force. So, Soleimani was an obstacle to any strategy that de-emphasized his skill set.

Shifting our attention to Iran's re-

sponse to Soleimani's death, it is curious that Iran informed Iraq of its missile attack before it commenced. Iraq, of course, relayed that warning to the United States—the targeted American forces were located on Iraqi military bases (American bases do not usually bear names like "Ayn al-Asad").

Protected by that foreknowledge, the Iran attack resulted in no American casualties (or Iraqi casualties, for that matter). And, significantly, America did not escalate tensions by shooting back.

One last factor to consider before we draw some conclusions—Iran reacted to Soleimani's death with conventional forces originating from within Iranian territory and with no lethal effect. In other words, Iran did not unleash the effective and unconventional forces of the Quds Force to avenge its leader. Let that sink in.

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The Impact

What do I make of all this, and how does it impact the American retail automotive market? I think Iran cried “Uncle,” or at least indicated its desire to de-escalate tensions with the United States.

It went down like this: In response to an internal power struggle that he wasn’t certain he would win, Supreme Leader Khamenei sees to it that Soleimani’s exact whereabouts in the wake of an American’s death was made known to the U.S. The U.S. takes the hint and eliminates Soleimani, removing Khamenei’s main rival in the process.

Soleimani was killed on January 3. On January 22 Abdolhossein Mojaddami, possibly the top commander of the IRGC’s hardline domestic wing known as the Basij militia, was gunned down in

seen as evidence of the internal divisions within the regime.

All of this could signal Iran is ready to dial back its support of terrorism in exchange for the sanctions relief it desperately needs. This won’t happen overnight but, if they play nice, Iran may receive foreign direct investment in its oil industry, which it also needs in the worst way.

I am old enough to remember the last Iranian revolution in 1979. The current regime certainly remembers it, too—they were part of it. They know the power of a sufficiently-enraged population.

Iran has a population in excess of 83,000,000. Perhaps 1,000,000 are direct beneficiaries of the current regime. If the rapidly deteriorating Iranian economy is enough to bring the remaining 82,000,000 out into the streets, Khame-

direct military action. Behind the scenes, the U.S. and Iran will hammer out an agreement that allows the U.S. to reduce its forces in the region and provides for an Iraq that poses no military threat to Iran. In return, the U.S. loosens the sanctions screws against Iran.

How much and how fast remains to be seen, but America wants de-escalation and Iran needs it. Against such a backdrop a deal can be made.

- **Bold Prediction Two:** Crude prices will drop by more than 10% before year-end. West Texas Intermediate Crude is at \$57.87/barrel as I type this; Brent Crude is at \$64.00. I believe we may even see WTI Crude dip below \$50.

All of this happens against a backdrop of soaring consumer confidence in the United States, increased consumer



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front of his home in southwestern Iran. The motorcycle-riding assailants escaped. There was no immediate claim of responsibility for the attack.

Mojaddami was known as a close ally of Soleimani and, therefore, another potential rival of Supreme Leader Khamenei. Mojaddami may have met the same fate as Soleimani for the same reason.

America did not retaliate after Iran’s missile attacks. As of this writing, no further hostilities have broken out. Iran’s downing of a Ukrainian airliner and attempt to blame it on the U.S. can be

nei has that many reasons to seek some relief.

All this would allow President Trump to further reduce American military presence in the Middle East as the election season heats up. It reduces risk in the Strait of Hormuz, which will drive down the price of crude. And if Iran can get investment and modernization for its domestic oil industry, there will be further downward pressure on oil prices worldwide.

- **Bold Prediction One:** Iran will continue its bellicose rhetoric towards the United States, but without significant

Consumer confidence, disposable income, and the price of gas are some of the subjective factors that drive sales volume. If we focus just on those familiar factors, we’ll miss the bigger picture, which affects our fortunes.

spending, and historically low unemployment. I believe that all points to new car sales exceeding NADA’s published estimates for 2020 for another year. It’s a good time to be in this business, and Soleimani’s death may make it better. Such are the currents our business rides. **RA**



James Ganther is president of Mosaic Compliance Services and co-founder of Automotive Compliance Education, a compliance training and industry certification company.

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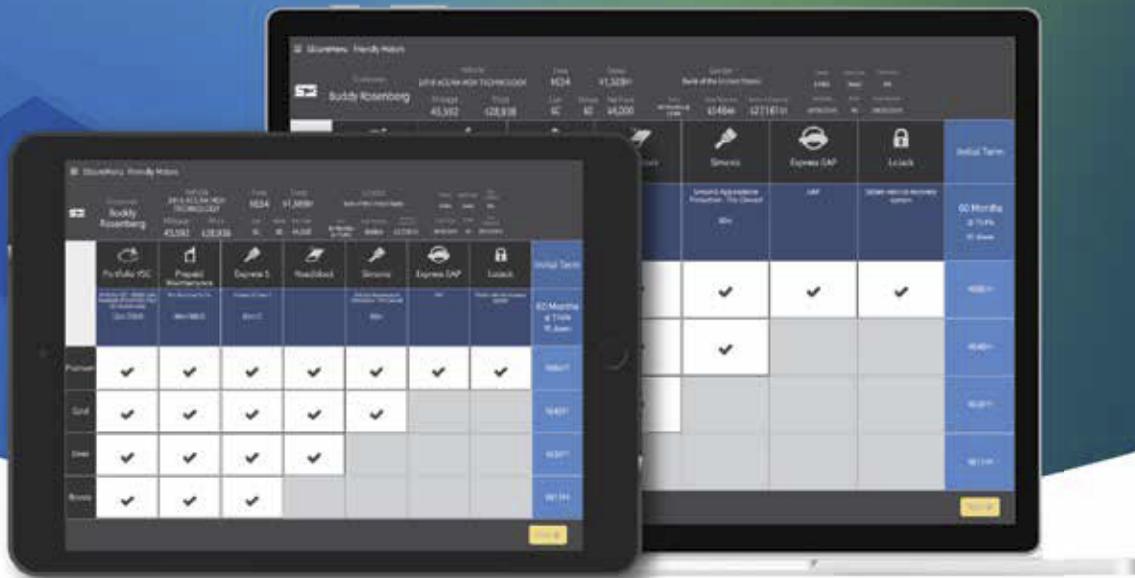
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