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AUTO ADVERTISING
HOW DIGITAL VIDEO IS
DRIVING THE INDUSTRY



Automotive Advertising

How Digital Video is Driving the Industry

The auto industry is legendary in the advertising arena. Legendary for its innovation, creativity, and sheer pervasiveness. Nowhere has this been more evident than video advertising. From major automotive manufacturers' commercials for their newest models with elite production values, to dealer association ads that establish more personal messaging designed to drive consumer interest, to individual dealer videos that often become immensely recognizable in their local markets and get potential buyers into showrooms - automotive ads run the gamut from branding to direct response with a history of tremendous success. Over the years, the auto industry has been masterful in its ability to generate consumer interest and brand loyalty.

Since the early 1900s automobile companies have been leveraging the power of advertising

to generate business. Fast forward nearly 100 years, and they continue to lead the advertising revolution, now with digital advertising and specifically, digital video.

As with any industry that has grown and evolved for nearly a century, it has navigated transformative changes to the business over the years. Among the greatest of those changes has been the development of new technology that impacts marketing and communications with consumers (radio, TV, and of course - the internet). As consumers have adopted the use of new media, advertisers in every industry have worked to stay in sync with the ways they can best reach their customers. For the auto industry, evolving with the needs and wants of consumers is even more complex, as the industry is stratified into three fairly distinct tiers.

Auto manufacturers are the foundation. They build the cars that consumers buy and drive. Cars that connect with and express a driver's individual personalities and personas. They also build powerful brands that drive long term consumer loyalty. From an advertising perspective, much of their focus is on driving brand awareness, capturing consumer attention and driving interest in their newest models.

Dealer associations comprise the second tier. They build on the messaging of the manufacturers and help get potential car buyers to narrow their focus and begin driving demand.

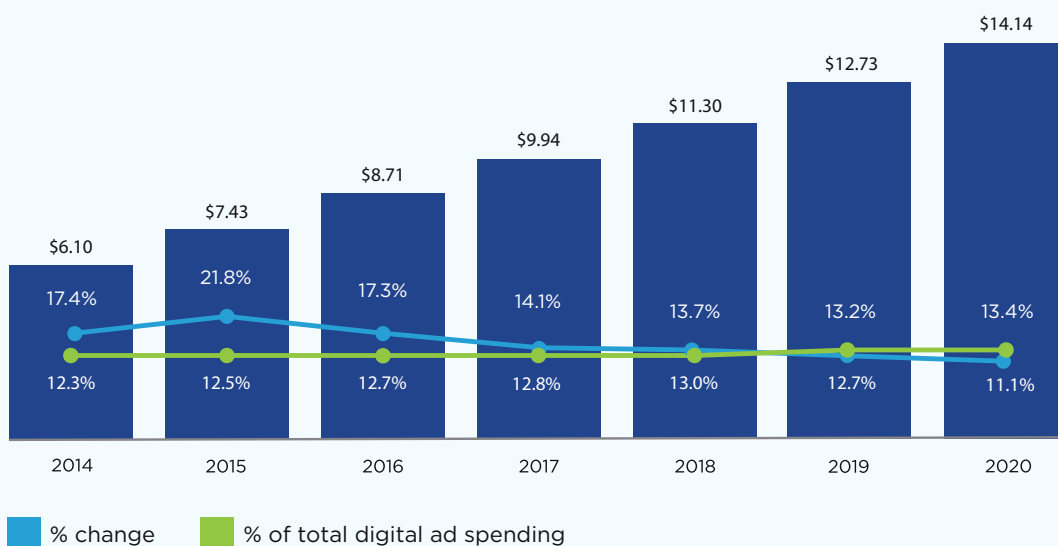
Auto dealerships are the ultimate destination of the consumer journey, when they are ready to make that next car purchase. Dealership and dealership group advertising is focused on capturing demand, while continuing to brand, and getting consumers to visit showrooms.

