

Price: \$995

INDUSTRY PAPER JULY 2013



BORRELL

Tomorrow's Media, Understood Today

1643 MERRIMAC TRAIL, SUITE B, WILLIAMSBURG, VA 23185
INFO@BORRELLASSOCIATES.COM TEL: 1-757-221-6641
WWW.BORRELLASSOCIATES.COM Twitter:@borrellassoc



WHAT: BORRELL ASSOCIATES HAS TEAMED WITH THE **LOCAL MEDIA ASSOCIATION** AND **LOCAL SEARCH ASSOCIATION** FOR THIS PREMIER INDUSTRY EVENT. THE FOCUS IS ON REVENUE — HOW TO MAKE MONEY FROM SOCIAL AND MOBILE MEDIA.

An example of what you'll hear:

- How a directory company makes millions from text messaging. (yes, millions)
- How one radio group is making more than \$4 million from social media
- How a Twitter campaign yielded \$52,000 for one advertiser
- How one newspaper company expects to make \$80 million in digital agency services next year

WHEN: AUG. 21-22, 2013

WHERE: SHERATON CHICAGO O'HARE AIRPORT HOTEL

COST: **As low as \$695** (prior to July 31 – see details at www.localmedia.org)

WHO: Join local media executives from newspapers, TV, radio, directory publishers and pureplay companies for this premier event. In addition to a powerful program, the networking opportunities with attendees, speakers, R&D partners and speakers will be first-rate.

SPEAKERS: Hear dozens of speakers from Facebook, Google, Yelp, comScore, Dex Media, Metroland Media, Digital First Media, Hubbard Broadcasting, YP, Borrell Associates and more.

REGISTER TODAY

Visit www.localmedia.org/Conferences/SocialMobile.aspx for more information.

Principal Author Of This Report



**Kip Cassino,
Executive Vice President**
KCassino@borrellassociates.com

BORRELL ASSOCIATES MANAGEMENT

Colby Atwood, President
CAtwood@borrellassociates.com

Gordon Borrell, CEO
GBorrell@borrellassociates.com

Kip Cassino, Executive Vice President
KCassino@borrellassociates.com

Larry Shaw, Vice President of Research
LShaw@borrellassociates.com

WWW.BORRELLASSOCIATES.COM

© Borrell Inc., 2013. ALL RIGHTS RESERVED



BORRELL

INDUSTRY PAPER July 2013

2013 Automotive Advertising OUTLOOK

TABLE OF CONTENTS

EXECUTIVE SUMMARY	5
CHAPTER 1: A Very Good Year	6
Fig. 1.1 New Vehicle Sales, 2001-2018	6
Fig. 1.2 New Shape of Car-Buying: The Shot Glass	7
Fig. 1.3 Plan to Buy/Lease New Car during the Coming Year vs. Actual Cars Sold, 2004-2013	9
Fig. 1.4 Used Car Dealers, 2000-2013	10
CHAPTER 2: The Big Shift in Advertising	11
Fig. 2.1 Total Auto Ad Spending, 2009-2013	11
Fig. 2.2 How Auto Co-op works	12
Fig. 2.3 2013 Projections for New Vehicle Ad Spending	13
Fig. 2.4 Projected 2013 Ad Spending by Auto Dealers	14
Fig. 2.5 Franchise Auto Dealer Ad Spending, Including Co-op, 2011-2013	15
Fig. 2.6 Total Auto Dealer Association Ad Spending, 2011-2013	16
Fig. 2.7 Projected 2013 Auto Manufacturer Ad Spending – With and Without Co-op	16
Fig. 2.8 Total U.S. Auto Manufacturer Ad Spending by Media Choice, 2010-2013	17
Fig. 2.9 Total Private Party Car Sales Advertising Spending, 2010-2013	18
CHAPTER 3: Online Ad Spending	19
Fig. 3.1 Total 2013 Auto Industry Digital Ad Spending by Advertiser Category	19
Fig. 3.2 2013 Auto Industry Digital Ad Spending – Share by Media Choice	19
Fig. 3.3 Total Franchised Auto Dealer Online Spending, 2011-2018	20
Fig. 3.4 Total Independent Auto Dealer Online Spending, 2011-2018	21
Fig. 3.5 Total Dealer Association Online Spending, 2011-2018	22
Fig. 3.6 Total Manufacturers Online Spending, 2011-2018	23
Fig. 3.7 Auto Manufacturer Facebook Followers, in Millions	24
Fig. 3.8 Time Required to Respond to a Facebook Post by Auto Manufacturers, in Hours	24
CONCLUSIONS	26
APPENDIX A:	27
BORRELL PRODUCTS AND SERVICES	32



BORRELL

INDUSTRY PAPER July 2013

2013 Automotive Advertising OUTLOOK

EXECUTIVE SUMMARY

For decades, media fortunes rose and fell with the success of the biggest advertisers in most towns – car dealerships. When car sales rose, so did ad spending. Even when car sales declined, manufacturers would increase their ad spending, providing an insulating effect in lean years.

No more.

Digital media has reshaped the long-touted car-buying funnel. It's been compressed into a shot glass where researching a purchase has become so easy (compared with 15 years ago) that consumers conduct their search in just a few months – and do nearly all of it online.

The pattern isn't set by any means. In addition to more dollars being diverted to digital media, the big shakeout of the Great Recession has given us fewer dealers, which means fewer competing commercials. Add the emerging threat of direct-to-consumer sales, the growing power of manufacturers' websites as lead generators, and the dynamics of governmental regulation on what dealers can do with car loans, and it's easy to see that the shakeout is by no means over.

We're forecasting auto advertising to be a \$32.8 billion category this year, up 2%. Car sales are up 8%, rebounding to an estimated 15.6 million vehicles and approaching that of pre-recession years when 17 million cars were sold. But automotive advertising is no longer an old reliable seesaw for local media. The big trouble cuts across the largest traditional media outlets, with one exception:

- Newspapers are getting hit hardest, with auto advertising down 29.3%
- Broadcast TV is forecast to be down 16.7% this year
- Radio is forecast to see a 15.9% decline
- Direct mail is up 22.9%, a big surprise
- Online and mobile advertising are up 18.7%

Automotive advertising continues to be in perhaps the deepest transition of all local advertising categories. The first wave of migration involved print classified listings, which played a role at the lower end of the buying funnel now dominated by digital media; the second wave involves branding-type broadcast advertising, now in the early stages of its migration to digital. Within five years, annual spending by dealers and manufacturers on digital video advertising will go from \$2 billion to more than \$9 billion – most certainly at the expense of local radio and TV.

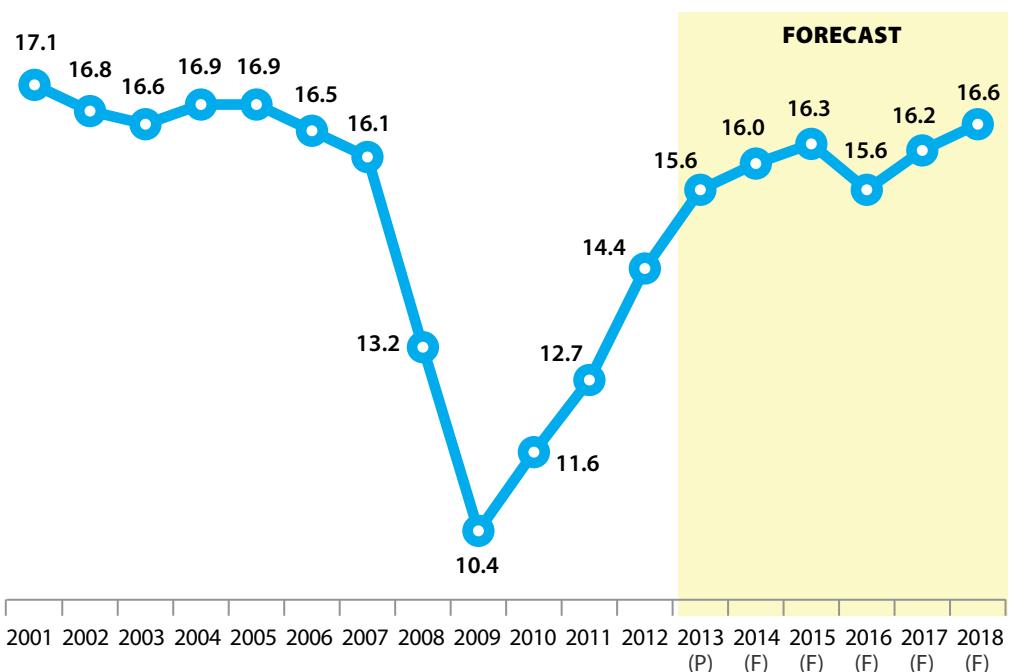
Our forecast predicts continued growth in spending on digital media as manufacturers and dealers concentrate marketing investments on critical media where people are more apt to make decisions about a purchase.

CHAPTER I

A Very Good Year

More than 15 million new vehicles are expected to be sold this year, up 8% from 2012 and a step closer to the halcyon days of 17 million the industry enjoyed at the start of our new century. And with the number of franchised dealers well below 18,000, those surviving dealerships may well feel like the good old days are already here.

FIGURE 1.1: NEW VEHICLE SALES, 2001-2018 (Estimates and Forecasts in Millions of Units)



Source: NADA, Borrell

© 2013 Borrell

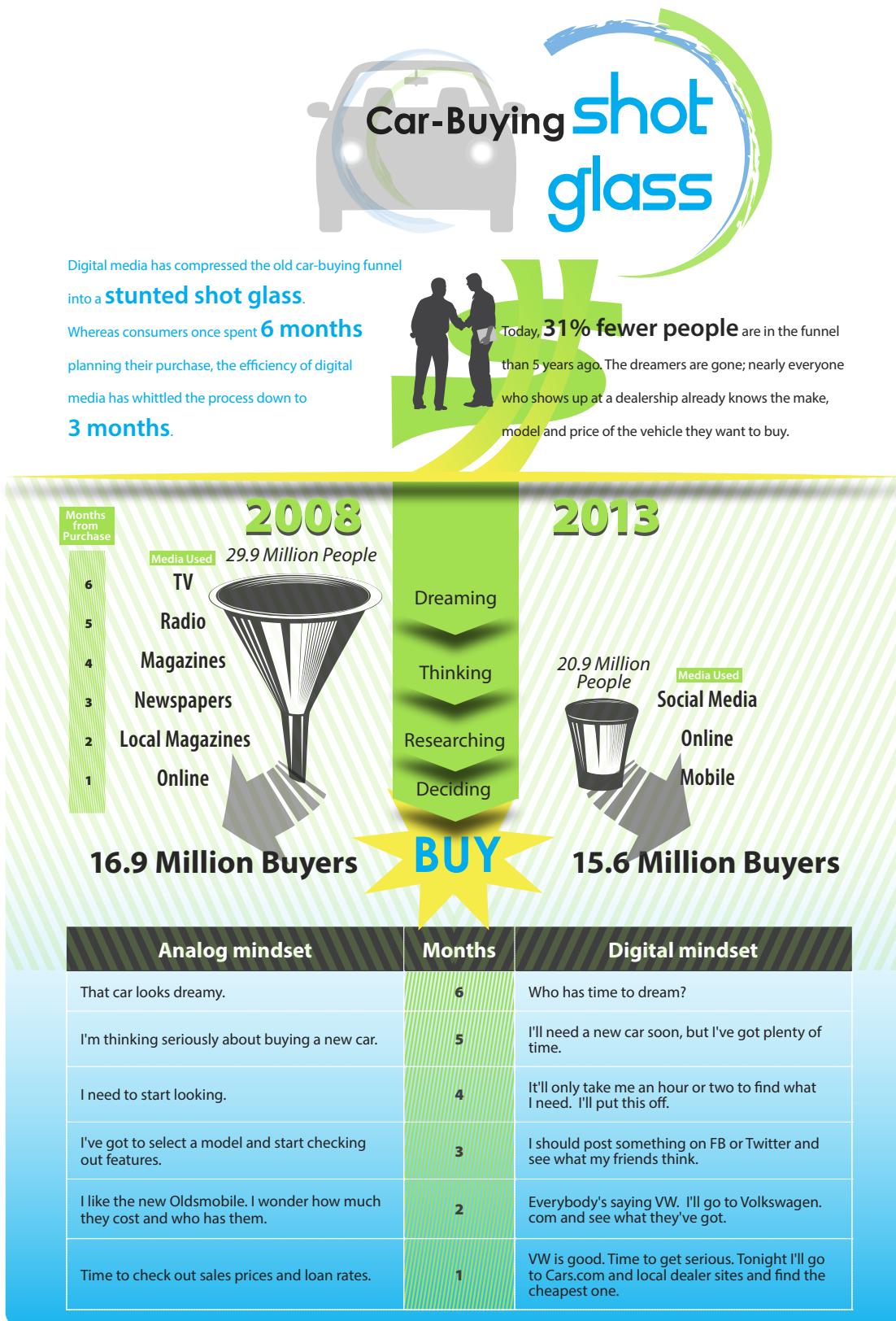
All the stats are coming up roses. New car production needed to fill the showrooms has cut short the expected summer factory shutdowns. Ad expenditures per vehicle continue to decline, thanks to new directions from the manufacturers. The long-term shortage of good, late-model used vehicles is ending. And the most lovable stat of all: buyers are flocking to the showrooms.

