
Rethinking Online Media Attribution

Data Mining Suggests Ad Spending is Misdirected



Tradition & Change

Introduction

Just as the automotive industry responded to the forces of the Industrial Revolution and then the Information Revolution, it is now responding to tectonic shifts created by the new digital marketplace. The automotive purchasing experience has been in full flux, from hard line sales tactics and data offered on a need-to-know basis to the exchange of information and *transparency* as dealers and manufacturers each move their attention past the “sale” and onto the value inherent to cultivating lengthier and deeper customer relationships in a highly competitive landscape.

Already in motion was a migration from mass marketing to direct marketing. In recent years, blogs, consumer reviews and influencers have replaced mass-market advertising as the medium through which consumers gain awareness and knowledge of the brands, vehicles and dealerships that could match their purchasing interest. Now armed with the resources of the internet, consumers are collecting increasingly deeper information about their purchasing options. Particularly in the midst of a recessionary period, they are placing emphasis on approaching their automotive purchases as an analytical decision, taking time to gather data and study their options. Today, over 90% of automotive consumers begin their search online.¹ Many complete their entire buying cycle in the cyberspace world and nearly one-third of autos purchased today are a direct outcome of internet-generated leads.²

Trends indicate that digital marketing is only growing—recent research suggests that ad spend for the automotive category is projected to increase by \$3.7B in 2012, with 90% of this increase going toward online media.³ Dollars are flowing, and tomorrow’s successes and failures will be determined by how well dealers and OEMs navigate the online tide. So how do dealers today determine how to allocate their budgets in this rapidly moving space?

This study examines trends in automotive marketing and evaluates the direct and indirect value of the primary online options to help dealers better interpret how they might best allocate their advertising spends.

Methods of Analysis

Dataium's Approach

This study was commissioned by Cars.com, a leader among the online automotive marketplace websites and conducted by Dataium, the largest aggregator and single source of observed online auto shopper behavior. The aim of the study was to quantify the value received by dealers from their primary digital marketing channels. It is the most comprehensive study of its kind ever performed, spanning a six-month period from January to June 2012 and measuring activity on Dataium's network of over 10,000 dealership websites, car manufacturer websites and select third party sites. For more information on Dataium's partner network, visit: <http://www.dataium.com/partners/>.

During the study, Dataium analyzed the online behavior of more than 20 million automotive shoppers per month, as well as budgetary data from hundreds of automotive dealerships, in order to gain a clear picture of the traffic patterns, email lead conversion activity and value received by dealers from their primary digital marketing channels.

This industry snapshot indicates that, on average, over 40% of dealers' marketing and advertising budgets today are digital, allocated to three major categories:

- » Paid search engine marketing (SEM): 22.9% of total marketing and advertising budgets; 55% of digital
- » Advertising on automotive marketplace websites: 10.3% of total marketing and advertising budgets; 25% of digital
- » Other digital advertising such as social media and local market banner advertising: 8.5% of total budgets; 20% of digital

This paper examines some of the trends in motion around digital marketing and focuses especially on the quantity and quality of traffic dealers receive from the two dominant categories: paid SEM and automotive marketplace websites. It should be noted that there are many ways to measure and attribute value and not all marketing investments can or should be measured in terms of traffic to a dealership's website, the consumer activity that occurs in that environment or the email form leads sent to the dealership by those visitors. However, this study represents one of the largest and most comprehensive efforts to date and is among the first of its kind to capture consumer activity that occurred prior a direct URL referral.

A Perspective on Change

The Evolving Automotive Purchase Funnel

Recently there has been a lot of discussion in marketing circles about the evolving nature of the purchase funnel. The traditional concept, once the dominant mode of thinking, aligns marketing and advertising spend to the consumer's journey through various stages of product and company awareness, consideration, preference and ultimately action—the sale and loyalty.

Recognizing an explosion of marketing channels and opportunities for digital interaction, however, many today challenge that these stages of consumer experience are not what they once were and that the linear purchase funnel might no longer even be applicable.^{4,5} It is undeniable that the ways that dealers and OEMs reach out to consumers have changed and equally apparent that consumers are changing how they wish to interact with dealers and OEMs.

