

Reading the Road Signs



August 6, 2013



Worth Attending!

Social+Mobile

Show Me the Money!

Chicago 8/21-22

Local Media Association | Borrell Associates
Local Search Association

When: Aug. 21-22

Where: Sheraton O'Hare

Agenda: www.localmedia.org



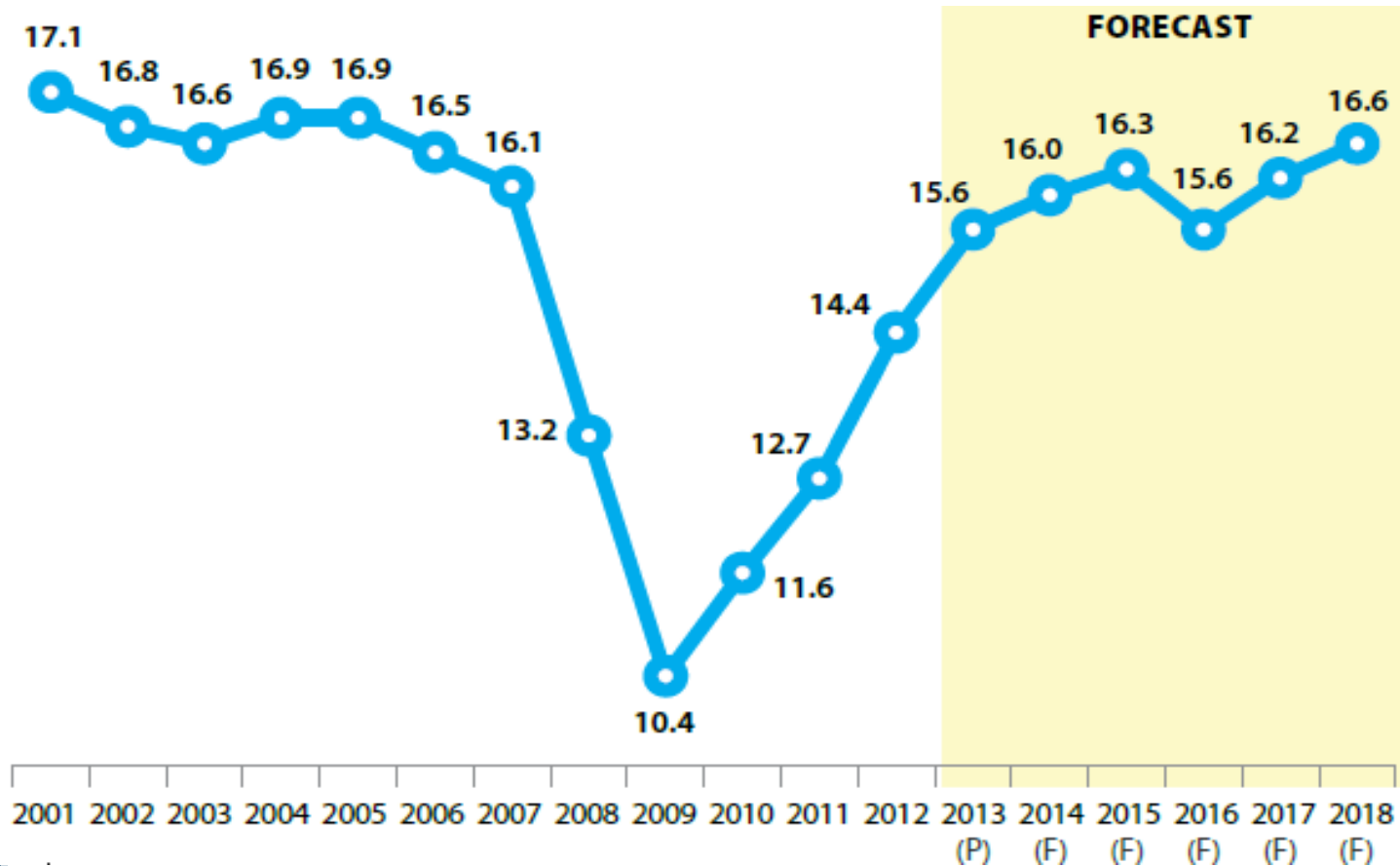
Today's Agenda

- Base Trends
- The Role of Co-Op
- Digital Media Trends
- Benchmarking Guidance
- Recommendations