On the surface, the auto industry appears to be getting back to normal. That would be a gross over-simplification, however. Many things have changed since 2008. Among the most interesting:

- The path to purchase has been transformed from the oft-cited six-month buying funnel to a new shape: **The Car Buying Shot Glass**. The utility and ease of interactive media has compressed the search time to three months and severely curtailed the use of newspapers and magazines in the process. Branding media such as TV and radio still play a role, but even that appears threatened as more and more video shows up on tablets and other mobile devices.



FIGURE 1.2: NEW SHAPE OF CAR-BUYING: THE SHOT GLASS





BORRELL

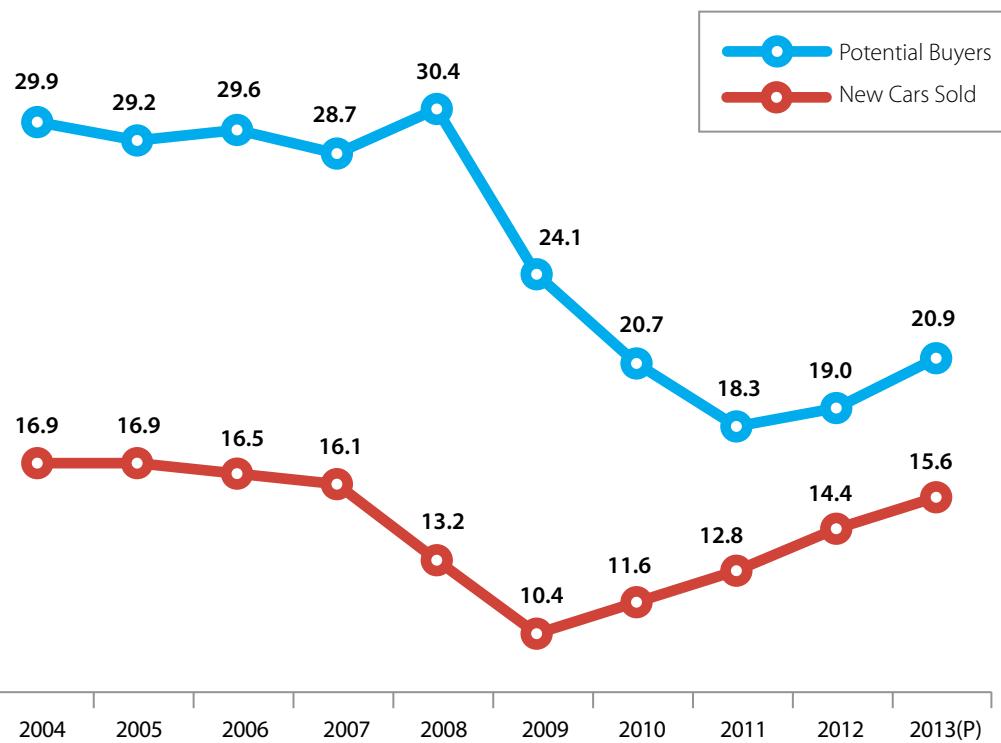
- Manufacturers are exerting more control over their franchise dealerships. Many dealers have been coerced into expensive store upgrades, designed to standardize showroom appearance both outside and in throughout dealer networks. Although dealer-friendly legislatures in several states have passed laws limiting the number of upgrades that manufacturers require over time, this is only the most visible of many new controls manufacturers have instituted over the franchises remaining in their dealer networks.
- The federal government, through the newly organized Consumer Financial Protection Bureau, wants to remove a longstanding bargaining tool from auto dealers – the ability to negotiate loan rates. The bureau claims that minority car buyers suffer rate discrimination. If successful, banks and finance companies, over which the bureau has oversight, would permit dealerships to charge only a flat fee, rather than allowing them to mark up the retail interest rate and take a share of the resulting payments, typically known as the dealer reserve. The average franchise dealer gets 4.2% of its gross margin from the loan business.
- Billionaire Elon Musk, flush with success from his space transportation efforts (not to mention being flush with cash from the creation of Paypal), is fighting to sell his plug-in electric Tesla brand directly to customers, bypassing dealer networks. Dealers in several states have gotten laws passed that ban Tesla sales except through dealers. Musk plans to take the battle through the federal courts.

What do these new initiatives and changes mean to local media outlets? Two things, principally. First, even though sales are good, dealers may be preoccupied with one or all of these issues. The CFPB concerns are central because they can affect the way a dealer negotiates with buyers and the money a dealer can realize from each car sold. Reps must be prepared to discuss any of these issues with senior dealership management. An example: if Tesla asked to place an ad with a local broadcast station or paper, would it be approved? If so, how would that be explained to the dealers who typically spend millions with the paper or station?

The second opportunity is for dealers to be made aware of the morphosis from the funnel-to-shot glass transition. In the old days (five years ago), half of all the prospects entering a showroom were likely to actually buy. As **Figure 1.3** depicts, today's ratio is closer to three out of four. These buyers are likely to have done a fair amount of online research. The trick is to guide or supplement their research with useful advertising. What questions are visitors to dealer websites asking? They should be able to get answers through carefully crafted ads – both on and offline.

Figure 1.3 shows a startling trend. This year's booming new car sales are supported by more than eight million fewer potential buyers (defined as people who told Scarborough Research they "plan to buy or lease a new car during the coming year"). This is more than 25 percent less than what used to be required to support this level of sales before the Great Recession. Fewer people are coming to the showrooms, but more who come are ready to buy – and armed with information about the vehicle they want. Auto dealers who still believe half of those who enter their showrooms won't buy are likely to be missing sales unwittingly.

FIGURE 1.3: "PLAN TO BUY/LEASE NEW CAR DURING THE COMING YEAR" vs. ACTUAL CARS SOLD, 2004-2013 (All Estimates in Millions)



Sources: Scarborough, 2003-2013; NADA, Borrell.

© 2013 Borrell

Rough Road for Used Cars

The used car industry continues to meet new challenges as the nation climbs from the recession. The long drought of gently used vehicles continues. Both fleets and individual owners are keeping better-made purchases longer. In many cases, vehicles that might have been traded were scrapped in the recent "cash for clunkers" campaign. Since 2000, one in every four used car dealers has gone out of business (see Figure 1.4).

Some of these businesses have simply shifted their emphasis from car sales to maintenance, parts, or tire sales. Others have gone out of business after being buffeted by a bad economy, walloped by competition from national chains like AutoNation, or starved for late-model vehicle inventory.

The cost of used vehicles has leveled this year at an average 56 percent of the price of a new vehicle. Since this is an average, many used cars market for much more – close, in fact, to the price of a comparable new vehicle. Demand for these gently used, late model vehicles remains high, even though the worst of the drought for them has eased as more people trade them in for newer rides. Still, the smaller independent dealer is at a continuing disadvantage against the larger, newer inventories, upscale showrooms, and larger sales staffs of AutoNation and the franchised dealers.

A puzzling trend has emerged in the last two years. Hybrids, once the darlings of the showrooms, are losing in the used car lots. Resale prices for Prius and others are down 30% this year with no sign of a turn-around, even as gas prices inch above \$3.50 a gallon.



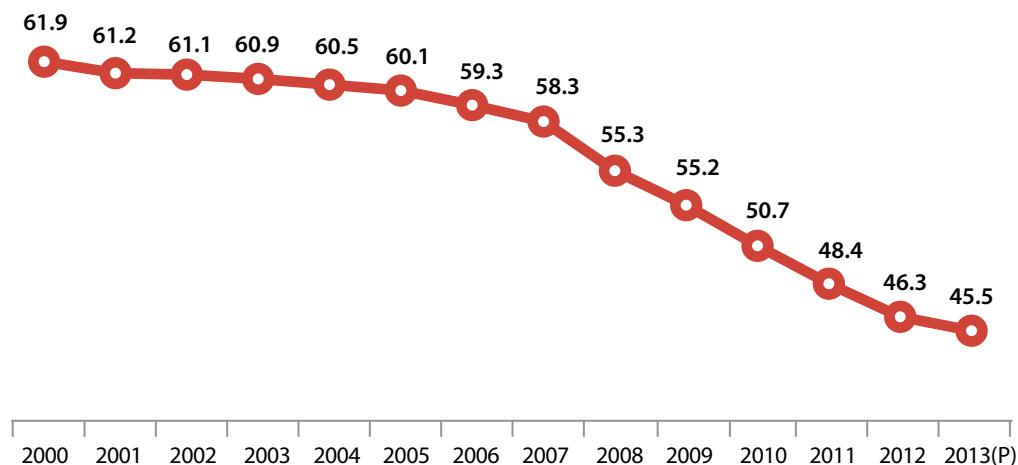
BORRELL

INDUSTRY PAPER July 2013

2013 Automotive Advertising OUTLOOK

FIGURE 1.4: USED CAR DEALERS, 2000-2013 (in Thousands)

Note: Estimates include franchised dealers that sell used vehicles.



Sources: NADA, NIADA, Borrell; 2013.

© 2013 Borrell

Finally, wholesale used car sales continue to shift. This year, 47.5% of all used car sales will be to other dealers (wholesale) rather than to local consumers. During the past five years, this percentage has risen almost 30%, and auctions have become a major source of used cars in all U.S. markets. While this trend allows used car dealers to renew the inventory on their lots, it also means plenty of clunkers remain on the books as they are shifted from one part of the nation to another in auctions or other bulk sales arrangements.

Here's what these market trends mean to local media outlets:

- ② The new breed of car shoppers looks for used cars as well as new. Independent dealers must allow shoppers to look through inventories online, just like the franchised dealers do. Media outlets can help used car advertisers do just that.
- ② Independent dealers must learn to sell more than price. Service support and financing are just as important to used car prospects as what's painted on the windshield.
- ③ Mobile devices are becoming more important in the used car search, and may eventually become paramount. A new breed of apps pull in information that tell prospects if a car has been in a serious accident or soaked in a flood. Dealers should do their best to accurately portray the histories of the vehicles on their lots – in their ads as well as through their salespeople.



BORRELL

INDUSTRY PAPER July 2013

2013 Automotive Advertising OUTLOOK

CHAPTER II

The Big Shift in Advertising

Because of its size, the auto industry is closely watched by media outlets and networks of all sizes. Local dealers are often the biggest advertisers in town, and auto marketing leads all other categories in national ad spending. When the industry makes big changes, the effects are felt across the nation, from the biggest agency on Madison Avenue to the smallest radio station in Montana. This year, newspapers, radio and broadcast TV, will all see their share of ad spending drop. This change has already begun. TV and radio numbers were flat to down when first quarter results came in. The downward track will likely continue.

So what's happened? At least two of the world's largest auto manufacturers noted a surprising increase in visits to their corporate websites during the past year. These visits had several factors in common:

- Most came from iPads, iPhones and other mobile devices.
- Many were brand and model-specific – searches for pricing, color choices, accessories, and local availability – queries that in prior years would have been made during a visit to a dealership.
- Information (data) produced by these visits made them a source for excellent, high-quality leads for dealers.