Given the myriad choices to engage with consumers while they are involved in pre-purchase research and shopping activities online, automotive marketers today are allocating budget especially to paid search engine marketing (SEM) and to the collection of industry research and inventory websites referenced as “online automotive marketplaces.” Social media generates much interest as well, but research on social media still demonstrates that its value to dealers in driving sales is unproven.⁷ Consumers originating from either search engines or automotive marketplaces have proven to be more engaged and aware of their shopping options than visitors coming from social media.⁸

So, what does the data indicate about the two top digital marketing forces—paid SEM and the automotive marketplace sites? The next sections explore the data further.

Key Digital Forces

Search Engine Marketing

When used most accurately, the phrase “Search Engine Marketing” or “SEM” is an umbrella term that covers multiple tactics for gaining visibility and traffic from the browser-based search engines such as Google, Bing, Yahoo!, Ask, MSN and AOL.

These include:

1. Search Engine Optimization (SEO) – achieving natural or organic listings on search engine results pages for free traffic and
2. Paid Search Advertising – paying, typically on a per-click basis, for sponsored listings on search engine results pages.

As an advertising option, many marketers connote paid SEM chiefly with paid search advertising. In this paper, since the research approach offers no visibility into the industry’s SEO activity, the same has been done for the purposes of this paper—references to paid SEM are effectively equivalent to referencing paid search advertising.

Dataium’s analysis found that dealerships typically invest between \$2,000 and \$20,000 in paid SEM monthly, varying depending upon brand/make, size, market and other factors. With an average investment of 55% across dealerships, this form of advertising is presently the single largest component of the automotive dealership digital budgets evaluated by Dataium. SEM is capable of creating many search results page impressions and linking consumers quickly to OEM and dealership websites.

Using modern website analytics, SEM is also highly measurable. Organizations employing SEM can readily ascertain the source, browser, geography, time and frequency of their visitors, their page views, their length of stay and other statistics. To fully interpret the “true” effectiveness of paid SEM, though, it is also necessary to consider that there are different types of search engine activities and that the different types of search engine activities are prone to deliver different qualities of traffic to dealer websites.

Dataium’s analysis indicated that over the study period, an average of 38% of dealers’ total website traffic originated from search engines. Of that search engine traffic, 83.2% was associated with organic search listings and 16.8% was from paid search ads. Applying these breakdown percentages to dealers’ total website traffic indicates that approximately 32% resulted from organic search listings while just 6% resulted

from paid SEM. Stated from a broader perspective, 55% of the typical dealer's digital budget appears to drive only 6% of their total website traffic.

Also worth considering is how the consumer's intent affects the analysis. 78.6% of the search terms evaluated during the study period represented chiefly a variation of the dealership name (i.e. Name+Location, Name+Brand, Name Only), while only 21.4% contained more descriptive content (i.e. Make, Make+Model, Competitive Dealerships, Location). Filtering out the 78.6% of traffic the typical dealer receives using some variant of the dealer name—traffic that should theoretically be free via organic search listings—and considering just the portion of traffic that involves more descriptive, non-dealership name search terms, 1.3% of the traffic from paid SEM remains.

Compounding matters even further is that *less than 1% of paid SEM traffic converts to leads* on dealership websites, further calling into question the rationale for the option's 55% share of dealers' digital budgets.

So taken in full context, while SEM helps consumers locate dealers quickly and can be a considerable source of traffic when the shopper knows the dealership they are searching for by name, the facts collected by Dataium provide ample reason to question how much *value* automotive dealers and OEMs are truly deriving from search engine marketing.

Key Digital Forces

Automotive Marketplace Sites

Just as the market seems to perceive SEM as the major traffic generator in the digital marketing environment, it appears to recognize automotive marketplace websites as the source for higher quality consumer engagement. The content-rich online automotive marketplace includes such websites as Cars.com, AutoTrader.com, KelleyBlueBook.com and Edmunds.com and represents 25% of dealers' digital budgets.

As described in earlier sections of this report, more than 90% of car shoppers today begin their research on the Internet while searching for a new car.⁹ Consumers are clearly placing greater emphasis on pre-purchase, off-lot information such as vehicle configurations, vehicle and dealership reviews and expert commentaries.

This steady flow of digital consumer behavior reflects how the conceptual model of the purchase funnel should be altered to include consumers' growing preference for these online activities—it is a less linear and more complicated process. Data shows that automotive marketplace websites are consumers' best option today for efficient and effective research and that these sites deliver prospects set to travel much more quickly and confidently through the final stages of an automotive purchase. For example, visitors who utilized automotive marketplace sites converted into leads at an 8% rate on dealership websites—over 10 times that observed from visitors generated by paid SEM.