The three groups come together to wield an immense advertising budget every year and digital has been a growing piece of the pie for some time.

According to eMarketer, ad spending on paid digital media by the US automotive industry will hit \$8.71 billion in 2016, up 17.3% year-over-year. This figure will climb to \$14.14 billion by 2020, for a compound annual growth rate (CAGR) of 13.7% from 2015 to 2020.¹

US Automotive Industry Digital Ad Spending, 2014-2020

% change and % of total digital ad spending (in billions)



Note: CAGR (2014-2020) = 13.7%; includes advertising that appears on desktop and laptop computers as well as mobile phones, tablets and other internet-connected devices, and includes all the various formats of advertising on those platforms

Source: eMarketer, March 2016

The power of video advertising - the sight, sound and motion of it - has been critical to automobile companies since the advent of TV, and this continues today. Digital video (especially pre-roll) and the power of multi-screen mobility is a huge advantage to the auto industry and is being leveraged more and more every day.

Technology, video delivery and the shift in media consumption have changed the way in which virtually every industry advertises its products and services. We are experiencing a consumer shift that takes the traditional living room viewing experience and moves it anywhere and everywhere. Brands now need

to connect with consumers who are on-the-go by delivering content, literally into their hands.

The auto industry has recognized that consumer audiences are rapidly fragmenting across screens and devices, and has adapted to a steadily growing range of choices for watching video content. This paper will look at some of the challenges and opportunities auto advertisers have encountered as consumer attention continues to be split across more screens, seemingly every day. In addition, the focus will be more at the dealer and dealer association level, and how digital video is becoming more and more a part of their advertising strategies.



Challenges

Challenge: Changing Consumer Behavior

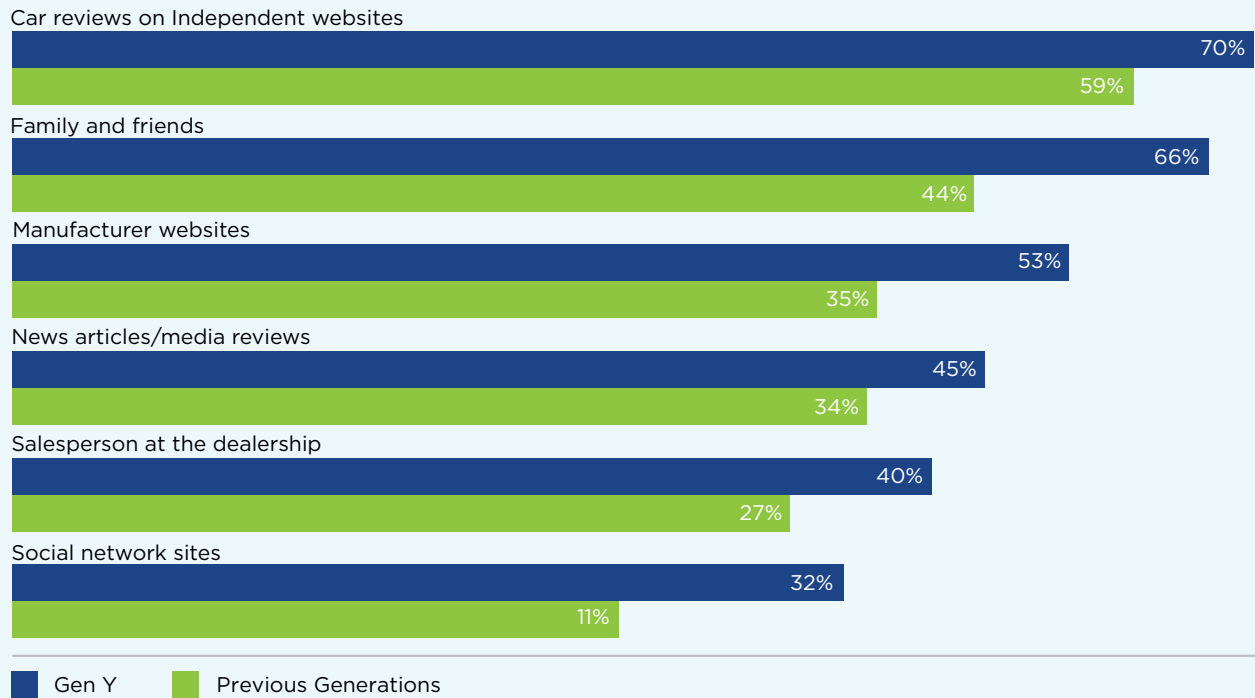
The auto industry is certainly not alone in the need to deal with rapidly evolving consumer behavior, but the challenge is more complex than for most industries. Virtually every industry has felt some impact on their marketing strategies and tactics from fragmented consumer attention across devices and mobile consumerism. However, the auto industry has also had to adjust to deep shifts in car buying behavior, driven by consumers' digital access to information. Several noteworthy consumer changes include:

- **The rise of the well-educated buyer.** Before today's car buyer ever steps foot in a dealership, they have done their research online or via mobile. In years past, car buyers 'researched' by visiting several dealerships, gathering information, and then making a decision. Today, they will typically walk into just ONE dealership, armed with all the info they need to negotiate and make a car buying decision. This process has been termed "showrooming" and has become more and more the normal buying process for today's car buyers.
- **Easy access to information.** The use of online resources like Kelly Blue Book, provide potential car buyers with pricing info not just from the manufacturer or even one dealer, but from multiple dealers. This empowers them to shop for the best price without needing to speak with a salesperson (the traditional source of price info) on a dealership-by-dealership basis.
- **Online 'dealerships.'** Today consumers can use 3rd party companies like TrueCar and Autotrader to avoid visiting a traditional dealership entirely.



Sources that Influence Car Purchases According to US Car Buyers, by Generation, Fall 2013

% of respondents in each group



Note: *born between 1977-1994

Source: Deloitte, *2014 Global Automotive Consumer Study, Jan 16, 2014

Challenge: The Millennial Generation

This new 'normal' in car buying is certainly a product of new technology and the proliferation of mobile devices, but it can also be tied to the coming of age of a younger generation and the ways they use technology.

Meet the millennials.

Adweek noted this trend as far back as 2013 and it hasn't slowed in recent years.

While such a mobile-heavy, privacy-envelope-pushing approach may make some brands

uncomfortable, the auto companies may have no choice, according to Clayton Stanfield, senior manager of dealer outreach for eBay Motors. That's because the millennial generation, the auto industry's next crucial target, lives this way.

Stanfield said that millennials won't tolerate the typical four-hour experience of buying a car from a dealer. They've done all the research on models, financing, etc., and they expect the experience to be quicker than the local salesperson wants. And they expect to be able to whip out their phones to comparison shop while they're walking the car lot. "There's a huge disconnect," said Stanfield.

- Clayton Stanfield, Adweek, 2013²

The millennial generation, which now makes up the largest population of any generation in the US, is also forecasted to be the wealthiest generation in history. Their buying power will easily outweigh the previous generation (Generation X), and according to the Deloitte research, in the next 10 years, 40% of all new vehicles will be sold to millennials, and they'll be buying cars for decades to come.

There is some research about this generation that suggests that they are less-concerned with purchasing a car than their predecessors. A study by Zipcar found that millennials are more inclined to use on-demand mobility services (ride sharing, car sharing, etc.) than other generations.



Key Findings

- The increasing availability of on-demand mobility services (such as car sharing, ride sharing and vehicle sharing) helps many Millennials drive less and makes it easier for them to live without owning a car.
- On-demand transportation options (transportation “apps”) have a greater impact on millennials’ driving decisions than on the decisions of older generations.
- Technology, especially mobile devices, is more important to millennials than a car.
- Traditional influences, like the high cost of car ownership and environmental concerns of driving, are compelling many millennials to drive less.