New Vehicle Sales, 2001-2018

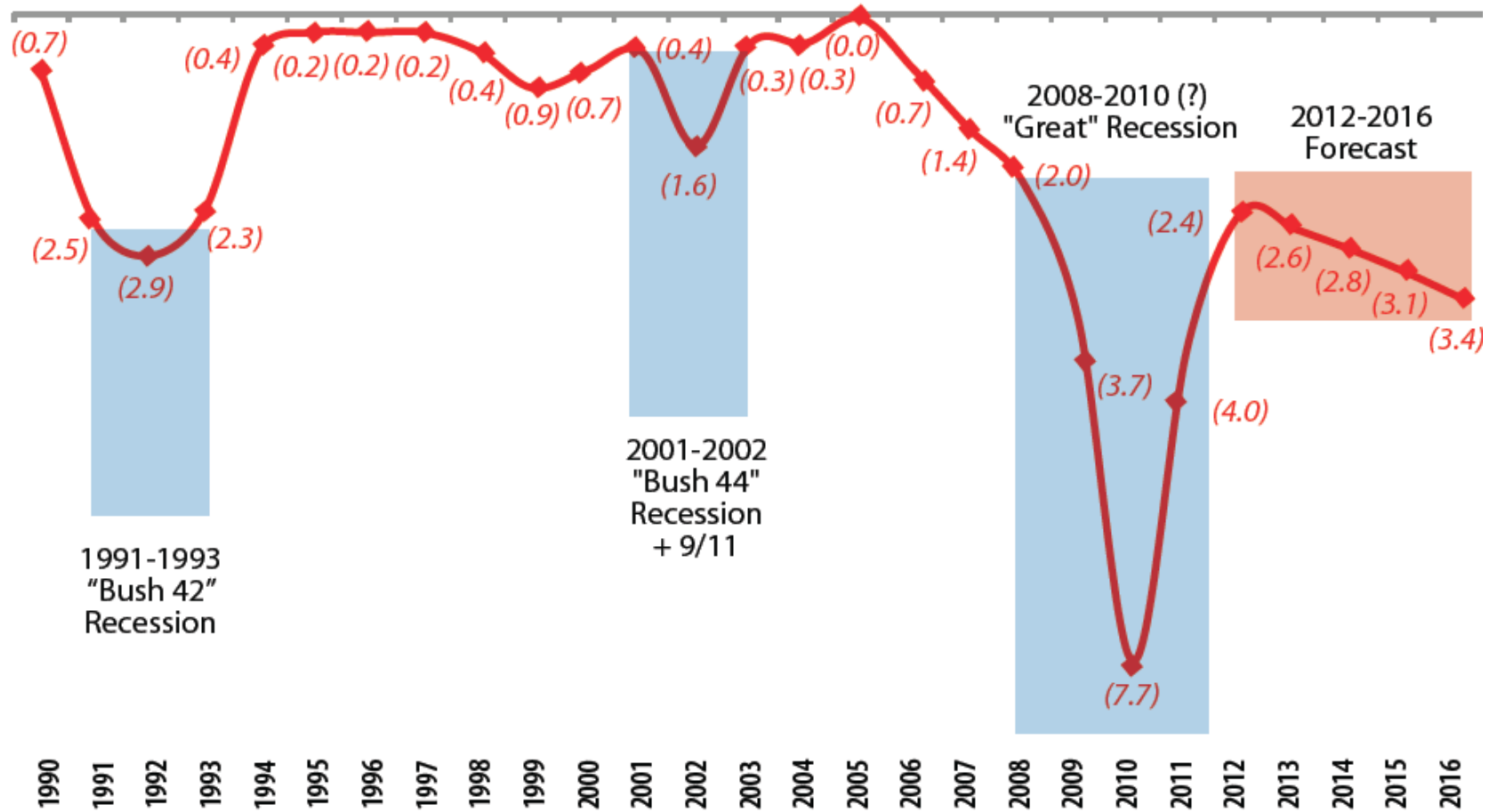
(in Millions)





Consolidation of Dealerships Continues

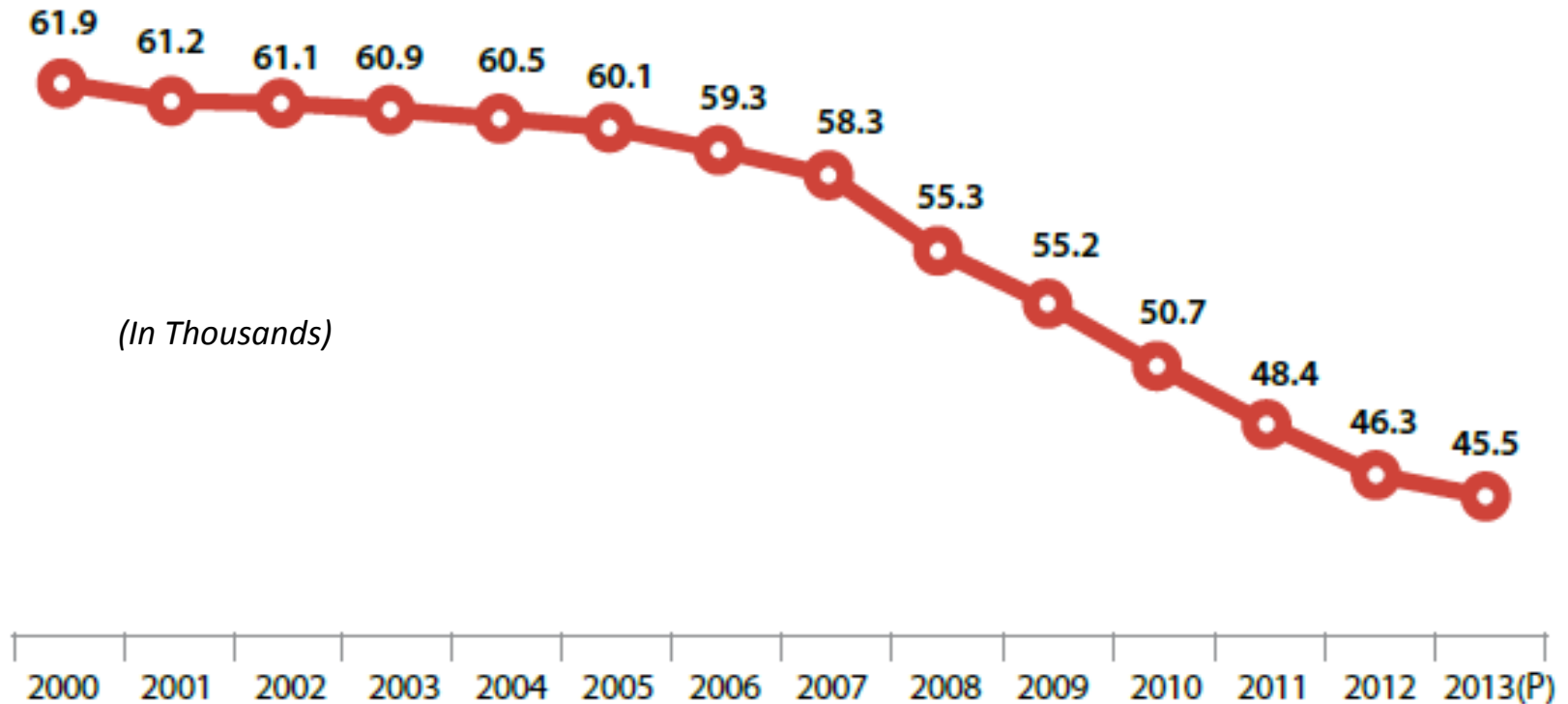
% Decline in Number of Franchised Dealers