FIGURE 2.1: TOTAL AUTO AD SPENDING, 2009-2013 (All Estimates and Projections in \$ Millions)

Media Choice	2009	2010	'09-'10 %CHG	2011	'10-'11 % CHG	2012	'11-'12 % CHG	2013 (P)	'12-'13 % CHG
Broadcast TV	\$5,250.38	\$5,691.70	8.4	\$5,750.21	1.0	\$5,756.26	0.1	\$4,792.22	(16.7)
Cable	\$1,609.30	\$1,712.07	6.4	\$1,998.30	16.7	\$2,003.63	0.3	\$2,230.63	11.3
Cinema	\$80.58	\$104.40	29.6	\$149.97	43.6	\$216.40	44.3	\$316.05	46.0
Direct Mail	\$2,382.48	\$2,184.67	(8.3)	\$2,108.19	(3.5)	\$2,408.39	14.2	\$2,959.52	22.9
Directories	\$448.06	\$224.98	(49.8)	\$163.76	(27.2)	\$129.65	(20.8)	\$113.27	(12.6)
Newspapers	\$5,060.71	\$5,052.50	(0.2)	\$5,230.43	3.5	\$5,120.98	(2.1)	\$3,620.91	(29.3)
Online	\$5,818.05	\$6,469.21	11.2	\$8,323.40	28.7	\$12,069.74	45.0	\$14,329.30	18.7
Other Print	\$3,149.57	\$2,217.87	(29.6)	\$2,200.08	(0.8)	\$2,407.51	9.4	\$2,585.68	7.4
Outdoor	\$465.96	\$515.68	10.7	\$546.27	5.9	\$526.43	(3.6)	\$529.13	0.5
Radio	\$1,726.04	\$1,137.25	(34.1)	\$1,184.24	4.1	\$1,093.34	(7.7)	\$919.79	(15.9)
Telemarketing	\$426.22	\$469.26	10.1	\$487.30	3.8	\$474.11	(2.7)	\$461.28	(2.7)
U.S. Totals¹	\$26,417.35	\$25,779.61	(2.4)	\$28,142.16	9.2	\$32,206.45	14.4	\$32,857.77	2.0
Dealer Share²	54.2%	59.5%		61.1%		58.1%		60.9%	
Association Share	4.1%	3.9%		3.8%		4.0%		4.0%	
Manufacturer Share	40.1%	34.9%		33.3%		36.2%		33.5%	
Private Party Share	1.6%	1.8%		1.8%		1.6%		1.5%	

Notes: 1. Includes spending by dealers, associations, manufacturers, and private parties.

2. Includes spending by franchised and independent dealers.

Source: Borrell Inc.

© 2013 Borrell

Manufacturers have begun distributing these leads, but not for free. Further, they expect dealers that get them to show high close rates. Based on the examination of the site visits and their outcomes, the auto manufacturers have begun to rework ad budgets in favor of digital, and with burgeoning use of mobile digital as well.

Cable spending is also growing this year, as is direct mail. But we believe this is transitional. The extended growth will flow to digital.

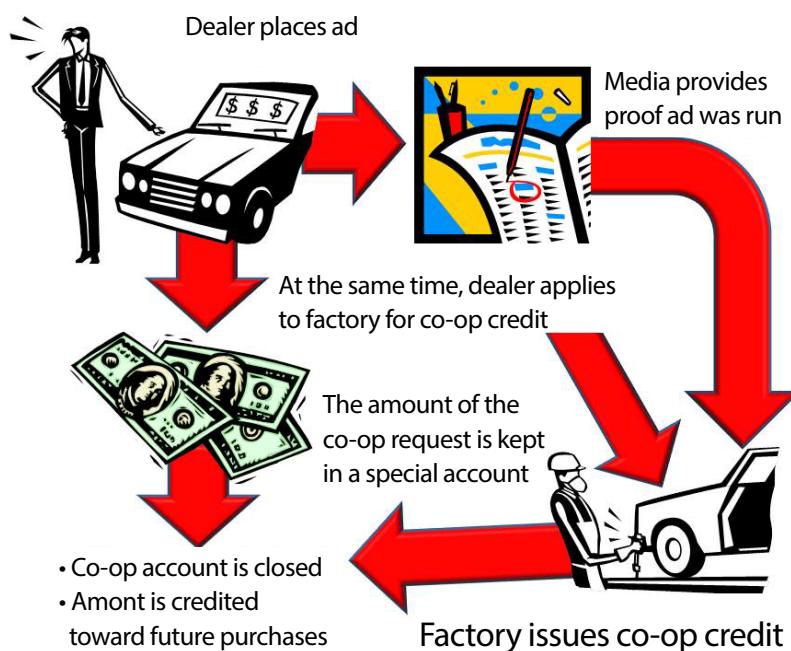
Our current estimates and projections for auto industry ad spending through 2013 are shown in **Figure 2.1**.

Note the projected double-digit declines in newspaper, radio, and broadcast TV spending. Most of this change will not be seen in association and OEM budgets. Instead, it will take place through alteration of co-op programs – emphasizing digital spending above other media choices. This shift in emphasis is not transitory. It is likely to persist for several years. It represents a true sea change in the way auto marketers use media to sell their vehicles, based on solid information gained from research as well as their own websites.

The Mystery of Co-op

Co-op spending is big, and with good reason. It pays dealers to do what they should already be doing – advertise their businesses and brands. It helps manufacturers assure that market pressure reaches even the smallest communities where their brands are sold, and it helps dealers stock their lots. An overview of the co-op process is shown as **Figure 2.2**.

FIGURE 2.2: HOW AUTO CO-OP WORKS



Sources: Local Search Association, 2012; Borrell Associates Inc., 2013.

© 2013 Borrell



BORRELL

INDUSTRY PAPER July 2013

2013 Automotive Advertising OUTLOOK

As the diagram explains, co-op ad expenditures start with the dealer, who applies to the manufacturer for credit. If the dealer has followed the rules for ad content correctly, a credit against future purchases will be issued. As long as the disbursement of credits is timely, the co-op supported cost of the advertising disappears from advertising budgets – to appear in a separate credit account. Manufacturers use co-op subsidies to assure marketing pressure continues at the local level, even when corporate strategy may head in a different direction. The success and longevity of these programs suggest that both sides of the relationship find them worthwhile.

Where should co-op ad spending be counted? Many contend that it should reside with the dealer, who actually purchased and paid for the advertising. However, as much as 40 percent of that advertising would never have been purchased were it not for the expectation of co-op credit to offset it. By that yardstick, co-op ad spending should be counted against the manufacturer's ad spending. In the past, Borrell has experimented with both solutions – and neither has worked well. We currently report co-op as part of "local" spending by manufacturers, because it is – in fact – financed by them. For this more detailed analysis, from now on we will show it separately (see Figure 2.3), so that those who use the estimates can place them as they see fit.

FIGURE 2.3: 2013 PROJECTIONS FOR NEW VEHICLE AD SPENDING (All Projections in \$ Millions)

Media Choice	Dealers	Co-op*	Dealers + Co-op	Dealer Assoc.**	Auto Manuf.	Grand Totals	Share
Newspapers	\$1,244.57	\$901.24	\$2,145.81	\$220.67	\$1,184.44	\$3,550.92	13.5%
Other Print	\$680.15	\$264.50	\$944.65	\$204.08	\$623.56	\$1,772.28	6.7%
Directories	\$28.86	\$24.58	\$53.44		\$31.19	\$84.64	0.3%
Broadcast TV	\$870.12	\$645.77	\$1,515.90	\$324.01	\$2,843.90	\$4,683.81	17.8%
Cable	\$390.04	\$257.87	\$647.90	\$129.35	\$1,379.70	\$2,156.95	8.2%
Radio	\$333.16	\$195.67	\$528.83	\$222.06	\$114.81	\$865.69	3.3%
Outdoor	\$154.06	\$98.50	\$252.55	\$35.49	\$233.43	\$521.47	2.0%
Cinema	\$111.88	\$36.30	\$148.18	\$29.47	\$138.40	\$316.05	1.2%
Direct Mail	\$510.52	\$245.81	\$756.33	\$68.54	\$301.91	\$1,126.79	4.3%
Online	\$3,689.34	\$3,117.56	\$6,806.90	\$95.36	\$3,997.64	\$10,899.90	41.5%
Telemarketing	\$141.77		\$141.77		\$164.22	\$305.99	1.2%
Projected '13							
Market Totals	\$8,154.46	\$5,787.80	\$13,942.26	\$1,329.03	\$11,013.21	\$26,284.49	100%

* Purchased by dealers, financed by manufacturer credits.

** Costs shared between member dealers and manufacturers.

Sources: Local Search Association, 2012; Borrell Associates Inc., 2013.

© 2013 Borrell

If co-op spending is applied to dealers, it makes up two of every five ad dollars projected to be spent by them this year. If applied to manufacturers, it makes up more than one-third. In either case, co-op spending cannot be ignored, nor can it simply be applied without recognition and careful analysis.



BORRELL

INDUSTRY PAPER July 2013

2013 Automotive Advertising OUTLOOK

The Dealer Focus

More than 60% of all auto advertising dollars will be spent by dealers this year. That total includes spending to sell both new and used vehicles, by both franchised and independent dealers, as shown in **Figure 2.4**.

FIGURE 2.4: PROJECTED 2013 AD SPENDING BY AUTO DEALERS (All Projections in \$ Millions)

Media Choice	Franchised Dealers New	Franchised Dealers Used	Franchised Dealers Total	Independent Dealers	All Dealer Total	Share	Add Co-op	All Dealer Total + Co-op
Newspapers	\$1,244.57	\$982.45	\$2,227.02	\$764.46	\$2,991.49	21.0%	\$901.24	\$3,892.73
Other Print	\$680.15	\$212.54	\$892.69	\$379.75	\$1,272.44	8.9%	\$264.50	\$1,536.94
Directories	\$28.86	\$2.96	\$31.82	\$67.03	\$98.84	0.7%	\$24.58	\$123.43
Broadcast TV	\$870.12	\$88.03	\$958.15	\$20.38	\$978.53	6.9%	\$645.77	\$1,624.31
Cable	\$390.04	\$53.37	\$443.40	\$20.31	\$463.71	3.3%	\$257.87	\$721.58
Radio	\$333.16	\$42.72	\$375.88	\$11.38	\$387.26	2.7%	\$195.67	\$582.92
Outdoor	\$154.06	\$4.75	\$158.80	\$2.91	\$161.71	1.1%	\$98.50	\$260.21
Cinema	\$111.88		\$111.88		\$111.88	0.8%	\$36.30	\$148.18
Direct Mail	\$510.52	\$23.56	\$534.08	\$5.07	\$539.15	3.8%	\$245.81	\$784.96
Online/Digital	\$3,689.34	\$1,900.93	\$5,590.27	\$1,286.15	\$6,876.42	48.4%	\$3,117.56	\$9,993.98
Telemarketing	\$141.77	\$142.60	\$284.36	\$54.91	\$339.27	2.4%		\$339.27
'13 U.S. Totals:	\$8,154.46	\$3,453.90	\$11,608.36	\$2,612.35	\$14,220.71	100%	\$5,787.80	\$20,008.50
Share:	57.3%	24.3%	81.6%	18.4%	100%		NOTE: Refers to new vehicles only	
Vehicles Sold:	15,588,180	18,309,710	33,897,890	12,057,300	45,955,190			
Average Ad \$\$:	\$523	\$189	\$342	\$217	\$309			

Source: Borrell, 2013.

© 2013 Borrell

Of the \$20 billion being spent by dealers on advertising this year, 57% will be spent marketing new vehicles. Of the remainder, note the spending discrepancy with used car ad spending between franchised and independent dealers. On average, independent dealers spend 10 percent more per used vehicle sold, but sell 20 percent fewer used vehicles than their franchised competitors. The key to this counterintuitive result is scale. The average franchised dealer has more employees, a bigger lot in a nicer part of town, and a better relationship with local media outlets. The average used car dealer has fewer than five employees, may be located in a less upscale neighborhood, perhaps even on a grass lot. So, an independent dealer must spend 15% more to advertise every car sold. No wonder, as **Figure 1.4** shows, used car dealer counts continue to plummet.

