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The Trends for 2014 – Part 1

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17 of the industry's top executives give their views on the economy and how they see it impacting the automotive industry in 2014.

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This month, we are kicking off a three-part series looking at the top trends in the automotive industry for 2014. We talked to 17 of the industry's top executives to get their take on the economy, on the products and technologies they are watching, and finally their predictions for the next 12 months. This month, we'll take a look at their thoughts about the economy, and how it will impact both the automotive industry in general, but also the F&I segment specifically.

If you would like to read the full series at once, you can also find it, in it's entirety, in the print edition of *AE Magazine*, mailing now.

The Economy

Our executives had similar thoughts about where the economy would go – in a positive direction. For the most part, our group was optimistic – although some of them cautiously so – about the fact that the economy will grow in 2014. No one expects significant growth, but they do agree that profits and the number of units sold will continue the year-over-year increases they have enjoyed the last several years.

"I think the auto industry is part of the reason the economy is doing better," said Bob Corbin, president and CEO, IAS. "I don't think the economy is driving automotive as much as automotive is helping the economy. Our industry affects one in five Americans in some way, shape or form, and we think everything is very positive. Cars were are up about 8.5% for 2013 year-over-year, and we see that trend continuing, to somewhere north of 16 million new car units sold in 2014."

"The economy still has some bumps in it," said Charlie Robinson, president and COO, Resource Automotive Group. "We all read the papers and get mixed signals. But the automotive industry is robust, and the general feeling is optimistic for 2014; and the general feeling is that it will continue in that direction. I believe we will continue at the same pace as the preceding few years. If you listen to the pundits, we will see a 4% increase in SAAR for 2014, versus 6-7% increase for 2013. So everyone is expecting another two or three solid years in the auto industry before we look for a downturn."

"From my perspective, I am cautiously optimistic," said David Pryor, CMO, Safe-Guard Products International LLC. "We had that government shutdown in 2013 which caused a blip in the automotive industry, and we did see some softness in the last few months. However, all of the indications we've had are that we’re getting back to a slow rate of growth. The automotive industry is forecast to come in at about 15.5 million or so once the final 2013 numbers come in. How much further can we go in 2014? We think there’s room to grow – we think we could get close to 16 million next year. There are still many factors in our favor, such as the fact that the average age of vehicles on the road is still the highest seen in a long time. There is pent up demand there. “

“I guess I’m fairly optimistic about the economy,” said Jimmy Atkinson, COO, AUL Corp. “All the signs are that new and used car sales will be strong next year, and there is nothing really on the horizon that could damage that too much, although you never know for sure. But on the whole, I’m pretty optimistic. The biggest thing that drives car sales is lending and credit, and in the last couple of years, subprime credit has been very strong; we’re seeing that more prime lenders are dipping a little deeper as well. So there is a lot of competition and a lot of money out there to loan for cars, which bodes well for next year.”

“I would expect that the first half of 2014 will look a little like 2013,” noted Joel Kansanback, president, Automotive Development Group. “In our market, car sales have been strong, credit has been loose and dealers have been profitable, but I would expect the results for lenders will deteriorate at some point, in probably the second quarter, and we’ll begin to see tighter credit in dealerships in the third quarter. Dealerships will have difficulty getting their customers loans, and there will be a big impact on special finance departments. In concert with that, the theme for 2014 will be that the sales will continue to be strong, and F&I will continue to be strong. The wild card, however, is if the major lenders follow direction of CFPB and put restrictions on finance reserve; if that happens, we could have a major shift fast, and that could happen as early as the first quarter.”

“There are certainly plenty of differing opinions about the U.S. economy going into 2014, but when you look at most of the major economic indicators, continued, modest growth for the U.S. economy as a whole seems likely,” said Scott Karchunas, president, Protective Life Asset Protection Division. “The consensus appears to be between 2-3% real GDP growth for the US. In terms of the automotive industry, 2014 looks like it will continue its upward trend, although at a slower pace. We are expecting new car sales to be above 16 million, which is essentially on par with sales dating back to 2006. However, it’s important for all of us to keep in mind we’re looking at the lowest year-over-year new car sales growth since 2009. Much of the rebound in the automotive industry that we have seen over the past few years can be attributed to two main factors: pent-up demand and credit availability. Dealers have done a great job of meeting this demand; yet we still have younger buyers, lower income segments and small businesses that are not reentering the market as consistently as other demographic segments. It will be important for the automotive industry to find ways to better engage these segments with products and technology that meet their needs.”