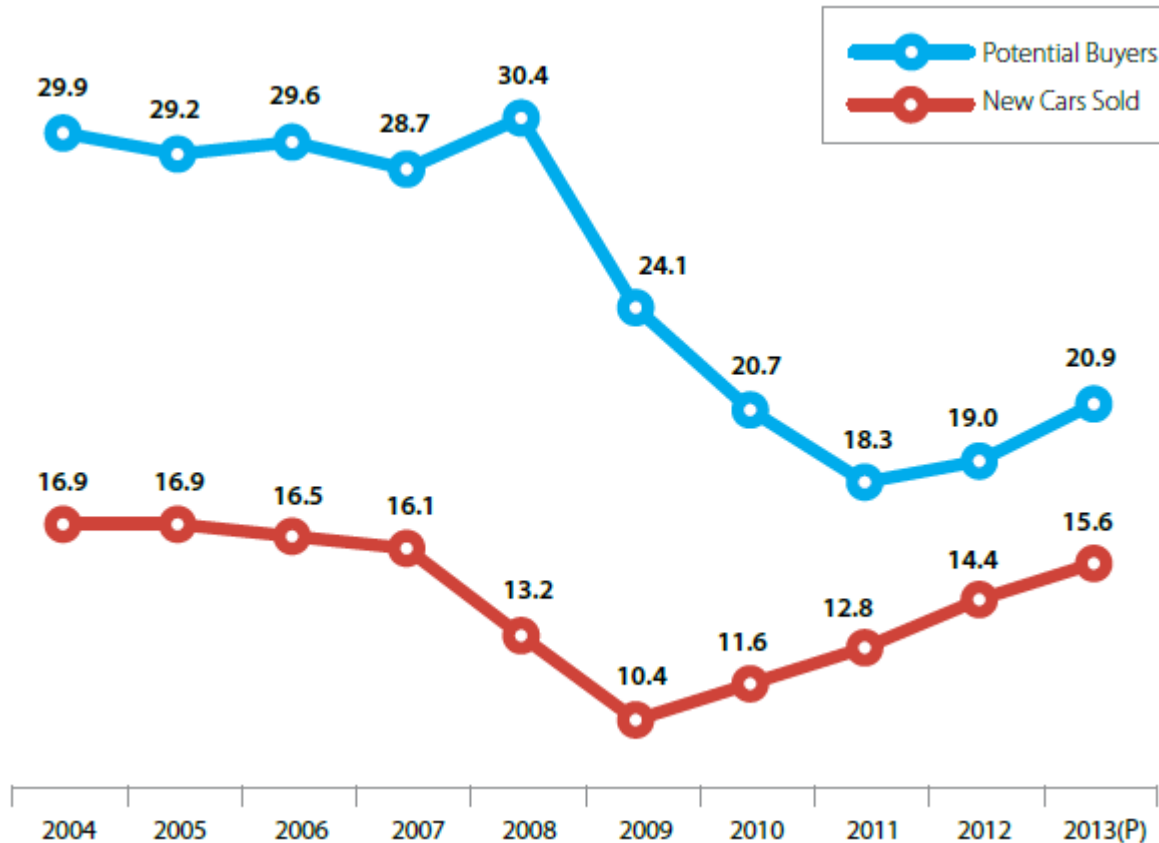
Number of Used-Car Dealers Also Falling

Estimates include franchised dealers that sell used vehicles.



The Narrowing Gap: Goodbye Dreamers

(In Millions)





New Shape Of Car-Buying



Digital media has compressed the old car-buying funnel into a **stunted shot glass**.

Whereas consumers once spent **6 months** planning their purchase, the efficiency of digital media has whittled the process down to **3 months**.

Today, **31% fewer people** are in the funnel than 5 years ago. The dreamers are gone; nearly everyone who shows up at a dealership already knows the make, model and price of the vehicle they want to buy.

The Digital Mindset

Analog mindset	Months	Digital mindset
That car looks dreamy.	6	Who has time to dream?
I'm thinking seriously about buying a new car.	5	I'll need a new car soon, but I've got plenty of time.
I need to start looking.	4	It'll only take me an hour or two to find what I need. I'll put this off.
I've got to select a model and start checking out features.	3	I should post something on FB or Twitter and see what my friends think.
I like the new Oldsmobile. I wonder how much they cost and who has them.	2	Everybody's saying VW. I'll go to Volkswagen.com and see what they've got.
Time to check out sales prices and loan rates.	1	VW is good. Time to get serious. Tonight I'll go to Cars.com and local dealer sites and find the cheapest one.

The New Shape of Car-Buying





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. Totals ¹	\$26,417.35	\$25,779.61	(2.4)	\$28,142.16	9.2	\$32,206.45	14.4	\$32,857.77	2.0





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

2. Includes spending by franchised and independent dealers.



Who's Down in 2013

(All Estimates and Projections in \$ Millions)

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The Big Winners in 2013

(All Estimates and Projections in \$ Millions)