If co-op is not included, franchised dealers will spend an average of \$523 to advertise every new vehicle they sell. If co-op is included, the amount rises to almost \$900. In either case, franchised dealers will spend more than half of all dealer ad spending this year. For that reason alone, they deserve special attention. **Figure 2.5** shows the trend in estimated franchised dealer ad spending through 2013. Co-op is included here because this is where the co-op ads are paid for. Without its inclusion the totals would be a full third lower. Note the projected increase in co-op. It is the auto manufacturer's way of maintaining local marketing pressure, even though factory ad spending is declining. Notice also the steep drop in ad spending among franchised dealers in broadcast TV, newspapers, and radio. The newspaper decrease is mediated because of its popularity among dealers as co-op spending media choice.



BORRELL

INDUSTRY PAPER July 2013

2013 Automotive Advertising OUTLOOK

FIGURE 2.5: FRANCHISE AUTO DEALER AD SPENDING, INCLUDING CO-OP, 2011-2013
 (All Estimates and Projections in \$ Millions)

Media Choice	2011	'11 Share	'10-'11 % Change	2012	'12 Share	'11-'12 % Change	2013 Projected	Projected '13 Share	'12-'13 % Change
Broadcast TV	\$1,911.06	13.5%	7.6	\$1,921.60	12.1%	0.6	\$1,603.93	9.2%	(16.5)
Cable	\$585.44	4.2%	4.3	\$621.94	3.9%	6.2	\$701.27	4.0%	12.8
Cinema	\$99.05	0.7%	22.1	\$112.99	0.7%	14.1	\$148.18	0.9%	31.1
Direct Mail	\$605.28	4.3%	(5.6)	\$698.48	4.4%	15.4	\$779.89	4.5%	11.7
Directories	\$89.32	0.6%	(36.9)	\$75.66	0.5%	(15.3)	\$56.40	0.3%	(25.5)
Newspapers	\$3,266.51	23.2%	7.5	\$3,340.17	21.0%	2.3	\$3,128.26	18.0%	(6.3)
Online	\$5,261.78	37.3%	32.7	\$6,854.74	43.1%	30.3	\$8,707.83	50.1%	27.0
Other Print	\$1,140.74	8.1%	1.3	\$1,143.03	7.2%	0.2	\$1,157.19	6.7%	1.2
Out of Home	\$238.04	1.7%	6.4	\$244.70	1.5%	2.8	\$257.30	1.5%	5.1
Radio	\$646.52	4.6%	5.0	\$641.40	4.0%	(0.8)	\$571.54	3.3%	(10.9)
Telemarketing	\$260.53	1.8%	4.6	\$256.63	1.6%	(1.5)	\$284.36	1.6%	10.8
US Total*	\$14,104.28	100%	13.6	\$15,911.33	100%	12.8	\$17,396.15	100%	9.3
New Share	80.2%		0.6	82.2%		2.5	80.1%		(2.5)
Used Share	19.8%		(2.3)	17.8%		(10.2)	19.9%		11.4
Co-op Share	30.4%		2.0	30.1%		(1.0)	33.3%		10.5

* Includes Co-op

Source: Borrell, 2013.

© 2013 Borrell

Dealer Association Ad Spending

(First, a note of apology: for several years, Borrell has estimated online spending by dealer associations far higher than the facts have proven true. We thank the readers and association contacts who reported this error to us, and helped us find a more realistic estimate. The auto industry is both massive and complicated. Even though every effort is made to avoid it, from time to time we may find the need to adjust or recast some of our estimates and forecasts. When this occurs we will report the changes made as soon as we make them.)

As more associations turn to digital media, the totals spent on association advertising continue to slip nominally, as shown in **Figure 2.6**. Cinema advertising, which basically throws TV spots at audiences without fast-forward controls, has also become a measurable portion of association budgets.

Note that auto dealer association share of total industry spending has diminished a full point during the past two years. This is not so much due to decreased activity, but more because of a shift from more expensive to less costly media choices.



FIGURE 2.6: TOTAL AUTO DEALER ASSOCIATION AD SPENDING, 2011-2013
 (All Estimates and Projections in \$ Millions)

Media Choice	2011	'11 Share	'10-'11 % Change	2012	'12 Share	'11-'12 % Change	2013 Projected	Projected '13 Share	'12-'13 % Change
Broadcast TV	\$331.95	24.2%	2.6	\$339.17	25.2%	2.2	\$324.01	24.4%	(4.5)
Cable	\$131.76	9.6%	5.0	\$126.93	9.4%	(3.7)	\$129.35	9.7%	1.9
Cinema ¹	N/A	N/A	N/A	\$9.26	0.7%	N/A	\$29.47	2.2%	218.1
Direct Mail	\$82.87	6.0%	(5.1)	\$59.87	4.5%	(27.7)	\$68.54	5.2%	14.5
Newspapers	\$255.75	18.6%	11.0	\$236.42	17.6%	(7.6)	\$220.67	16.6%	(6.7)
Online ²	\$51.03	3.7%	33.4	\$75.32	5.6%	47.6	\$95.36	7.2%	26.6
Other Print	\$235.02	17.1%	(0.5)	\$218.61	16.2%	(7.0)	\$204.08	15.4%	(6.6)
Out of Home	\$38.43	2.8%	11.0	\$36.45	2.7%	(5.2)	\$35.49	2.7%	(2.6)
Radio	\$247.25	18.0%	(0.5)	\$243.28	18.1%	(1.6)	\$222.06	16.7%	(8.7)
US Total	\$1,374.05	100%	3.7	\$1,345.31	100%	(2.1)	\$1,329.03	100%	(1.2)
Share of Total New Car Ad \$		5.9%	(1.7)		5.4%	(8.5)		5.1%	(6.4)

Notes: 1. Cinema ad spending by Dealer Associations was not measured prior to 2012.

2. Online spending adjusted per new information from readers.

Source: Borrell, 2013.

© 2013 Borrell

Manufacturers Ad Spending

Depending upon how you want to combine the numbers, auto manufacturers are projected to spend either \$11.0 billion (without co-op) or \$16.8 billion (with co-op included) on advertising this year. As **Figure 2.7** illustrates, co-op spending – if applied to manufacturers – makes up roughly a third of what they will spend. In either case, co-op must be considered a fair trade: credits against future purchases against local ad pressure. It is an arrangement both parties, dealers and manufacturers, have been sanguine about for decades.

FIGURE 2.7: PROJECTED 2013 AUTO MANUFACTURER AD SPENDING – WITH AND WITHOUT CO-OP
 (All Estimates and Projections in \$ Millions)

Auto Manufacturers	Percent Total New Car Ad \$\$	Co-op	Percent Total New Car Ad \$\$	Manufacturers + Co-op	Percent Total New Car Ad \$\$
'13 U.S. Totals	\$11,013.21	41.9	\$5,787.80	22.0	\$16,801.00

Source: Borrell, 2013.

© 2013 Borrell



Figure 2.8 shows manufacturer ad spending trends by media choice from 2010 without co-op. Note that due to recent information discovery, the ratio of cable to broadcast TV spending has been altered. The changes only affect estimates for 2011 and 2012. All previous estimates provided remain correct. Total spending estimates for all years remain unchanged. Again, we thank the readers who provided the more accurate information.

FIGURE 2.8: TOTAL U.S. AUTO MANUFACTURER AD SPENDING BY MEDIA CHOICE, 2010-2013
(All Estimates and Projections in \$ Millions)

Media Choice	2011	'11 Share	'10-'11 % Change	2012(P)	'12 Share	'11-'12 % Change	2013(P)	'13 Share	'12-'13 % Change
Broadcast TV	\$2,651.08	31.5%	0.3	\$3,201.49	30.3%	20.8	\$2,843.90	25.8%	(11.2)
Cable	\$1,068.32	12.7%	9.4	\$1,193.59	11.3%	11.7	\$1,379.70	12.5%	15.6
Cinema	\$50.92	0.6%	118.6	\$105.14	1.0%	106.5	\$138.40	1.3%	31.6
Direct Mail	\$288.14	3.4%	(7.0)	\$283.78	2.7%	(1.5)	\$301.91	2.7%	6.4
Directories	\$40.50	0.5%	(7.4)	\$36.47	0.3%	(9.9)	\$31.19	0.3%	(14.5)
Newspapers	\$1,291.69	15.3%	(7.6)	\$1,288.47	12.2%	(0.2)	\$1,184.44	10.8%	(8.1)
Online	\$1,872.75	22.2%	26.9	\$3,314.01	31.3%	77.0	\$3,997.64	36.3%	20.6
Other Print	\$636.76	7.6%	(0.5)	\$635.51	6.0%	(0.2)	\$623.56	5.7%	(1.9)
Outdoor	\$220.32	2.6%	4.2	\$223.15	2.1%	1.3	\$233.43	2.1%	4.6
Radio	\$111.30	1.3%	3.8	\$116.75	1.1%	4.9	\$114.81	1.0%	(1.7)
Telemarketing	\$196.49	2.3%	1.8	\$178.15	1.7%	(9.3)	\$164.22	1.5%	(7.8)
U.S. Totals*	\$8,428.26	100%	5.1	\$10,576.50	100%	25.5	\$11,013.21	100%	4.1
Share of Total									
New Car Ad \$		40.1%	(4.5)		43.4%	8.2		41.9%	(3.5)

*Without co-op.

Source: Borrell, 2013.

© 2013 Borrell

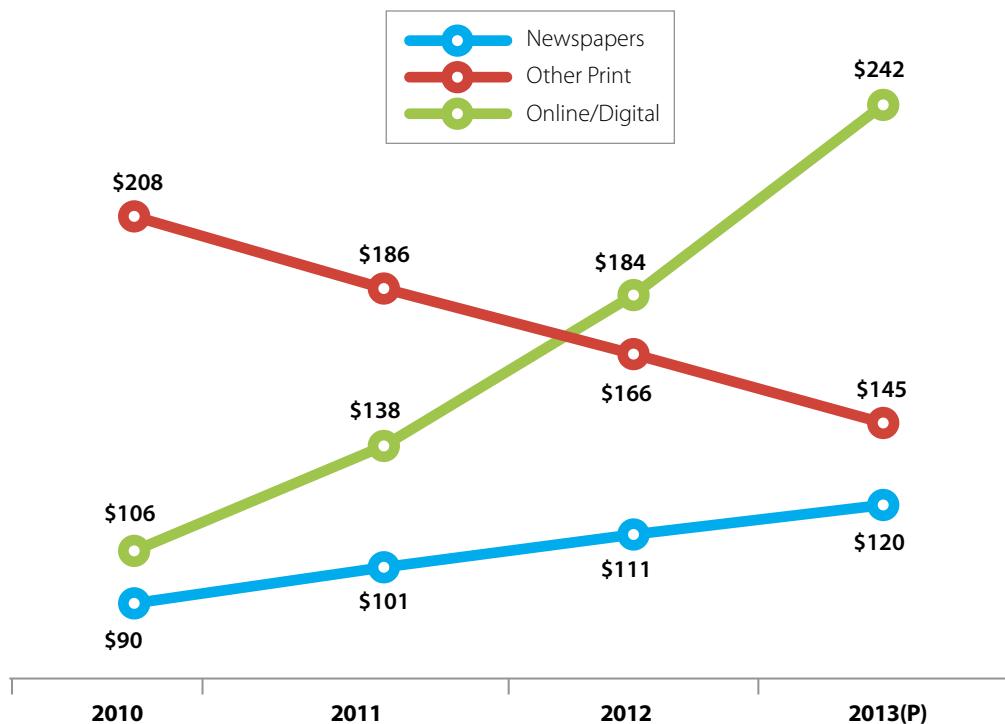
The major trend – the shift from broadcast TV and newspapers in favor of digital media – has already been discussed at length. Evidence of this pivot is plain in the projections shown above. This is not a transient change. We believe this is the onset of a long term trend away from offline advertising among the auto manufacturers which will have impact on the broadcast TV industry as a whole.

Private Party Ad Spending

Dealers aren't the only ones selling used cars. Some people choose to sell their own rides. This year, we project that more than half a billion dollars will be spent by private parties attempting to sell vehicles they own.