However, other data from Autotrader shows that as millennials get older they do tend to become car owners, much like their predecessors. In fact, 84% of older millennials own a car and while half of younger millennials don't currently own a car, 73% intend on buying one within a year or more.

More than any other generation, the millennial car buyer is driven by research, customer reviews and opinion, and feel. They don't want to be sold. They will make their choice to buy a car when they decide they need to, as a

car is not typically a want purchase for them. Although, this too may change as their annual income rises over the years and a car purchase can become more discretionary. When they do decide to buy, they tend to be brand and image conscious and, not surprisingly, they want all the latest technologies available in their chosen vehicle. Mercedes-Benz is one luxury brand looking to engage with millennials through the use of social media with their "MB Photo Pass" campaign through collaboration with videographers, photographers and a group of social media influencers.³



US Digital Ad Spending Share, by Industry, 2014-2020 *% of total*

	2014	2015	2016	2017	2018	2019	2020
Retail	22.1%	22.0%	21.9%	21.9%	21.9%	21.9%	21.9%
Automotive	12.3%	12.5%	12.7%	12.8%	13.0%	13.2%	13.4%
Financial services	12.4%	12.3%	12.2%	12.2%	12.0%	11.9%	11.8%
Telecom	11.2%	11.1%	11.0%	10.9%	10.8%	10.7%	10.6%
CPG & consumer products	8.4%	8.5%	8.7%	8.8%	8.9%	9.0%	9.1%
Travel	8.3%	8.3%	8.3%	8.2%	8.1%	8.0%	7.9%
Computing products & consumer electronics	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%
Media	5.6%	5.8%	5.9%	5.8%	5.8%	5.8%	5.8%
Entertainment	4.7%	4.8%	4.8%	4.9%	5.0%	5.1%	5.2%
Healthcare & pharma	2.8%	2.8%	2.8%	2.8%	2.9%	2.9%	3.0%
Other	4.8%	4.5%	4.3%	4.3%	4.2%	4.0%	3.9%

eMarketer, March 2016

Challenge: Navigating the Digital Marketing Ecosystem

Mastering the constantly evolving digital marketing ecosystem can be another tremendous challenge for any industry and perhaps especially those that continue to rely heavily on traditional media as well. Certainly the automotive industry has been at the forefront of adopting and using digital media. In fact, they rank just below retail as the biggest industry adopter of digital advertising according to eMarketer.

While the auto industry continues to be a huge player in digital advertising, it doesn't mitigate the challenge of constantly staying on top of

the always evolving digital arena. Recently, we saw a great example of how quickly the digital ad space can change, with the launch and immediate global success of Pokemon Go. The day before the launch, who would have guessed that in the span of a few days a new app could appear that would literally have as many daily users as Twitter? The closest example in traditional media might be a brand new show TV show premiering and becoming the most popular show on the air overnight, while at the same time engaging viewers in ways that no other show had ever successfully managed (maybe the launch of a show like American Idol is the closest associations and individual dealers may find this sort of speed of light evolution to be very difficult to manage).

Challenge: Driving and Measuring Performance

We have already mentioned that the auto industry covers the full range of marketing initiatives from branding to demand generation. One of the biggest challenges facing dealers and dealer associations is leveraging digital to drive consumer action – with the end result being to produce an offline visit to a showroom to buy a car. Connecting the dots from an online video ad to an activity that happens offline has always been a challenge for advertisers. Auto advertisers in the Tier 2 and 3 groups need to measure the results of their ad spend in tangible ways, tracking toward a mix of online and offline key KPIs like:

- Website visits
- * Online inventory searches
- * Dealership visits
- * Service department visits
- * Car sales (the ultimate goal)

The ability to measure these types of metrics and attribute them back to specific advertising activities is critical, so working with partners who can deliver this kind of tracking provides a huge benefit, especially in the realm of campaign optimization.