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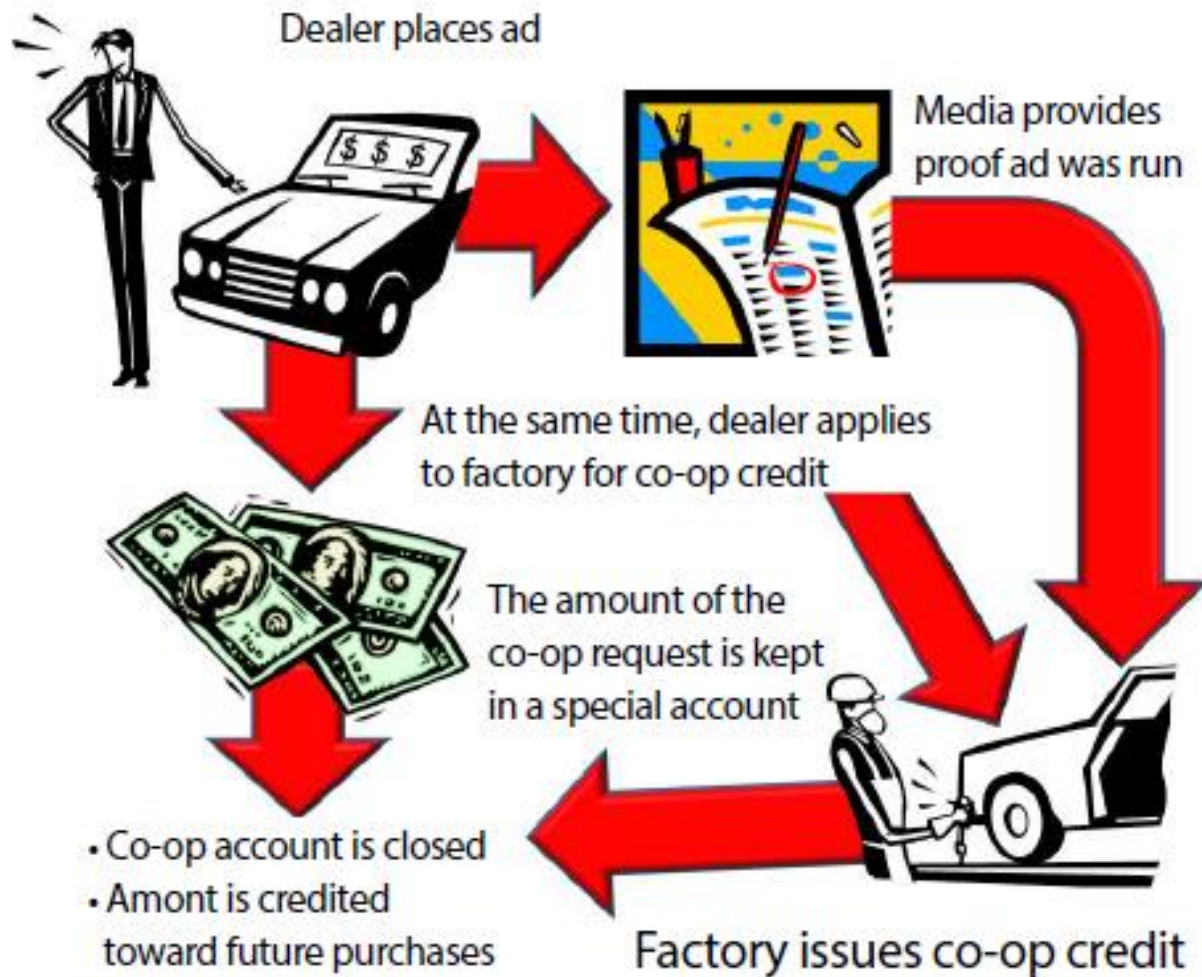
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How Auto Co-op Works





Spending By Dealers, Adding Co-Op

(Estimates and Projections in \$ Millions)

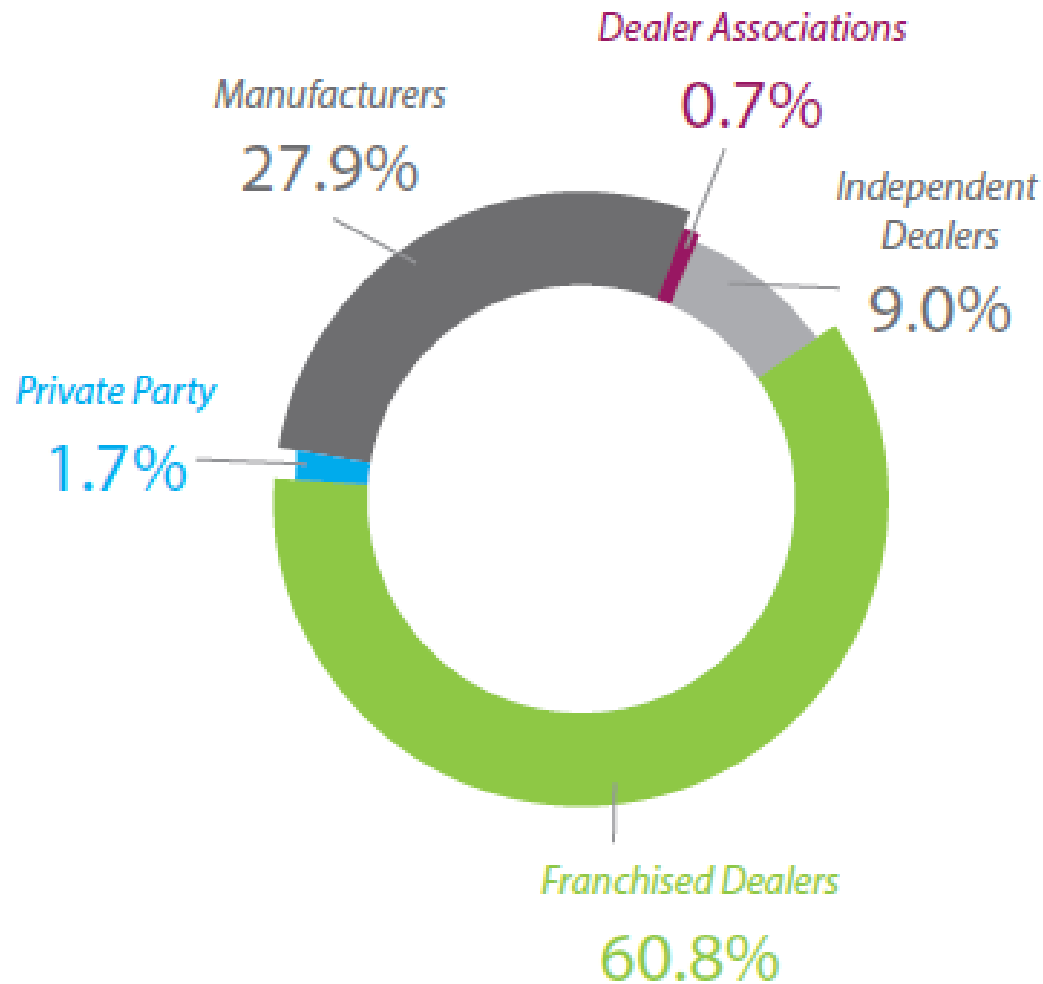
Media Choice	Franchised Dealers New	Franchised Dealers Used	Franchised Dealers Total	Independent Dealers	All Dealer Total	Share	Add Co-op	All Dealer Total + Co-op
Newspapers	\$1,244.57	\$982.45	\$2,227.02	\$764.46	\$2,991.49	21.0%	\$901.24	\$3,892.73
Other Print	\$680.15	\$212.54	\$892.69	\$379.75	\$1,272.44	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 Sold:	15,588,180	18,309,710	33,897,890	12,057,300	45,955,190		vehicles	15,588,180
Average Ad \$\$:	\$523	\$189	\$342	\$217	\$309		only	\$894