Almost half of the money will be spent through one of the many websites specifically designed for this purpose, such as Cars.com or Autotrader.com. "Other print" which are the niche publications found in most grocery and convenience stores, used to be the king of private party car sales. Spending in these specialty pubs has dropped 13% this year, while newspapers – the private seller's other local choice – have gained 8%. It is easy to predict that these two print choices will hit equal spending levels within the next two years.

FIGURE 2.9: TOTAL PRIVATE PARTY CAR SALES ADVERTISING SPENDING, 2010-2013
(All Estimates and Projections in \$ Millions)



Source: Borrell, 2013.

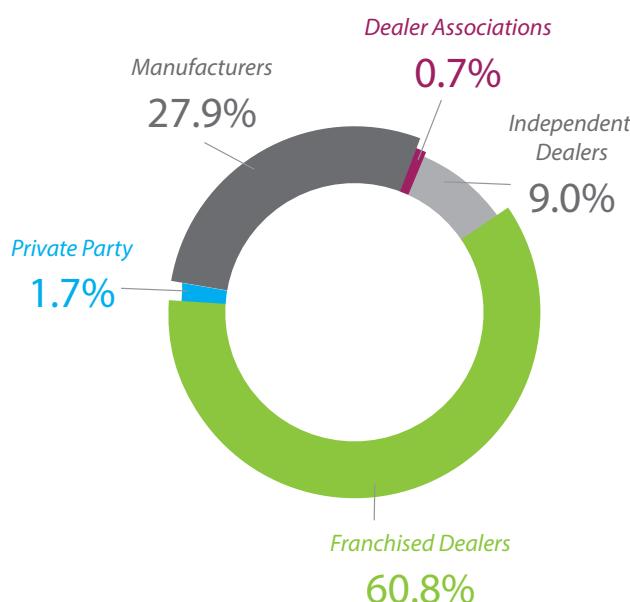
© 2013 Borrell

CHAPTER III

Online Ad Spending

Digital advertising has many faces, from the venerable run-of-site banners and pop-ups to ever-evolving targeted social ads and video pre- and post-rolls. The auto industry as a whole will spend almost 20% more for digital advertising this year, making it the biggest ad spending category. Two ad dollars out of every five will be spent on digital media.

FIGURE 3.1: TOTAL 2013 AUTO INDUSTRY DIGITAL AD SPENDING BY ADVERTISER CATEGORY



© 2013 Borrell

Dealers will spend the preponderance of the digital ad dollars – seven out of every 10. But this amount also includes co-op. Most of the rest will be spent by manufacturers. Private party and dealer associations are small slivers of the spending pie.

As will be seen throughout the remainder of this report, targeted display and online video have surged to the forefront of industry digital ad spending (see Figure 3.2), a position current forecasts suggest they will hold for at least the next five years.

FIGURE 3.2: 2013 AUTO INDUSTRY DIGITAL AD SPENDING – SHARE BY MEDIA CHOICE



Source: Borrell, 2013

© 2013 Borrell



BORRELL

INDUSTRY PAPER July 2013

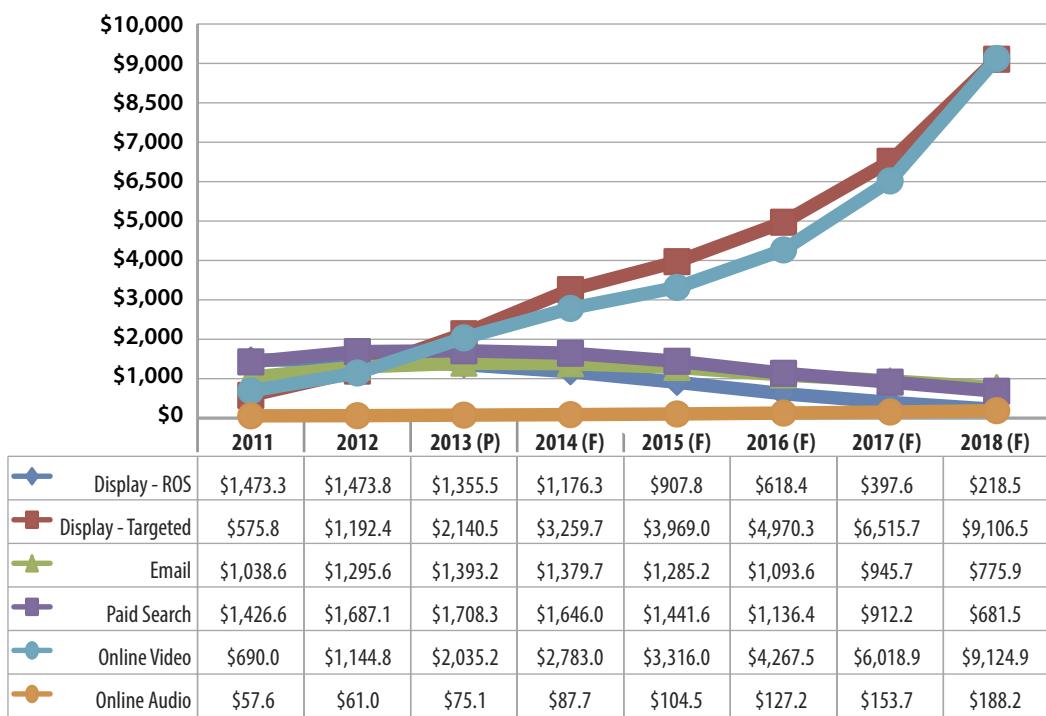
2013 Automotive Advertising OUTLOOK

Both conform well to industry marketing strategy, and both heavily favor the current transition from static computers to mobile devices. As competing media fade, their prominence grows stronger. By 2018, we believe they will account for nine dollars of every 10 spent by the industry for online advertising.

Franchised Auto Dealers' Online Spending

As shown below (Figure 3.3), franchised dealers are projected to spend \$8.7 billion online this year, up 27% from 2012. Even though this projection is buoyed by co-op, it remains a major jump from previous years. By 2018, franchised dealer spending is forecast to climb above \$20 billion.

FIGURE 3.3: TOTAL FRANCHISED AUTO DEALER ONLINE SPENDING, 2011-2018
(All Estimates, Projections, and Forecasts in \$ Millions)



Source: Borrell, 2013

© 2013 Borrell

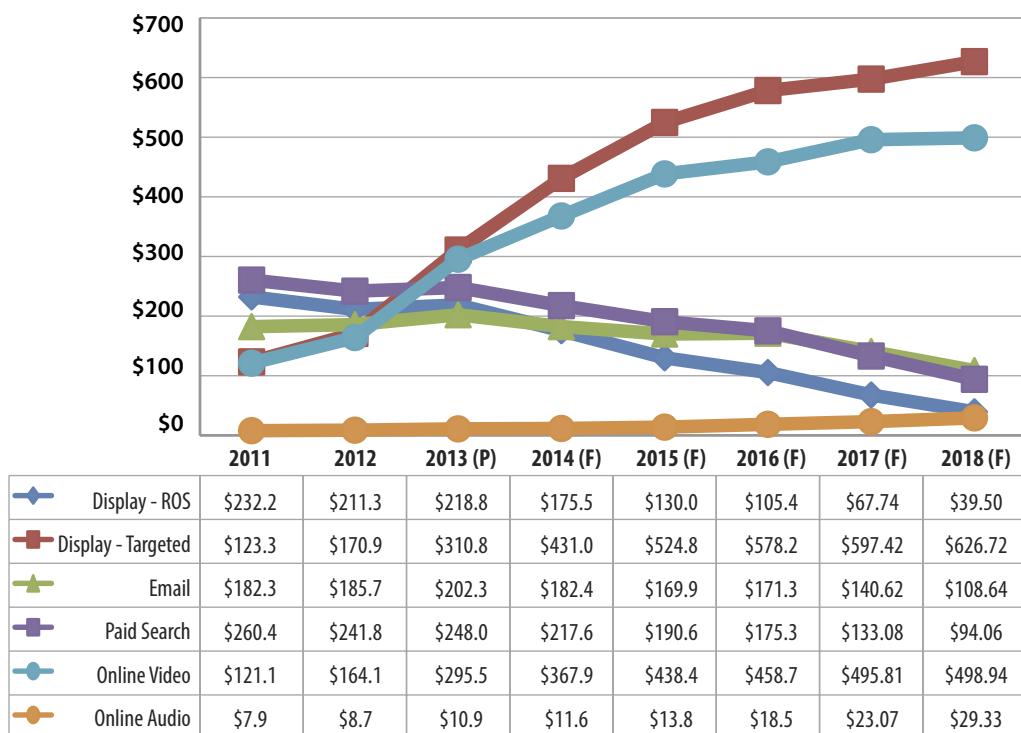
These upward forecasts are powered by targeted display and video spending. Spending among franchised dealers for each will grow more than fourfold during the next five years, according to current forecasts. The reasons? Streaming video is now seen as a new branding channel, disrupting broadcast TV somewhat. Targeted display includes the growing attention paid to the social media sites and also includes a strong and burgeoning mobile component. The combination of mobile and social is the industry's advertising blueprint for the future.

There are a few online losers in the mix. Run-of-site banners continue to lose popularity. Paid search fades in favor of SEO strategies, and email, while still prominent, wilts as mobile devices replace static computers.

Independent Dealers

The digital advertising future of independent auto dealers is similar to that of their franchised competitors. But it is not a mirror image. As Figure 3.4 shows, the “stars” highlighted previously – targeted display and online video – rise less quickly, while the heavy-lifting categories of the past fade more slowly.

FIGURE 3.4: TOTAL INDEPENDENT AUTO DEALER ONLINE SPENDING, 2011-2018
 (All Estimates, Projections, and Forecasts in \$ Millions)



Source: Borrell, 2013

© 2013 Borrell

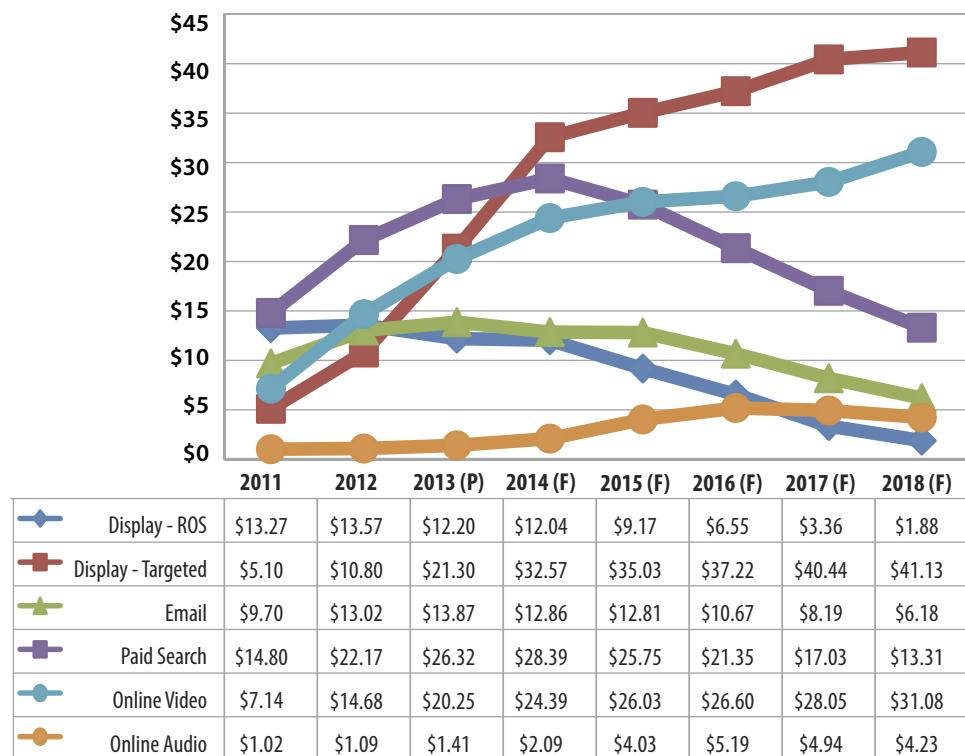
The reason, of course, is financial. Video costs as much or more than a TV spot, and utilizing the complexities of the social media sites is still no job for a neophyte. Still, like everything else digital, over time the complexities will likely be reduced to easily-used menus. By then, paid search will also most certainly diminish in favor of internal SEO strategies. Both email and paid search should remain in use at fairly high levels during the next five years.