Supporting evidence from Dealersocket concludes that traditional marketing (radio, billboards, TV ads and even tent sales) struggles to deliver the ROI it has in the past. Particularly in the pre-owned auto market, their research indicates that digital marketing generates a significantly higher profit margin on each sale. DealerSocket data shows that:

“It costs \$150 of digital marketing to sell one car. Compare that to \$1,581 of traditional media. If you stick with conventional methods, you’ll pay 10 times more than necessary.”⁴

Opportunities

Opportunity: Engaging Consumers on Every Screen

That ever more fragmented viewing audience, that now watches video ads on their TVs, laptops, tablets, and smartphones is now reachable literally everywhere they go.

Whereas automobile advertisers were once limited to the home TV screen to deliver video content, now they have the ability to provide engaging video content to consumers on the move. The multi-screen environment also offers opportunities to tailor video messaging to each type of screen and potentially to where the consumer is watching content as well as using audience targeting to ensure relevant content is being delivered to each viewer.

In the new auto buying model, where consumers do the majority of their research before visiting a showroom, dealers can use digital and specifically digital video to not just provide information, but to build rapport with consumers and help lead them to visit the dealership in a buying mode. Increasingly, consumers are also engaging in simultaneous, multi-screen viewing (watching a TV commercial in their living room, while also navigating the web on their tablet or smartphone). The ability to ensure that a TV commercial can lead a consumer to visit a website and that the content on the site will tie in to what they have just seen on TV empowers auto advertisers to engage with their audiences in powerful ways.



Opportunity: Interactivity and Engagement

Digital video delivers a unique level of interactivity that can drive consumer engagement like no other marketing medium. Interactive ad units can easily and seamlessly take a consumer from a video ad to a dealer's website to search available inventory, schedule a service appointment, or a host of other activities. With today's consumer doing the lion's share of their product research before they set foot on a dealer's lot ("showrooming," as mentioned before), interactive ad units offer the ability to make that research process easier for the consumer and lead them toward a particular dealership.

Digital video also generates engagement like no other medium as there is nothing quite like a high quality video to engage a consumer, especially when they are holding that video in their hands. Automotive brands love video because car buying and ownership represent such a lifestyle choice for many consumers. Giving a potential buyer easy access to a view of the car's interior or to explore every aspect of its features and performance can help influence the consumer to go to the dealer and actually step into that car.

The only thing missing from a well crafted video ad is that new car smell, and knowing the innovative nature of the digital advertising industry, you just never know when that might be the next innovation.

Opportunity: Measuring Performance

Digital has always offered the ability to track a variety of performance metrics more easily than traditional marketing mediums. But, even that tracking has evolved over the years, allowing advertisers to gain more insight into how a digital ad can help push consumers to take action. One of the most significant developments is the trend away from a "last click wins" approach in analyzing performance metrics. Automobile companies have always known that there are many touch points during the consumer journey from initial awareness to actually buying a car. Today's buying process has shifted much of that journey online through the researching phase. This enables auto advertisers to measure the performance of their digital ads in new ways, beyond simply tracking clicks. **Now advertisers will track users who viewed an ad (especially a video ad) and did not click, but later visited a website to find more information and continue their customer journey.** This 'view-through' tracking has led many advertisers to also develop more complex attribution methodologies that help reveal key metrics like cost-per-action (CPA) where they may attribute varying degrees of credit to different advertising touch points during the process. Digital has helped advertisers widen their view of the entire marketing funnel and identify how different ads can play key roles like introducers, influencers and closers as part of the overall consumer engagement.