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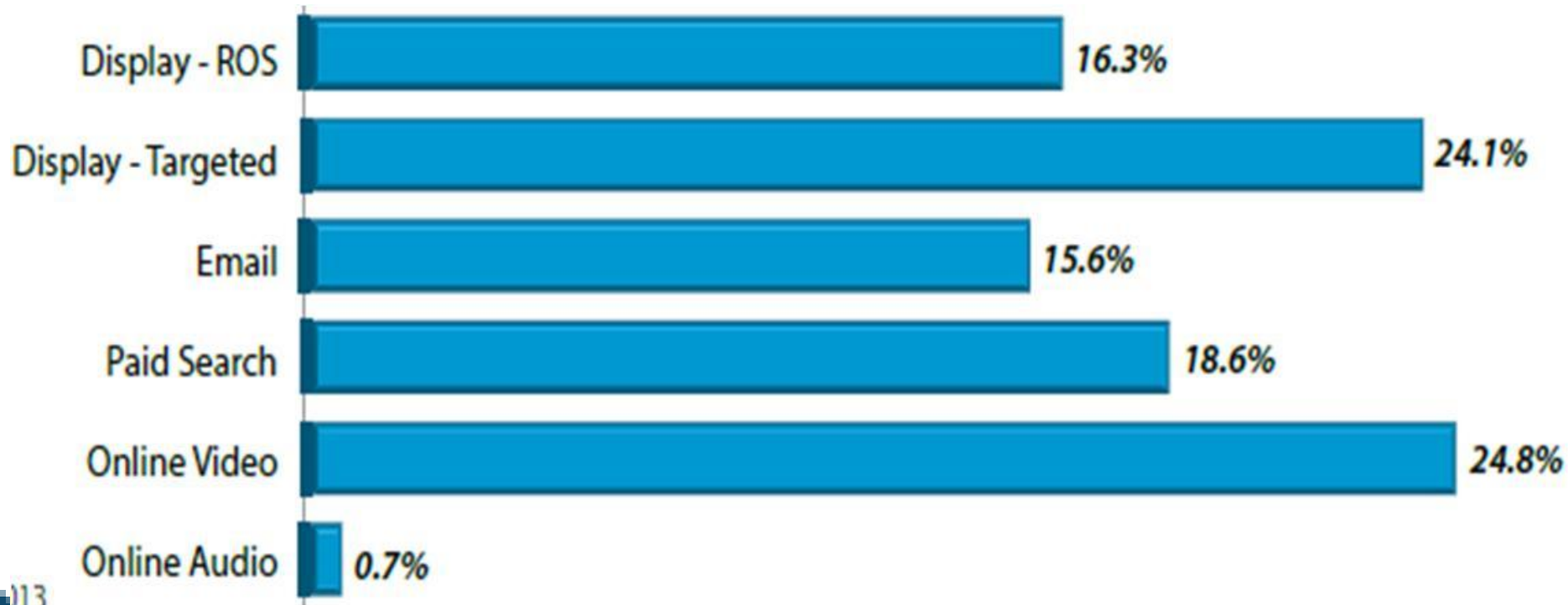
2013 Auto Industry Digital Ad Spending