Dealer Associations

Associations comprise less than 1% of all industry online ad spending. But their contribution remains important. By acting as a liaison between manufacturers (or their agencies) and their dealer networks, associations support overall industry advertising efforts. Their funding also supports marketing for smaller franchised dealerships. Less than half of all associations currently operate their own websites. Among those that do, spending is forecast to follow the patterns indicated in Figure 3.5.

FIGURE 3.5: TOTAL DEALER ASSOCIATION ONLINE SPENDING, 2011-2018

(All Estimates, Projections, and Forecasts in \$ Millions)



Source: Borrell, 2013

© 2013 Borrell

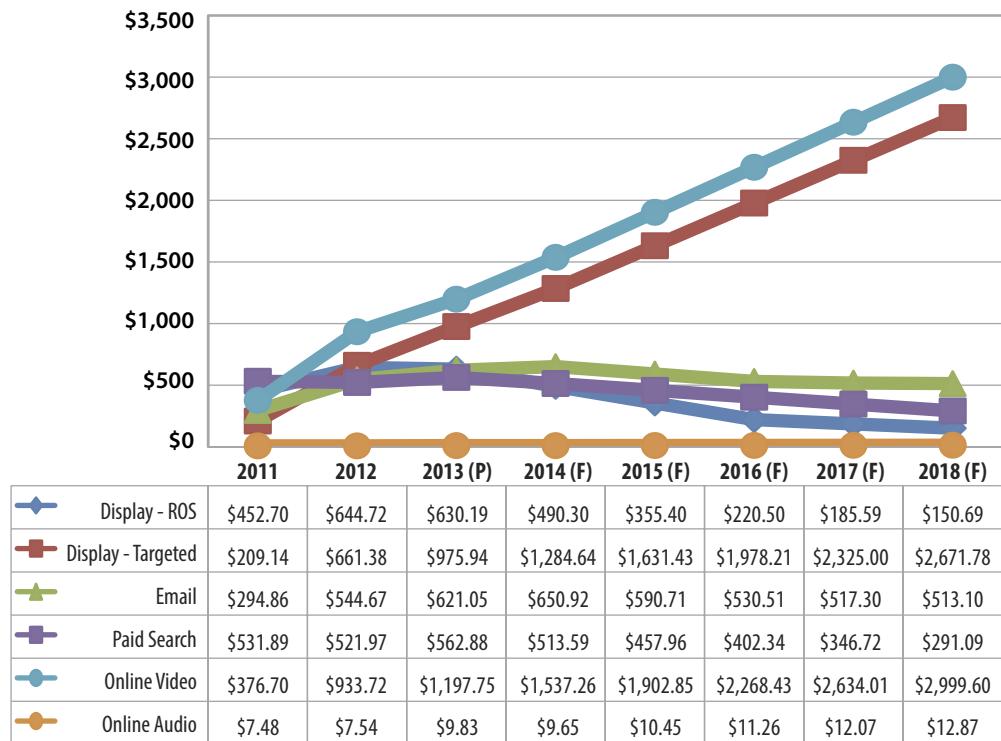
Manufacturers

Through their own spending, as well as the spending they fully or partially control among their dealer networks, manufacturers are the primary decisionmakers for how auto ad spending is allocated. Within their own resources (discounting co-op funding), manufacturers are responsible for more than one online ad dollar of every four spent. The decision made by several of them this year to move from historically important offline media to more concentration on digital choices is a stone in the water that will create ripples for years to come.

Our forecast for auto manufacturer online ad spending through 2018 is shown in **Figure 3.6**. The immediate media choices made this year and their expected growth for the next five years is obvious. It is a strategy designed to maximize brand presence on mobile devices – recognizing the great shift from the old car-buying funnel to new abbreviated patterns in car buyer behavior.

FIGURE 3.6: TOTAL MANUFACTURERS ONLINE SPENDING, 2011-2018

(All Estimates, Projections, and Forecasts in \$ Millions)



Source: Borrell, 2013

© 2013 Borrell

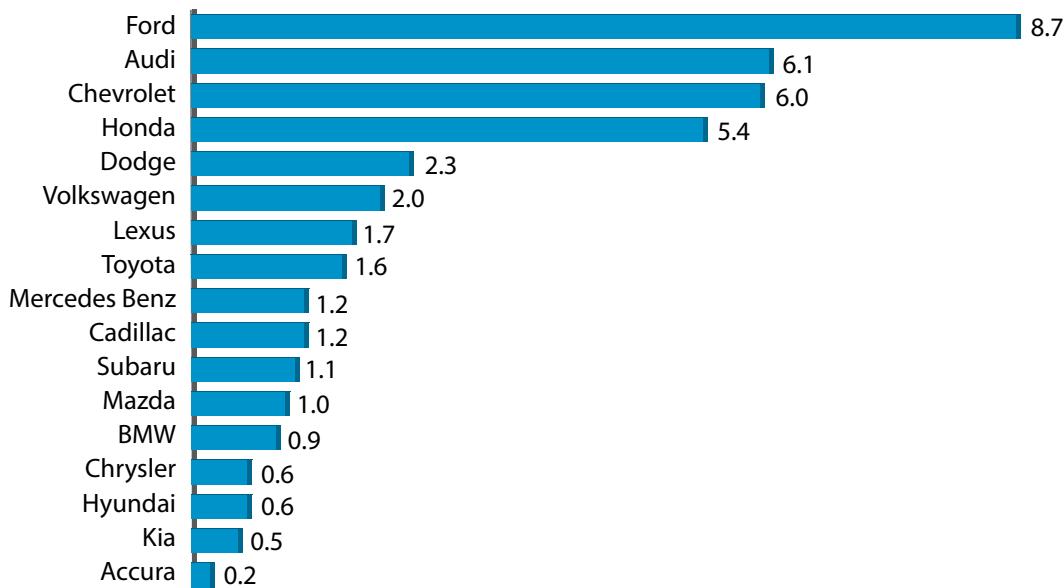
Note here that email marketing remains steady throughout the next five years. At half a billion dollars or more, it is not so much reduced as it is overshadowed by targeted display and online video.

The Most Disruptive Online Wave: Social & Mobile Media

Social media is already a billion-dollar spending category for auto manufacturers alone. Most of what they're spending on targeted display will flow to social media sites. As Figure 3.7 shows, the spending has had some effect as nearly all of the manufacturers now have more than 1 million Facebook followers. Ford, Audi, Chevrolet and Honda are the social media leaders, with two to four times the followers as any other automotive brand.



FIGURE 3.7: AUTO MANUFACTURER FACEBOOK FOLLOWERS, IN MILLIONS

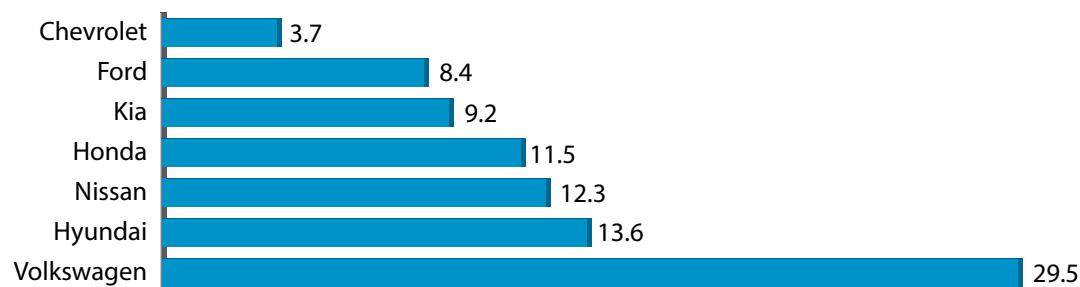


Source: Unmetric, 2013

© 2013 Borrell

As it was with websites in the early stages of the Internet, response time severely lags the exposition. The audiences appear to be ringing the bell, but standing in line a lot. On average, it takes Facebook-leading Ford more than eight hours respond to a post. It takes Volkswagen more than a day.

FIGURE 3.8: TIME REQUIRED TO RESPOND TO A FACEBOOK POST BY AUTO MANUFACTURERS, IN HOURS



Source: Unmetric, 2013

© 2013 Borrell

Social marketing isn't confined to the manufacturers. As Figure 3.3 indicates, franchised dealers will spend \$2.1 billion on targeted display this year, most of it allocated to social media. One dealer, Apple Chevrolet in Chicago (www.applechevy.com), illustrates the attention that social media is beginning to receive from dealers.



BORRELL

Apple's staff has created more than 1,600 YouTube videos. Each is a tour of a new model created for prospects who have inquired through social media or the dealership's website. Apple Chevrolet has a fan base of more than 5,000 – partially fueled by a recent Breast Cancer awareness program and a sweepstakes for local sports franchises. The dealer reports that nine out of every 10 new or used vehicles sold were brought to Apple through some form of digital marketing.

The dealership's results are echoed by the findings of a recent eBay study of more than 1,000 U.S. adults. Most important findings:

- More than nine of every 10 millennial car buyers gather information online.
- More than one-third use mobile devices to do that research, compared to 19% of older car shoppers.
- Fewer than one in eight millennials prefer visiting a dealership to make purchasing decisions, while one in four older buyers continue to want the showroom experience.
- Only 13% of millennials view visiting a dealership as their preferred method of shopping, while 25% of older buyers prefer to go to a showroom. One out of every five of these younger prospects said that they would consider going through the entire purchase process on a mobile device.

These results are echoed by a study of 2,000 shoppers by researcher Digital Airstrike. The recent study indicated that four out of five car buyers now use reviews to make car purchasing decisions and that this rate has accelerated substantially during the past six months. The source for these reviews? Cars.com, Edmunds.com and Yahoo! were among the most influential sources. Social media outlets Facebook, Yelp and Google Plus were also mentioned. One out of every four respondents cited online reviews as the "most helpful" factor in making a final vehicle purchase source. There is a 59 percent probability that a consumer will trust a review from a Facebook friend more than reviews on other sites, according to the study. It also found that clicks on Facebook dealership ads more than doubled between last October and this past April.

Social and mobile media are undoubtedly forming the next wave of transformation for the automotive sales process. They play at the lower end of the buying funnel, and manufacturers and dealers are just now beginning to understand their true value. When they reach full comprehension, the automotive advertising landscape as we've known it for several decades will be turned upside-down.



BORRELL

INDUSTRY PAPER July 2013

2013 Automotive Advertising OUTLOOK

CONCLUSIONS

While the actual scope of the transformation reported here has yet to be fully realized, changes are already well under way. In other words, the new auto-marketing landscape isn't set. It's still changing – and change brings opportunity. Managers who face this opportunity fall into three categories:

- ① Those who believe they can ride this out and that things won't change all that much. Newspaper managers aren't likely to be in this category anymore; they've already been through a Category 5 hurricane. Broadcast managers don't have that experience and are far less prepared for the impending storm.
- ② Those who believe that some banner ads and streaming-video spots will fully satiate what local dealers want.
- ③ Those who believe automotive marketing is undergoing major transformation and are determined to benefit from that change.

Obviously, the highest likelihood of success rests with those who hold the mindset of #3. However, it also happens to be the category that will require the most energy, brainpower and teamwork.

