

Carmakers face rise in online advertising prices



By Paul Thomasch *Mon Apr 2, 6:33 PM ET*

NEW YORK (Reuters) - The automotive industry saw prices for digital advertisements rise 10 percent to 20 percent last year, but still got more mileage from spending on the Internet than on television or newspapers, a top industry ad executive said on Monday.

"Digital is still very, very inexpensive compared to traditional," said Mitch Lowe, the chief executive of Jumpstart Automotive Media. "We're a long way from anyone thinking digital is overpriced compared with other options."

Lowe, speaking on a conference call hosted by Wachovia Securities, forecast prices for comparable Internet ads would rise by more than 10 percent again next year. Prices for more sophisticated advertisements -- those that include video, for instance -- will rise even more sharply, he said.

He also said preliminary findings indicate "most digital, if not all digital, is still a significantly better use of dollars than the traditional sources" such as TV, newspapers or radio.

Overall, he estimated the auto industry spends about \$35 billion a year on advertising, with auto manufacturers accounting for about \$17 billion of that amount. Manufacturers are currently spending about 9 percent to 12 percent of their marketing budgets on digital.

Lowe, whose Jumpstart Automotive Media develops interactive marketing programs for the auto industry, noted that even troubled manufacturers were hesitant to cut Internet advertising budgets.

"Whenever there is an announcement on a budget cut for marketing, whereas three years ago that would always be Internet that was getting cut first, now Internet is not getting touched," he said.

Among those who have made sharp cutbacks is General Motors Corp., which chopped its ad budget by nearly a quarter last year. Another major automaker, DaimlerChrysler AG also cut its U.S. spending amid struggles at its Chrysler Group.

Given the industry's struggles, Lowe said, the biggest concern when it comes to marketing is how to measure results of its advertising spending.

"Automotive is an intensely competitive industry with the domestics facing a lot of pressure right now," Lowe said. "One of their huge costs allocations is marketing, so they are trying to measure this in a much better way."