2013 Auto Industry Digital Ad Spending

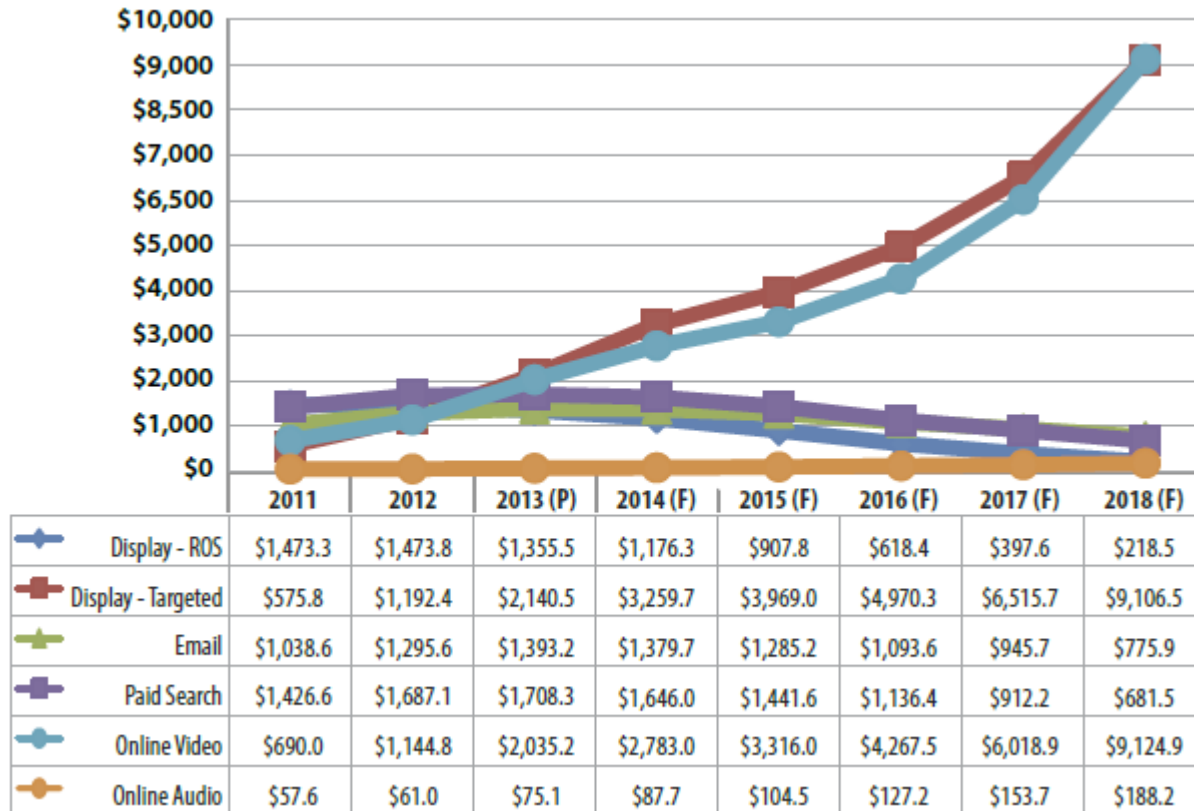
By Format





Franchised Auto Dealer Online Spending

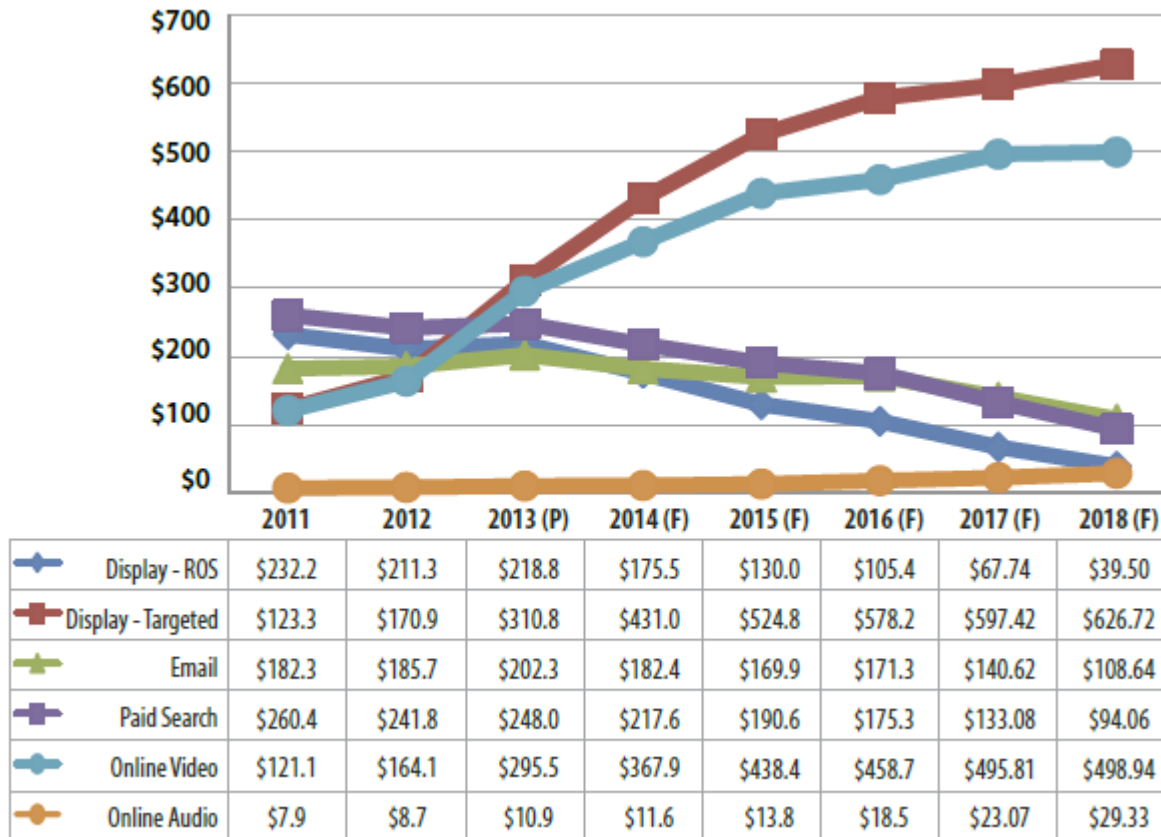
(All Estimates, Projections, and Forecasts in \$ Millions)