Here are some actions media outlets should consider now in order to meet the needs of auto advertising customers:

- **Educate Auto Dealers.** Whether you're on the buy side (agency) or sell side (media), this can be a competitive advantage. We've found that agency and media people understand trends better than the advertisers themselves. Car dealers are too busy selling cars and managing the business and aren't likely to know much of the information contained in this report. Empowering reps with that knowledge will help them gain the ear – and confidence – of local dealers. (NOTE: Don't try to educate them in the same room; dealers are highly competitive with each other.)
- **Get Past Run-of-Site Banners.** In the digital media race, untargeted banners are a losing horse. This report forecasts a rapid decline, which is actually a continuation of a trend that started several years ago. Dealers are migrating quickly to other, more effective forms of digital media. (NOTE: Those who continue to sell ROS banners run the risk of being viewed as "old" media.)
- **Build a Bullseye.** Targeted advertising in any form – especially online – will generate a better return on investment. Selling cars is all about getting high-quality leads. Dealers are looking for audiences who possess the highest potential to purchase.
- **Get Creative.** Social media is playing a significant role for manufacturers, and that's likely to trickle down to dealerships. Become experts on how this works, and bring creative ideas to dealerships for contests and other promotions that wrap traditional and digital media together in a way that drives qualified leads. (NOTE: The more qualified the lead, the more valuable the promotion to the dealer.)
- **Study the Vulnerabilities of Existing Digital Media Companies.** Autotrader.com, Autos.Yahoo.com, Cars.com, Dealer.com, Craigslist and others may well be considered "old media" within the emerging new media channel. All were built on the original model of the Internet that involved listings, traffic and exposure. While all are still relatively strong, they may also be encumbered by those models and find it difficult to adapt to the new social and mobile environment.
- **Challenge Internal Thinking.** New media is more complex than ever before. Don't believe that all of the knowledge can come from within even if you have internal "experts." There are plenty of bright minds at other agencies or media companies, local dealerships, or at consultancies whom can help you build expertise quickly.

This year is likely to be remembered by many auto marketers as the year things began to change again. In five years, things may be dramatically different, and the good old days of auto advertising will be gone. The world of auto marketing is becoming more and more complex, and we expect that it will take metamorphic change to survive it.

APPENDIX A

Auto Ad Spending Estimates

Market: Total US

Drawn From 2013 Release 2 Data



This report consists of 4 tables:

New Vehicles -

Table 1: Estimated 2013 market sales by dealer employee range.

Table 2: Estimated 2013 ad spending by media choice.

Used Vehicles -

Table 1: Estimated 2013 market sales by dealer employee range.

Table 2: Estimated 2013 ad spending by media choice.

Borrell's table a report uses data from NADA, Scarborough, Woods & Poole, NIADA, Manheim Auctions, Dun & Bradstreet, and the U.S. Bureau of Transportation Statistics to create an assessment of new and used vehicle purchasing and associated ad spending at the market level.

For best results, print this report using a color printer. For further information about the estimates, projections, and forecasts in this report, contact Borrell Associates at **757/221-6641**, or email info@borrellassociates.com. We look forward to hearing from you.



APPENDIX A

New Cars-Table 1

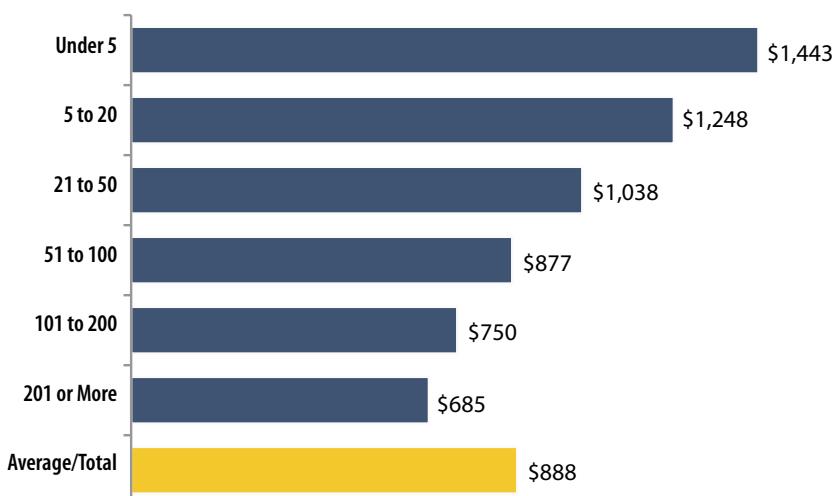
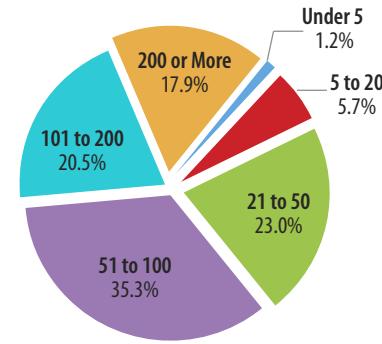
Table 1A: PROJECTED 2013 NEW MOTOR VEHICLE SALES BY DEALER EMPLOYEE RANGE

Employee Range	Under 5	5 to 20	21 to 50	51 to 100	101 to 200	200 or More	US New Car Totals/ Averages
New Car Dealership Locations	3,340	4,290	5,120	3,470	1,040	450	17,720
Average Cars Sold: 2013 Estimate	57	206	699	1,586	3,068	4,985	881
Total Cars Sold: 2013 Estimate	188,930	883,430	3,579,840	5,502,320	3,190,540	2,243,120	15,588,180
Projected New Car Sales Share	1.2%	5.7%	23.0%	35.3%	20.5%	14.4%	100%

Sources: NADA, 2013; Dun & Bradstreet, 2013; Borrell Associates, 2013 R4.

Table 1B: PROJECTED 2013 PER-VEHICLE NEW CAR AD SPENDING BY DEALERSHIP EMPLOYEE RANGE

Dealership Employee Range	Projected Ad \$ per-vehicle Sold	Projected Vehicles Sold	Projected 2013 Ad \$ (Millions)	Ad \$ Share
Under 5	\$1,443	188,930	\$160.58	2.0%
5 to 20	\$1,248	883,430	\$649.64	8.0%
21 to 50	\$1,038	3,579,840	\$2,188.26	26.8%
51 to 100	\$877	5,502,320	\$2,841.13	34.8%
101 to 200	\$750	3,190,540	\$1,409.80	17.3%
201 or More	\$685	2,243,120	\$905.05	11.1%
Average/Total	\$888	15,588,180	\$8,154.46	100%



The smallest new car dealerships pay **62.5%** more than the market average to advertise every new vehicle they sell.

That increase amounts to **111%** more than per new vehicle sold than the largest dealers they compete against regionally.

This, as well as other economies of scale, is among the reasons smaller dealers (those selling fewer than 150 new cars per year) in the US have declined **70 percent** during the past 10 years, while the population of the largest dealers has climbed **more than 80 percent** during the same period.

Sources: NADA, Woods & Poole, Borrell Associates; 2013.

APPENDIX A

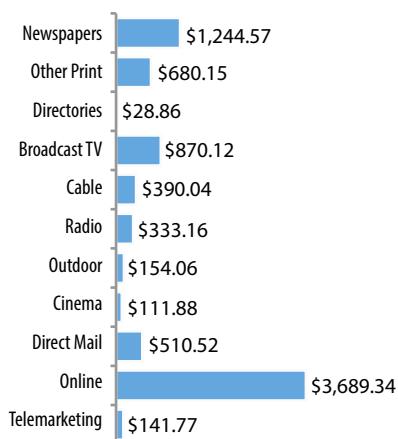
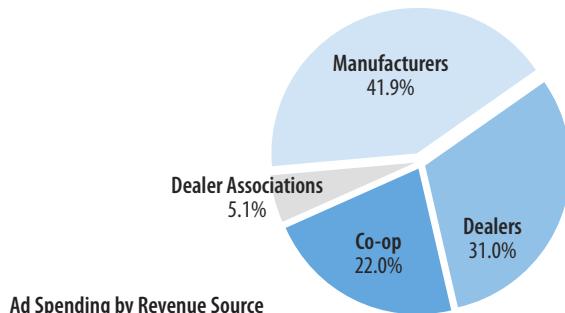
New Cars-Table 2

Table 2: PROJECTED 2013 NEW VEHICLE AD SPENDING, BY MEDIA CHOICE SHARE BY SOURCE OF SPENDING

Media Choice	Dealers	Co-op*	Dealers Co-op*	Dealers Assoc.*	Auto Manuf.	All Projections in \$ Millions	
						Grand Total	Share
Newspapers	\$1,244.57	\$901.24	\$2,145.81	\$220.67	\$1,184.44	\$3,550.92	13.5%
Other Print	\$680.15	\$264.50	\$944.65	\$204.08	\$623.56	\$1,772.28	6.7%
Directories	\$28.86	\$24.58	\$53.44		\$31.19	\$84.64	0.3%
Broadcast TV	\$870.12	\$645.77	\$1,515.90	\$324.01	\$2,843.90	\$4,683.81	17.8%
Cable	\$390.04	\$257.87	\$647.90	\$129.35	\$1,379.70	\$2,156.95	8.2%
Radio	\$333.16	\$195.67	\$528.83	\$222.06	\$114.81	\$865.69	3.3%
Outdoor	\$154.06	\$98.50	\$252.55	\$35.49	\$233.43	\$521.47	2.0%
Cinema	\$111.88	\$36.30	\$148.18	\$29.47	\$138.40	\$316.05	1.2%
Direct Mail	\$510.52	\$245.81	\$756.33	\$68.54	\$301.91	\$1,126.79	4.3%
Online	\$3,689.34	\$3,117.56	\$6,806.90	\$95.36	\$3,997.64	\$10,899.90	41.5%
Telemarketing	\$141.77		\$141.77		\$164.22	\$305.99	1.2%
Projected '13 Market Totals	\$8,154.46	\$5,787.80	\$13,942.26	\$1,329.03	\$11,013.21	\$26,284.49	100%

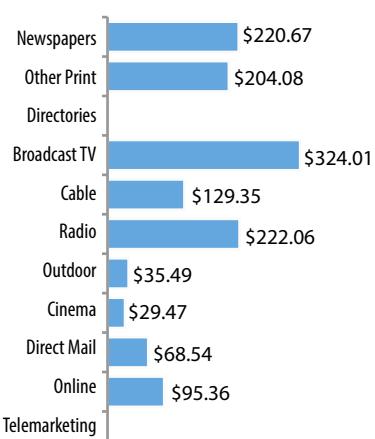
* Purchased by dealers, financed by manufacturer credits.

** Costs shared between member dealers and manufacturers.



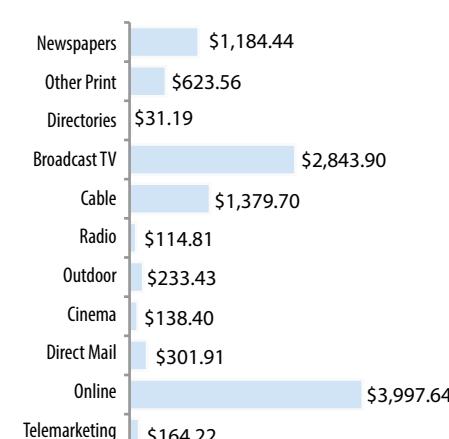
**Projected 2013 Dealer Spending
By Media Choice**

All Projections in \$ Millions



**Projected 2013 Association Spending
By Media Choice**

All Projections in \$ Millions



**Projected 2013 Manufacturer Spending
By Media Choice**

All Projections in \$ Millions

APPENDIX A

Used Cars-Table 1

Table 1A: PROJECTED 2012 USED MOTOR VEHICLE SALES BY DEALER EMPLOYEE RANGE

Employee Range	Under 5	5 to 20	21 to 50	51 to 100	101 to 200	200 or More	US Totals & Averages
New Car Dealership Locations	3,340	4,290	5,120	3,470	1,040	450	17,720
Average Cars Sold: 2013 Projection	17	260	1,126	1,779	3,018	4,577	1,033
Total Used Vehicles Sold: 2013 Projection	57,640	1,115,490	5,764,050	6,174,390	3,138,580	2,059,560	18,309,710
Projected Used Vehicle Sales Share	0.3%	5.1%	26.5%	28.4%	14.4%	9.5%	84.1%
Independent Dealership Locations	24,590	2,930	150	40	60	2	27,772
Average Vehicles Sold: 2013 Projection	129	1,952	8,201	14,629	20,986	34,244	434
Total Used Vehicles Sold: 2013 Projection	3,184,150	5,718,060	1,230,080	585,170	1,259,180	80,660	12,057,300
Projected Used Vehicle Sales Share	14.6%	26.3%	5.6%	2.7%	5.8%	0.4%	55.4%

Sources: NADA, NIADA, Dun & Bradstreet, Manheim Auctions, Bureau of Transportation Statistics, Borrell Database; 2012 R4.