Opportunity: Creating the Educated Buyer

In general, consumers today are more educated than ever before. The resources that they have to pull from are vast and offer a mix of hard data, advertising content, consumer opinion, and third-party reviews. Since consumers are actively educating themselves and taking advantage of many sources of information along the way, automobile companies have the opportunity to become a key part of that process. Potential buyers want to gather a lot of information and there is simply no doubt that video content is a huge part of that research. Engaging, high-definition video that lets users truly explore the car of their dreams can be a major factor in their decision process. By making it easy for consumers to complete a good portion of their research through the advertiser's own websites or interactive ads can begin building rapport that can translate to a purchase decision.

Opportunity: Audience Targeting

Digital advertising offers the ability to target consumers in ways that no other medium can easily match.

Targeting the auto buying consumer can also happen through each phase of the buying cycle, from dreaming and researching to deciding and buying – and each is a perfect fit for digital video. Beyond behavioral targeting, digital advertisers can also target their audiences geographically, down to the zip code level (not to mention various proximity based targeting capabilities available on mobile devices). This type of tight geographic targeting is a boon for dealerships and dealer associations that may only want to reach an audience within a certain radius around a dealer location or group of locations. For example, if a dealer is running a special on oil changes, they can target an audience within a certain zip code around the dealership to drive consumers into the service department immediately.



Best Practices/Tips

The auto industry is already using and experiencing the benefits of digital advertising and digital video to engage potential buyers. Here are some best practices to consider when looking at launching a new digital video campaign:

- * Make use of various types of audience targeting available in digital marketing. Whether it is behavioral targeting, identifying buyers in different phases of the customer journey or geo-targeting to ensure you are only reaching consumers who are near your dealership, effective audience targeting can improve the performance and ROI of your campaigns.
- In a perfect world, high definition video created specifically for digital is the best way to engage consumers. However, if you're just now beginning to test digital video advertising, repurposing your TV ad content can be a great way to get started.
- Your website should provide a seamless transition for consumers who viewed your video ad. Make sure when they click on an ad, the website picks up where the video left off. Deliver more of the same type of content that drove their initial interest.
- Think CVR (Completed View Rate) instead of CTR (Click Through Rate) and make sure you are tracking view-through activity to your site (consumers who viewed an ad, did not click, and later visited the site).
- Start optimizing for millennials. Ensure that mobile is a major part of your video advertising strategy and use short, snackable videos to grab their attention.





The Publisher Perspective

What digital publishers should know to better appeal to auto advertisers.

- The auto industry is one of the biggest advertisers in digital. Look for ways to identify and highlight potential auto buyers from your audience and make them easily available to advertisers.
- Remember that automotive advertisers across each of the three tiers have different objectives and consider how to highlight your inventory and how it can match up with each one.
- Highlight your millennial audience. The recently crowned 'largest generation' represents a major opportunity for auto advertisers. Help them connect to this younger audience.
- Focus on interactive ad units. These units have tremendous potential for auto advertisers. If you don't already offer interactive ads on your site, this might be a good time to consider your options.