Independent Dealer Online Spending

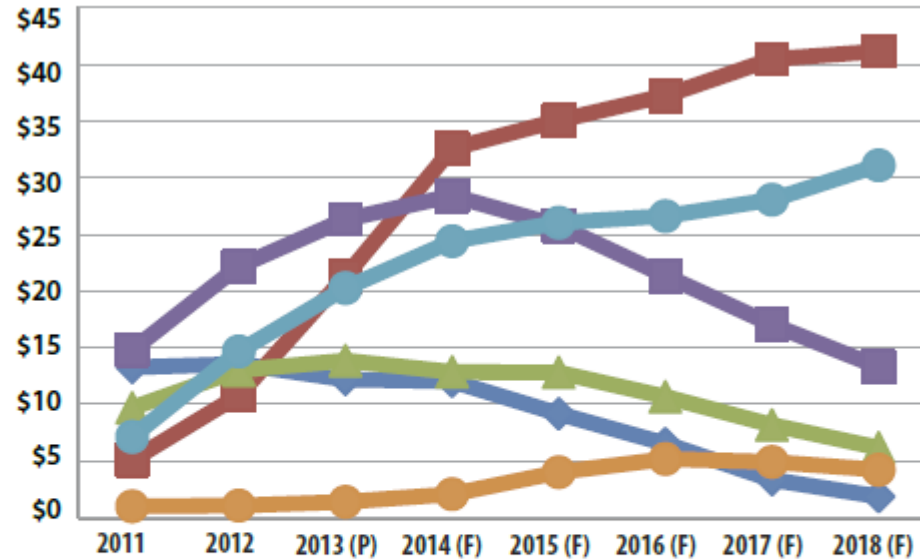
(All Estimates, Projections, and Forecasts in \$ Millions)





Dealer Association Online Spending

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



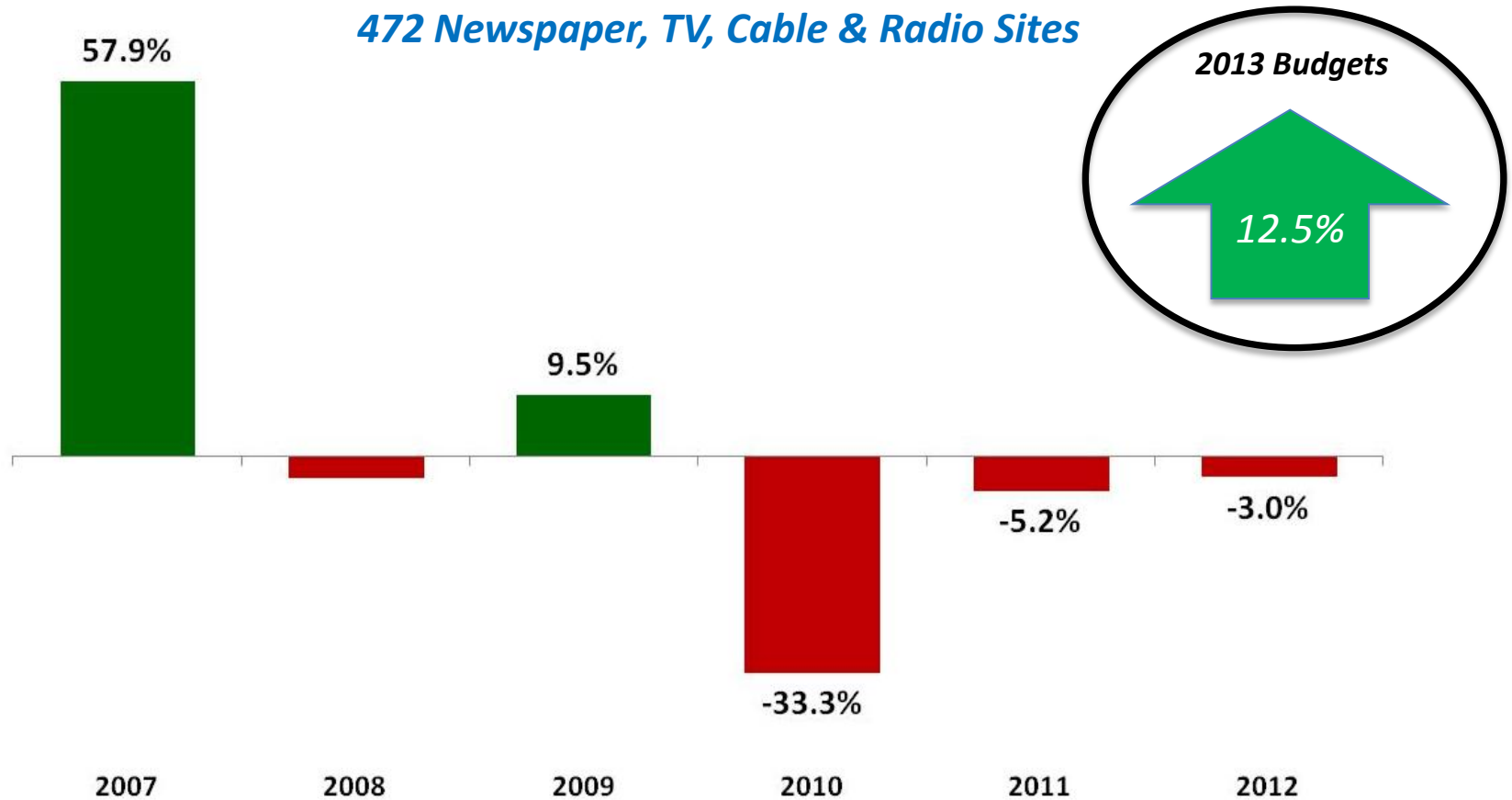
	2011	2012	2013 (P)	2014 (F)	2015 (F)	2016 (F)	2017 (F)	2018 (F)
Display - ROS	\$13.27	\$13.57	\$12.20	\$12.04	\$9.17	\$6.55	\$3.36	\$1.88
Display - Targeted	\$5.10	\$10.80	\$21.30	\$32.57	\$35.03	\$37.22	\$40.44	\$41.13
Email	\$9.70	\$13.02	\$13.87	\$12.86	\$12.81	\$10.67	\$8.19	\$6.18
Paid Search	\$14.80	\$22.17	\$26.32	\$28.39	\$25.75	\$21.35	\$17.03	\$13.31
Online Video	\$7.14	\$14.68	\$20.25	\$24.39	\$26.03	\$26.60	\$28.05	\$31.08
Online Audio	\$1.02	\$1.09	\$1.41	\$2.09	\$4.03	\$5.19	\$4.94	\$4.23