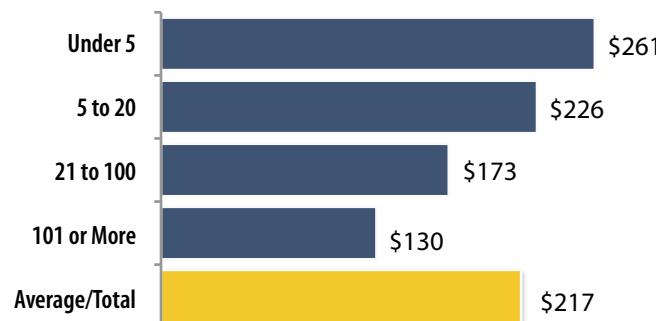
Table 1B1: PROJECTED 2013 PER VEHICLE USED CAR AD SPENDING BY FRANCHISED DEALERSHIPS PER EMPLOYEE SIZE RANGE

Projected Ad \$ per Vehicle Sold	Projected Vehicles Sold	Projected 2013 Ad \$ (Million)	Ad \$ Share	Dealership Employee Size Range	Projected Ad \$ per Vehicle Sold	Projected Vehicles Sold	Projected 2013 Ad \$ (Million)	Ad \$ Share
\$300	57,640	\$17.27	0.5%	Under 5	\$261	3,184,150	\$831.03	31.8%
\$260	1,115,490	\$289.72	8.4%	5 to 20	\$226	5,718,060	\$1,293.38	49.5%
\$199	11,938,440	\$2,373.21	68.7%	21 to 100	\$173	1,815,250	\$314.26	12.0%
\$149	5,198,140	\$773.69	22.4%	101 or More	\$130	1,339,840	\$173.68	6.6%
\$189	18,309,710	\$3,453.90	100%	Average/Total	\$217	12,057,300	\$2,612.35	100%



PROJECTED 2013 AD SPENDING PER USED VEHICLE SOLD BY FRANCHISED DEALERSHIPS, BY EMPLOYEE SIZE RANGE

Table 1B2: PROJECTED 2013 PER VEHICLE USED CAR AD SPENDING BY INDEPENDENT DEALERSHIPS PER EMPLOYEE SIZE RANGE



PROJECTED 2013 AD SPENDING PER USED VEHICLE SOLD INDEPENDENT DEALERSHIPS, BY EMPLOYEE SIZE RANGE

APPENDIX A

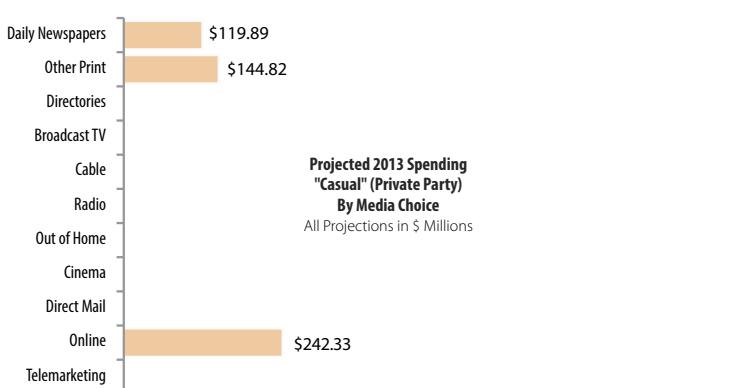
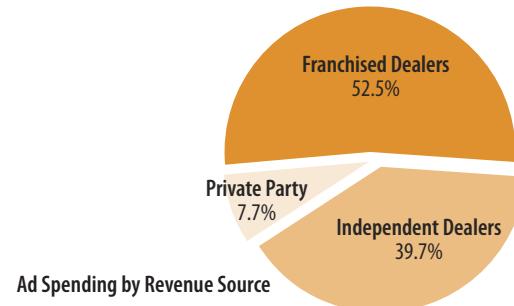
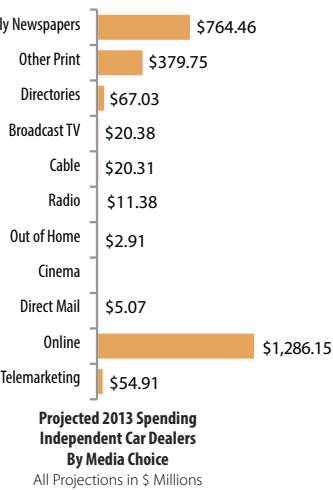
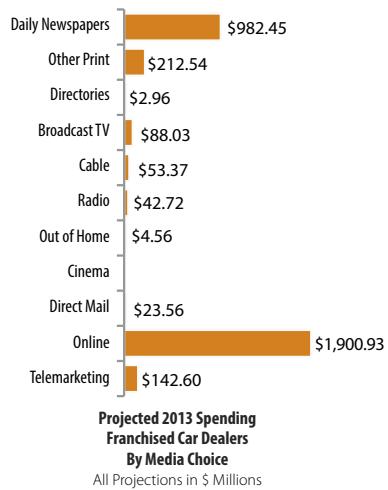
Used Cars-Table 2

Table 2: PROJECTED 2013 USED VEHICLE AD SPENDING, BY MEDIA CHOICE

Share by Source of Spending

All Projections in \$ Millions

Media Choice	Franchised Dealers	Share	Independent Dealers	Share	Dealer Total	Total Share	Private Party	Share
Daily Newspapers	\$982.45	28.4%	\$764.46	29.3%	\$1,746.92	28.8%	\$119.89	23.6%
Other Print	\$212.54	6.2%	\$379.75	14.5%	\$592.29	9.8%	\$144.82	28.6%
Directories	\$2.96	0.1%	\$67.03	2.6%	\$69.98	1.2%		
Broadcast TV	\$88.03	2.5%	\$20.38	0.8%	\$108.41	1.8%		
Cable	\$53.37	1.5%	\$20.31	0.8%	\$73.68	1.2%		
Radio	\$42.72	1.2%	\$11.38	0.4%	\$54.10	0.9%		
Out of Home	\$4.75	0.1%	\$2.91	0.1%	\$7.65	0.1%		
Cinema								
Direct Mail	\$23.56	0.7%	\$5.07	0.2%	\$28.63	0.5%		
Online	\$1,900.93	55.0%	\$1,286.15	49.2%	\$3,187.08	52.5%	\$242.33	47.8%
Telemarketing	\$142.60	4.1%	\$54.91	2.1%	\$197.51	3.3%		
Projected '13 Market Totals	\$3,453.90	100%	\$2,612.35	100%	\$6,066.24	100%	\$507.04	100%



Projected 2013 Used Car Transactions by Category		
(All Projections in Thousands)		
Through Franchised Dealers		
"Retail" (to Consumers):	11,268	51.7%
Wholesale:	7,042	32.3%
	18,310	84.1%
Through Independent Dealers		
"Retail" (to Consumers):	8,755	40.2%
Wholesale:	3,302	15.2%
	12,057	55.4%
"Casual" (Direct Between Consumers):	6,160	28.3%
Projected '13 Total:	36,527	100%
Total "Retail":	20,022	54.8%
Total Wholesale:	10,345	28.3%
Total Casual:	6,160	16.9%
	36,527	100%

Company Profile



BORRELL

Tomorrow's Media, Understood Today

As a data-driven company, we are experts in **local advertising**.

We are the leaders in tracking and forecasting local ad spending across any market in the U.S., Canada or the U.K., down to the county or province level. We help clients gauge the levels of advertising and marketing expenditures in their markets by any type of business. We help media companies increase their market share and marketers adjust their budgets by providing detailed ad-spending data, fact-based consultation and training.

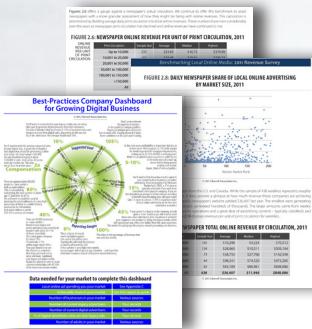
Methodology & Model

Our unique and disruptive methodology of tracking advertising was first developed in 1990 as a holistic way to gauge spending in traditional media. Since the late 1990s it has continuously progressed to include deep levels of data that monitor online advertising. Now used by more than 1,000 companies, our ad-spending estimates are derived from a blend of bottom-up and top-down data, as well as a continuous flow of our own market surveying.

Unlike most other companies, our approach starts at the bottom with local business expenditures, instead of at the top — media companies receipts. This is based on our belief that the media world has become so complex and fragmented that it's impossible to deliver an accurate assessment via only the traditional top-down approach of tallying receipts of the largest media companies.

Our model is designed with a powerful and unwavering local focus. This model of collecting expenditure *and* receipt data enables us to measure ad spending that is generated and spent in any given market, directed to a market from elsewhere, and generated in a market but spent elsewhere. For more detail on our methodology, visit www.adspending.com.

Market Data



Our market data is remarkably deep, offering ad-spending assessments across each of the 12 media types (newspapers, online, TV, radio, direct mail, etc.) and for any of 100 business categories (furniture stores, car dealers, hospitals, telecommunications, etc.). It also offers backcasts and forecasts up to five years. Under the umbrella of our Local Ad Spending Report (LA\$™) data set, our data subscription product — The Compass — offers an interactive tool that media managers, analysts and sales professionals use to manipulate the data to uncover enlightening facts.

The richest data surrounds the levels of spending on digital media. For instance, The Compass offers guidance on how much a mid-size auto dealer in Albuquerque might spend on search engine advertising, search engine optimization, or online video ads. We are continuously improving the offerings to meet our clients' needs and offer monthly user group webinars with Compass subscribers. For a preview or to schedule a test drive, visit www.adspending.com.

Interactive Revenue-Acceleration Program (IRAP)

Our Interactive Revenue Acceleration Program is offered exclusively to Compass subscribers. It puts media companies on the fast track to driving significant growth in their digital sales efforts. This turn-key program brings a Borrell expert to the client's market to offer a higher level of training on using the data, as well as seminars to educate local advertisers about the benefits of digital marketing. Clients routinely see an ROI of 300% or more from this program.

Local Advertiser & Consumer Surveys

Our local market survey programs deliver powerful insights. Ongoing SMB surveys are offered in waves (standardized questions); other surveys can be customized to fit a client's needs. How well do you know your local market? How are advertisers thinking about their radio, newspaper or yellow pages budgets today? What are they planning to do with interactive marketing in the coming year? How are consumers thinking about your website or mobile app? Where do they go to get local news, or information on local shopping? All these questions and more can be answered with our surveys.



Industry Papers and Subscriptions

We release a variety of analysis-rich industry papers and memoranda throughout the year. These papers are typically published every 30 days and include dozens of charts and tables, as well as appendices packed with market-level data. They cover topical issues in both online and mobile advertising, often in the framework of how those trends affect traditional media. Annual reports include:

- SMB Spending on Digital Marketing
- Real Estate Advertising Outlook
- Automotive Advertising Outlook
- Local Advertising Forecasts
- Benchmarking Local Online Media
- SMB Social Media & Mobile Advertising Outlook
- Recruitment Advertising Outlook



An Annual Subscription is the best way to stay informed on the most important industry trends. Subscribers receive:

- At least 12 industry papers per year
- Access to all archived papers
- Access to interactive webinars with lead analysts discussing report findings
- Downloadable PowerPoint with all report charts and tables
- Client memoranda as issued on pertinent topics

Revenue Survey

Since 2001, we've been collecting data on interactive revenues and expenses from local media companies. The data encompasses more than 6,000 companies, giving us an accurate picture of online advertising sales across the U.S. and Canada. We conduct private benchmarking reports for local media companies and compile an annual summary of the data in our "Benchmarking Local Online Media" report each spring. The data allows us to study the best-practice companies and how they're able to achieve as much as 10 times the average market share.

Conference & Company Presentations

Our annual Local Online Advertising Conference is a first-class event. Held each spring in New York, the event brings together the largest group of local interactive media executives of any conference. The speaker list represents a Who's Who among local media. Eighty percent of the attendees are company executives, most of whom are in charge of interactive strategies. In addition, we speak at nearly 100 company meetings and conferences each year. Excellent presentation skills are a core competency at Borrell.

Webinars

We host or participate in dozens of webinars throughout the year. Our topic list is extensive. We develop custom presentations specifically for companies, trade associations or other groups. We do not conduct sponsored webinars.

