

Four trends auto dealers should monitor in 2022

Cybersecurity, EV sustainability and compliance issues are among the top four trends to watch in 2022.

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As with most industries, auto dealers have seen a wave of changes in several areas, from operations to shifting customer demands.

In what is historically a face-to-face business, dealers had to quickly identify how to reach customers and conduct business virtually rather than on the showroom floor. We saw an immense acceleration in consumers switching to online resources in everything from researching vehicles to the buying process.

We expect these trends to continue into 2022, but as market conditions normalize, we see four areas of particular importance.

Cybersecurity

Since financial information is stored on dealership computer systems, auto dealerships are at high risk for cyberattacks. Dealers have shared with us that cybersecurity is among their top concerns. Because cyberattacks occur quickly, it can be difficult for dealers to keep track of their emerging risks, unique exposures and available solutions.

As cyberattack risks evolve and the magnitude of potential losses grows, dealers need to adopt a mindset of resilience in addition to protection. Each dealer should have a cyberattack "playbook" in place that includes mitigation strategies and whom to call to minimize damage and help bring business back online.

Insurers can play a key role in assessing unique risks facing individual dealers and identifying tailored solutions to minimize exposure.

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Sustainability, electric vehicles

Continued extreme-weather events have sharpened everyone's focus on the climate crisis. The auto industry, including auto dealerships and F&I providers, need to be a part of delivering solutions for protecting our planet. For many in the industry, that wasn't necessarily the sentiment five or six years ago. But it is today.

Auto dealers can play a critical role in advancing the adoption of electric vehicles. While a significant increase in EV purchasing is expected in the next 10 years, some car buyers are leery of the potential rise in the costs of EV ownership. Dealers can help ease those concerns by offering vehicle protection products to cover some of the costs, including those related to repairs and replacement parts.

The need for sustainable strategies, however, expands beyond electric vehicles. Sustainability-conscious car buyers demand digital experiences, including electronic communications and online product resources for car shopping and purchasing.

Compliance risks, new regulations

Auto dealerships and lenders should anticipate greater scrutiny of consumer auto lending in the coming year because of leadership changes at the federal level, including regulatory oversight of the automotive industry. Fair and transparent F&I and lending practices need to be part of a dealership's culture. F&I providers or law firms that specialize in compliance can assist in establishing best practices that will help dealers avoid regulatory scrutiny. To help ensure adherence to compliant processes, frequent deal reviews need to be conducted by an objective party and must monitor for consistency in rate deviation, product presentation and pricing.

Dealers should revisit employee training protocols and offer or require online and in-person training to ensure they are consistent and that no ambiguity creeps into the buyer-seller relationship.

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Talent acquisition, employee retention

Auto dealerships have not been immune to the "Great Resignation." Yet various aspects, including competitive compensation, have made dealerships an attractive option. Keeping employees engaged, challenged and connected is critical to retention.

Providing training, growth opportunities and greater work-life balance, such as a shorter work week or reduced hours, can contribute to a more satisfied work force and attract new talent.

Identify best practices and don't be afraid to ask peers what is working for them. Consider nontraditional recruitment strategies, such as piloting apprenticeship programs, which reach a broad pool of talent and provide recruits proper training to succeed.

Despite these challenges, we remain optimistic about the auto dealership industry into 2022. As Zurich celebrates its 100th year of serving auto dealers, trends such as the pivot to digital-first solutions and sustainability offer us opportunities to work with our customers to identify products that better suit their needs.

The past 18 months have, at times, felt like they were heralding too much change. However, we are confident these changes will bring greater business intelligence and processes that ultimately will lead to better results for everyone.