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- Base Trends
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- **Benchmarking Guidance**
- Recommendations

Local Media's Auto Online \$ Growth

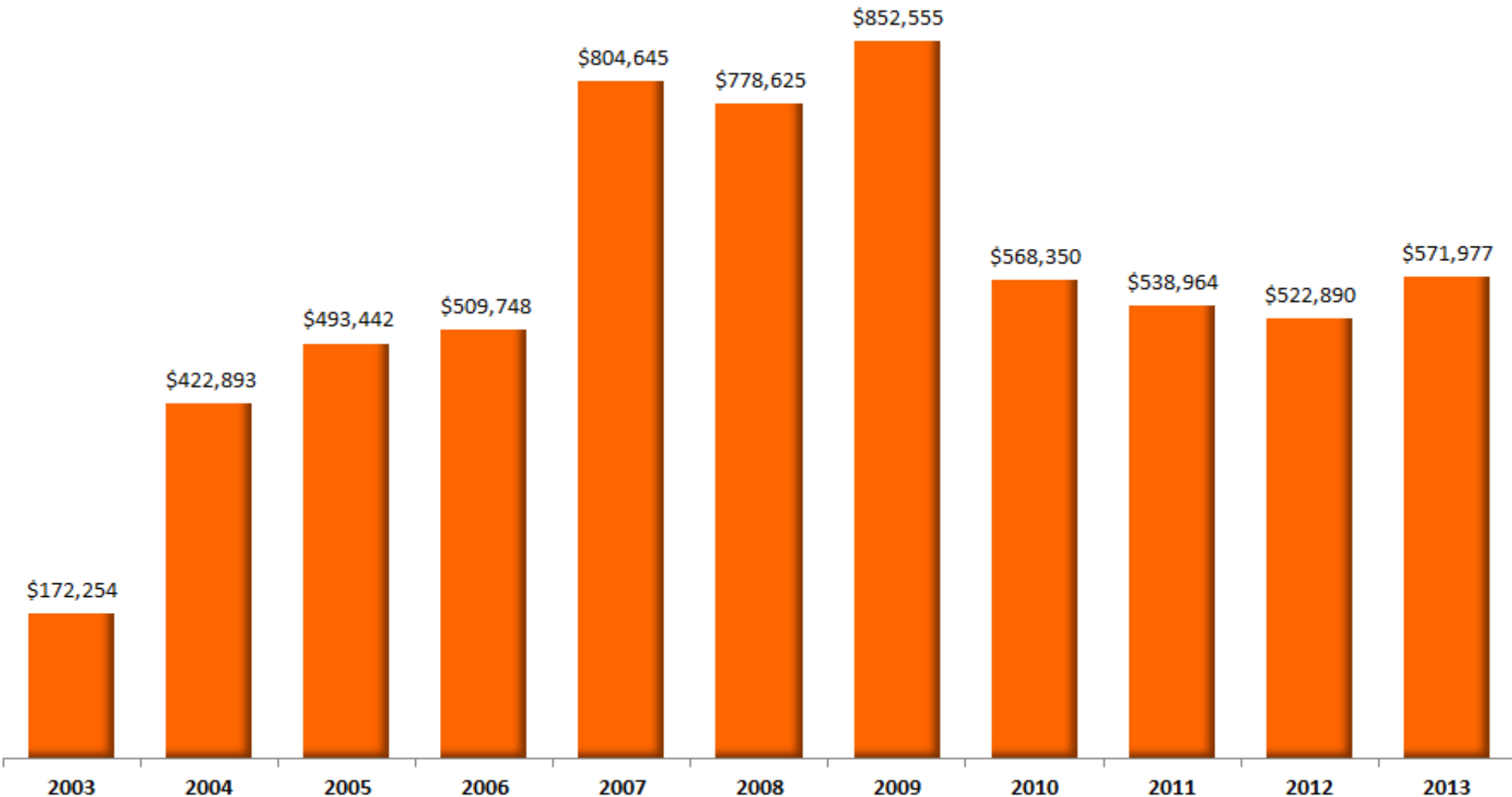
472 Newspaper, TV, Cable & Radio Sites





Avg. Auto Online Revenue Per Site

472 Newspaper, TV, Cable & Radio Sites





More Guidance on Auto Revenue . . .

For Newspapers:

Avg. online auto revenue per unit of print circ: **\$9.56**

(Smaller papers get \$1 to \$4; large get \$15 to \$25)

Avg. % of total online revenue from automotive: **13.8%**

For Radio Stations:

Avg. online auto revenue per cluster: **\$23,536**

Avg. % of total online revenue from automotive: **5.2%**

For TV Stations:

Avg. online auto revenue per station: **\$429,419**

Avg. % of total online revenue from automotive: **27.0%**



More Guidance on Auto Revenue . . .

For Cable Companies:

Avg. online auto revenue per station: **\$173,320**

Avg. % of total online revenue from automotive: **23.0%**

For Autotrader.com:

Avg. online auto revenue per local site: **\$4.3 million**

Avg. % of total online revenue from automotive: **99%**

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- **Recommendations**



Recommendations

- Educate auto dealers
- Get past R.O.S. banners
- Build a bulls-eye
- Get creative
- Study competitors' vulnerabilities
- Challenge internal thinking



Thank You!

Need help with benchmarking?

Want to know what car dealers spend in your market?

Contact:

jbrown@borrellassociates.com or 757-941-4293