Conclusion

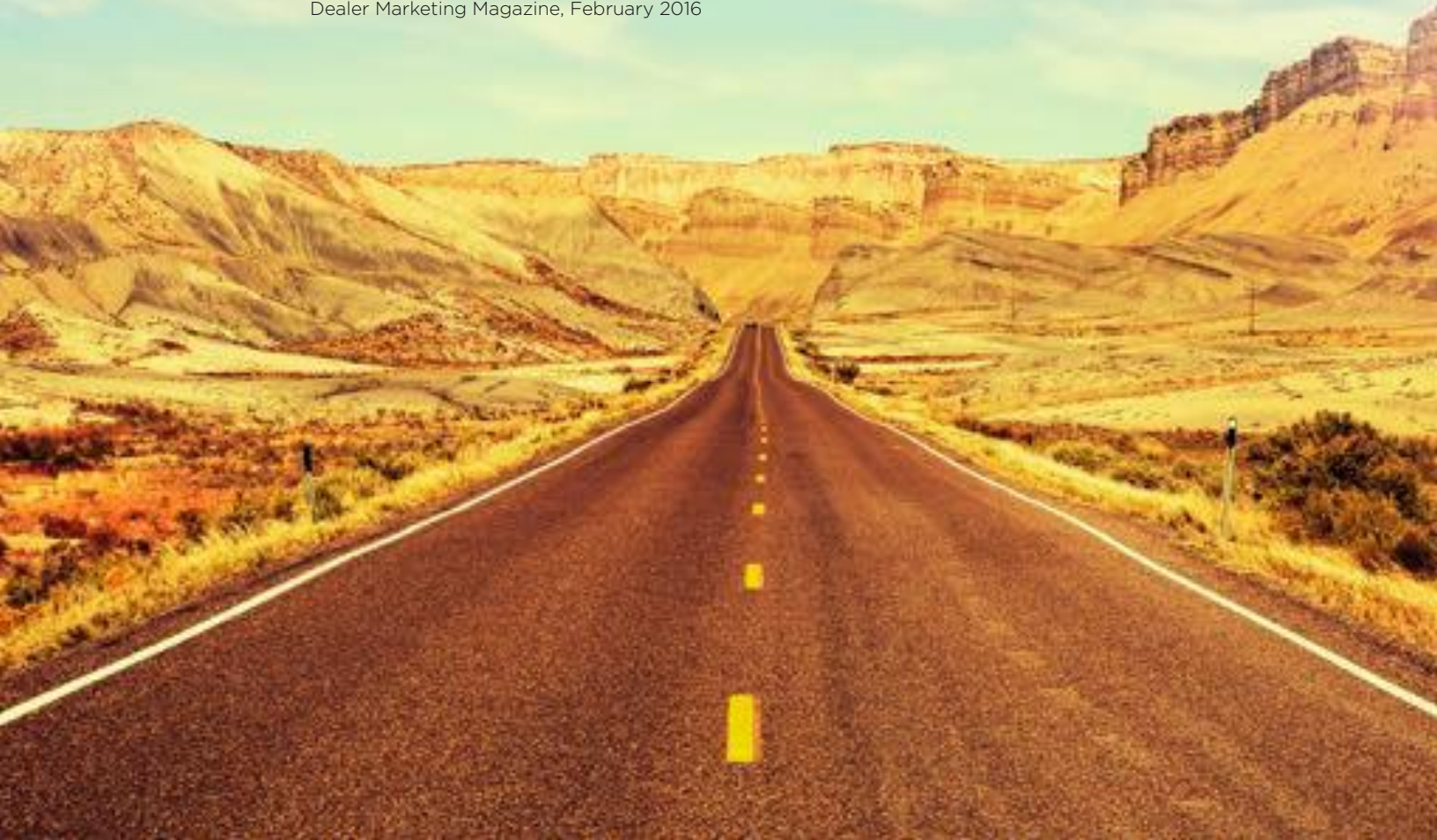
The automotive industry is already one of the leaders in leveraging digital video and cross-screen advertising, and the potential to continue leveraging the medium in new ways grows every day. As an industry that truly combines online and offline advertising it has the ability to take advantage of the best of both worlds.

The potential for advanced digital targeting and measurement is tailor-made for the various tiers within the auto industry, providing each one with capabilities that aren't easily matched by any other medium.

With the evolution of the car buying process, companies that make the best use of a combination of traditional and digital video advertising are definitely in the driver's seat when it comes to adapting to the emerging millennial buying market today and in the years to come.

Endnotes

1. US-Auto-Industry-Middle-of-Robust-Digital-Ad-Spending-Growth, emarketer.com, June 8, 2016
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3. Mercedes-Benz Uses Influencers to Reach Millennials, Digiday, August 2016
4. DealerSocket Data Reveals 5 Untapped Strategies to Acquire More Used Car Customers, Dealer Marketing Magazine, February 2016



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