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Autos and Online: Not Dead Yet

By Mitch Lowe | More by this Author

Forget Yahoo!'s predictions of doom and gloom. Jumpstart Automotive's CEO explains why the present -- and the future -- of online automotive looks brighter than ever.

These days, the online community is getting some mixed signals about internet advertising spending in general, and the automotive industry in particular. For example, on the one hand, research firm eMarketer says internet ad-spending will grow to a record $15.9 billion in 2006. On the other hand, the researcher also says growth will decline to +26.8 percent (vs. the 30 percent increases experienced in each of the last two years).

According to the latest figures from the Interactive Advertising Bureau and PricewaterhouseCoopers, U.S. online advertising revenues for the first six months of 2006 were approximately $7.9 billion, a 37 percent increase over the first half of 2005. But a Financial Times report says that display advertising lost 3 percent of its share of the total, falling from 34 percent to 31 percent of spending. (By the way, display advertising was the only sector of the online ad business to have seen slower growth in recent months).

Some analysts attribute part of the drop off in online display ads directly to Yahoo!'s highly publicized restatement of expected third-quarter ad sales, caused in part by weakness in demand for display in their two biggest advertising categories: auto and financial services. With the domestic auto market in clear turmoil, it is easy to understand why any indication of cuts in online spending would send shivers down the spine of, well, all of us. After all, Yahoo accounts for 54 percent of all online financial services advertising and 34 percent of all automotive spending on the web, according to news reports.

Is the falloff at Yahoo an indicator of a broader slowdown of web spending, especially from the auto makers? Not from where I sit. The market for auto ad inventory is robust, with some seasonality. Auto ad spending is always lumpy, as it heavies up during new model launch periods. The first two months of Q3 were lighter on launches, but Q4 and 2007 are heavy for launches. In 2007 there will be 50 percent more launches than 2006. Online 2007 ad inventory is already being committed to (at least to the Jumpstart Network) at both volume and rates that are higher than anticipated. More good news: Chrysler says it will more than double what it spent on (all) advertising in the first half for the remainder of 2006. As AdAge reported, Chrysler spent $527 million in U.S. measured media in the first half of this year, which would place its second-half budget well over $1 billion.

Aside from car marketers not launching many cars in Q3, my sense is that Yahoo was overly optimistic with their own inventory growth and rate increases-and that this does not reflect the industry as a whole. Yahoo faces new competition from stepped up efforts at portals AOL and MSN, new consumer media sites such as MySpace and YouTube and the major ad networks. With these new competitors, Yahoo has likely seen its share decrease modestly. It's not that the automakers aren't spending; it's just that they are spreading it around to more media partners.

I frequently speak with the heads of agencies for the carmakers, as well as senior marketing execs at the carmakers. Now more than ever, they need the precision targeting, accountability and interactivity of digital media. While digital media is still coming to grips with its impending maturity, and is sure to face its own short-term challenges, it is tailor-made to what today's auto industry requires, and we expect to see more than 30 percent growth in 2007.

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