“It’s a great time to be in our industry,” said Steve Amos, president and CEO, GSFS Group. “We’re going through changes that are occurring once in 15 years, so it is pretty neat out there I think. Obviously the economy directly influences consumer behavior and confidence, that’s critical to buying cars. And, certainly, buying cars is motivated by desire, but also by need, and as we’ve seen the last four years, consumers who are keeping their cars longer, have pushed the need back. The economy has everything to do with that. As they gain more confidence, they’ll start replacing those cars. OEMs haven’t necessarily built better automobiles, they are just hitting home runs with what they’re doing right now and consumer confidence is there – so it is a very good time for our industry. I think, barring some unforeseen disaster, the economy will continue to improve. I feel good about what’s going to happen.”

“I really don’t see the economy changing a whole lot either way, up or down; I think it’s stabilized as much as it can right now,” said Tim Brugh, president, American Auto Guardian Inc. “Car sales are going to grow, however. Dealerships, especially in the F&I and sales departments, should be in a good position in 2014. I am anticipating another growth year for us, and the automotive industry as a whole.”

“I think it looks like everything has stabilized to a large degree,” noted Tony Wanderon, CEO, NAC and Family First Dealer Services. “Lending has opened up, and customers can come into the dealership and buy cars and we have seen the increase in volume to prove it. I believe we will get into normalized purchase times; there were a lot of customers in 2013 who needed vehicles and that helped us out, but I believe 2014 will be more of a normalized year than the past several. I don’t’ see a lot of things that will jump up and catch us – no major elections, no financial crisis at this point, and everyone has strong balance sheets. I think the economy looks pretty good.”

“I have to say that I would think the economy will stay pretty level,” said Brent Allen, president, StoneEagle. “There is some interesting legislation coming out that could impact it, but for the automotive industry, it is not so heavy. My personal perspective is that it should stay pretty steady, and be a pretty good year. We’ll see continued good sales of cars, and good product sales – investment capital companies are banking on that. They are buying up pieces of this business as fast as they can, and I do see that continuing as well.”

But while the overall economy looks to improve in 2014, a few of our executives did note that political or regulatory issues that started last year – such as the ongoing issues with the Consumer Financial Protection Bureau (CFPB) – could impact the automotive industry, although no one is positive about what those impacts will be, or how they will, ultimately, play out.

“I think the economy will continue to grow, but slowly,” noted Michael Tuno, president, World Class Dealer Services Inc. “It won’t be much different from 2013 – we will still have the same challenges. The only major difference in 2014 from 2013 is a certain political event in November that will certainly have some bearing on the macro environment we all live in. Everyone will still be looking to keep his or her turf safe, and I say that because the automotive industry is cyclical insofar as affordability issues impact it. I still see us having to wrestle with issues such as the debt ceiling, healthcare, etc., so there will be a robust election environment in the fall. So I believe we will have slow growth, and I believe the automotive industry will closely mirror the national U.S. economy. The only footnote is that 2013 has been a pretty robust volume year, but that has been done at great pains for the future of retailers, such as longer loan terms – it speaks to what people can afford, and what can they afford for other major items such as healthcare, etc. The mass market that buys cars, in that 16 million number, will still face those same challenges, and we’ll eventually have to deal with the issue, but I don’t think it will be in 2014.”

“The economy could be unpredictable because of the impact government legislation will have on individuals and companies with the Affordable Care Act,” said John Vecchioni, director of business development, United Car Care Inc. “The industry has benefitted from the down market only because of the limited sales production of the past. People have had to come out and replace vehicles as a result of the 2008 economic calamity. Leasing should become more predominate in 2014 as a result of economics.”

“I see some stress in the economy,” said Glen Tuscan, president, Dealer Commitment Services Inc. “And I see those pressures coming from a variety of different areas. The political environment is stressful on consumers right now, and although the stock exchange is hitting record levels, I believe it’s falsely inflated due to the Federal Reserve. As a result, I think the economic outlook will really show it’s face in the last quarter of 2014. I don’t think there will be a lot of movement – I look at it as an ice cube in Washington – there is some dripping, but no thawing. The elections are affecting a lot of stalemates and because of that there is slow growth. The consumer is under pressure, and we’ll see more of it once those elections are done. I do see a change in interest rates and a change in the economic environment, but for the first half, and even into the third quarter, I don’t see it thawing as much.”

“I think it is going to be an interesting year,” said Kelly Price, president, National Automotive Experts. “I would be surprised if we continue to see the growth that we have seen in auto sales, however. With the CFPB possibly affecting reserves and pricing of products, as well as marketing, it will be interesting to see how this will impact dealers.”

Next month, we will take a look at the products and technologies our executives are watching – and they will share why they are focusing on those choices specifically.

This article was written by:

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