

Published: October 30, 2006

# How to Prepare for the Next Media Shift



By [Mitch Lowe](#)  
[More by this Author](#)  
[Contact Author](#)

**Jumpstart Automotive's CEO explains how regional dealer associations' shift in allocations will affect the local TV market, and how you can act now to protect your media buys.**

It is hard to get a true sense of what is going on in the local TV business today, especially in automotive--local TV's top advertising category.

For example, look at this year: while local TV auto ad spending is up 1.9 percent in the second quarter to \$899 million, year to date spending is actually *down* 0.5 percent to \$1.7 billion (according to a Television Bureau of Advertising analysis of TNS Media Intelligence data in the top 100 markets). Meanwhile, I read reports like the one in the Winter 2006 edition of Harvard's Press/Politics where author Douglas Ahlers "...examined the advertising markets for the traditional news media and for the online media and found that... despite declining television viewership and newspaper circulation, advertising revenues are not only staying with the traditional news media but are also increasing, albeit slowly. The author has found no major impact on the economics of the news industry due to the online news media."

Let me add my own perspective with a quote from baseball great Leroy "Satchel" Paige, who once said, "Don't look back. Something might be gaining on you."

Automotive is the largest category of advertising for all media, online and offline (\$34 billion was spent on all auto advertising in 2004, according to Borrell Associates). When it makes changes, the entire media world feels it. In 2006 alone, according to NADA data, auto dealers are in the process of reducing their spend on local newspapers from 57 percent of their ad budget to 37 percent, in just one year! That equates to about \$160 million moving away from newspapers. While the major story of 2006 was newspapers losing auto revenue, next year the story will be about local TV feeling the pain. Here's why.

Regional dealer associations (RDAs) have propped up local TV, spending an estimated 80 percent of their \$9 billion per year on local television advertising. However, a major shift is about to occur as car manufacturers are pushing for a wiser allocation of the co-op ad dollars they provide. The automakers want the dealer associations to move towards media that is more measurable and has more targeting choices. The major benefactor? Digital media, of course. Today, digital represents less than one percent of RDA dollars; but many carmakers are requiring five percent increases in 2007 to qualify for maximum co-op dollars. We expect between \$90-\$180 million less to be spent by RDAs on local TV in 2007, as they move dollars to the web.

The primary reason for the shift of budget is targeting. Think about these numbers. There are only 1.5 million new cars sold on average each month, and the typical car buyer does research for three months before making a purchase. So, at any one time about 4.5 million consumers are "in market" to purchase a new car or truck. With the U.S. population over 300 million, this means only 1.5 percent of the U.S. population is in-

market at any given time. With 80 percent of consumers doing car research online, the internet allows for the targeting of this elusive audience. This targeting is possible because in-market car shoppers can be found using search engines, on automotive research sites (like NADAguides, Vehix.com, Consumer Guide Automotive and J.D. Power Autos) and on general information sites that can retarget auto research site users. Auto manufacturers, with their larger marketing teams and advertising agencies have been quick to adopt these advanced targeting tactics. Now, we are seeing auto dealers and regional dealer associations beginning to take advantage of this targeting capability. Many are planning 2007 media plans and shifting significant amount of budget away from local TV and towards digital media. In 2007, this will be a major media story. You heard it here first.

*Mitch Lowe is CEO of [Jumpstart Automotive Media](#). [Read full bio](#).*