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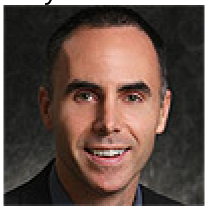
Why Online is Still a Growth Medium



By Mitch Lowe
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Jumpstart Automotive Media's CEO explains why online's budget share will continue to rise, even in the face of overall auto marketing cuts.

Last week it was reported by TNS Media Intelligence that GM slashed its ad spending by more than $600 million in 2006 (GM disputes the figures, saying it cut measured spending by only $300 million). Regardless of how deep the cut, what should be of great interest to the online community is this breakdown of where the cuts came (the chart compares January through November '05 to spending during the same period in '06):

Newspapers	- 62.8
Magazines	- 17.4
TV	- 15.1
Outdoor	- 14.0
Radio	- 11.8
Internet	**+ 19.4**

Source: TNS Media Intelligence

Most of the traditional media folks will argue that since they get the lion's share of GM ad dollars, that it makes sense that they will get the larger share of any cutbacks, and that internet spending is just a drop in the GM media bucket anyhow. Maybe so, but still I'm happy to be the only medium on the plus side of the ledger. And I think the trend represented by the chart -- although perhaps accelerated by a difficult economic year for GM and other domestic car makers -- will continue into this year… and the next and the year after that. It may be fair to say that Jumpstart is a good bellweather of online auto spending, and our business grew 87 percent in 2006.

It is a safe bet that if you are reading this, you are already convinced that the internet offers a more efficient way of reaching in-market car buyers and that you know that more dollars are coming our way. The next step the auto industry needs to take is not just continue to shift dollars to where they can best reach their buyers; it needs to make certain that each constituent in the selling chain -- from the OEMs to the regional dealer associations to the local dealers -- is hitting potential buyers at the right place, at the right time with the right message.

Starting at the local level, the dealers have come a long way. Nearly all U.S. car dealers now have a basic website that provides ways for shoppers to contact them, and just over half (51.7 percent) employ dedicated internet sales reps, according to a National Automobile Dealers Association survey of almost 400 automotive retailers nationwide.

Dealers are making the biggest stride in adding interactive tools that give online shoppers new ways to research and price vehicles and schedule appointments. Six years ago, only 57 percent of dealers offered manufacturer suggested retail pricing data online vs. 88 percent in 2006. In 2006, 68.3 percent of auto dealers had an interactive tool that enabled owners to book a service appointment, compared to only 41.8 percent in 2000. In addition, 75.5 percent of dealers last year let consumers use their websites to submit financial forms, and 68 percent offered car buyers the option to schedule a specific time to visit a showroom.

The result of this online investment? The web is generating an average of 62 leads per month in 2006 vs. 32 monthly leads in 2000. On average last year, dealers closed on about 30 percent of all internet leads, compared with 18.5 percent in 2000. But, in the new media age, this is all basic blocking and tackling. Dealers also need to reach buyers sooner in the purchase funnel (by utilizing search and targeted display advertising).

J.D. Power & Associates says that 67.5 percent of new-vehicle shoppers are using the internet in some way to shop for their vehicle; in major markets this number is significantly higher. The vast majority of these consumers begin the process on third-party research sites (think: NADAguides, Vehix, Consumer Guide Automotive, J.D. Power Autos, and Shopping.com Autos); these are places where local dealers and regional dealer associations need to increase their footprints. Message differentiation is the key. As in-market shoppers wade their way through articles, data, photos and videos, they'll be exposed to hundreds of ads-- ads that contain a picture of a vehicle and a company moniker, or a dealership location or an incentive opportunity. Ensuring that a marketer's message is relevant, timely and more intriguing than its competition's will be imperative.

OEMs are already buying up as much contextual inventory as they can on third-party research sites, as well as sites that appeal to auto enthusiasts. The next frontier for them is behavioral targeting, which reaches confirmed, in-market buyers in places where there is less ad clutter and where being served an auto ad is unexpected. To make this happen, the nature of BT messages will need to be honed to take advantage of the fact that OEMs are reaching proven prospects in this manner, such as value offers and highlighting features unique to makes and models.

As the domestic auto market reorganizes and reasserts its market share, there are bound to be further cuts in media spending. But with a proven ability to reach the right customer at the right time with the right message, online will emerge as the most efficient spend and will continue to see strong gains for years to come.

Mitch Lowe is CEO of Jumpstart Automotive Media. Read full bio.