From a marketer's standpoint, automotive marketplace sites represent a strategic opportunity for dealers to create an "upstream" impression that influences consumers before their opinions, preferences and intentions are cast, priming those consumers for rapid movement through the later sections of the purchase cycle.

The quality of these websites is evident not only in comparison to paid SEM, but in comparison to other channels as well. For example, Dataium analysis found that the average number of page views from visitors originating from automotive marketplace sites during its study period was nearly 2.5 times greater than visitors from social networks.

Detailed metrics indicating how automotive marketplace sites influence consumers on dealership websites are less readily available to dealers than other channels (such as SEM), chiefly because online marketplace sites have a more complex relationship with consumers. Whereas the links between SEM, the consumer and the dealer are deliberate and clear cut (it is in fact the principal purpose of SEM to link the parties),

the relationships between the automotive marketplace sites, consumers and dealers are more sophisticated.

Dataium research into consumer interaction on dealership websites indicates that automotive marketplace sites might not always provide a direct link by which consumers connect to their site because consumers often visit online automotive marketplace sites *before* they decide to find dealer sites through a search engine.

The impact of automotive marketplace websites cannot be accurately measured strictly on the basis of visitors who link directly from these sites to dealership websites; to gauge the full impact of these sites, one must also account for their “indirect” traffic—i.e., those automotive marketplace site visitors who eventually visit dealer websites, but not via a direct link from an automotive marketplace site.

When Dataium analyzed the leads on dealership websites generated by visitors from automotive marketplace sites, it found there were nearly as many leads stemming from indirect traffic as there were from direct traffic. This reinforces that the automotive marketplace has been influencing consumers in ways broader than simply linking them to dealer websites. Dataium’s interpretation is that many consumers are seeking information from the online automotive marketplace *while* they are evaluating vehicles—before they determine how they want to proceed.

With the increasing importance of pre-purchase activity in today’s automotive purchase funnel, the strategic value of the online automotive marketplace seems clear. Today’s dealer should carefully examine how they are allocating budget between the online automotive marketplace and paid SEM to ensure that they are budgeting increasing dollars toward the higher quality channel.

Driving Digital Value

Differentiation in the Automotive Marketplace

If the Dataium analysis demonstrates that more resources should be invested “upstream” in the digital automotive marketplace, what might be the best opportunities to do so? Digging further into the data, Dataium’s assessment indicates that among automotive marketplace websites, Cars.com delivers the highest quality visitors to dealership websites, with significantly higher direct traffic-to-lead conversion rates than its competitors.

According to the data from Dataium, in the 6 month period between January 2012 and June 2012, Cars.com produced over 6 million direct consumer visits to dealership websites—over 1 million visitors per month.

12.5% of the 6 million Cars.com visitors, approximately 750,000, clicked from Cars.com directly to a dealership website and filled out an automotive form lead on that dealer site in the same browser session as their visit to Cars.com—meaning that on average Cars.com *directly* contributed to 125,000 automotive leads submitted on dealer sites each month.

In addition, 9% of these 6 million consumers, approximately 540,000, clicked from Cars.com directly onto dealer websites and filled out an automotive lead during a subsequent visit to the dealer site. Those leads were additive to the leads described in the preceding paragraph.

Taken together, approximately 21.5% of visitors linked from Cars.com onto dealer websites generate leads, either in the session that they transferred to the dealer website, or in subsequent sessions.

Dataium separately analyzed the *total* traffic to the same sites described above and found that *about 36% of all leads those dealers received* were from visitors who had Cars.com somewhere in their browsing history. These leads either came as a result of a direct visit (the 21.5% defined above) or from a shopper who had visited Cars.com earlier in the buying cycle and then, at a later time, entered the dealership website through another source (an additional 14.5%).

So why was there all this activity from Cars.com? The main differentiating factor between Cars.com and other automotive marketplace sites such as KelleyBlueBook.com, Edmunds.com and AutoTrader.com, seems to be differences in the consumer experience. Where Cars.com offers resources for the shopping process

from start to finish, including research, comparisons, pricing, inventory and reviews, other automotive marketplaces may attract visitors for specific components of the process (to obtain a Kelley Blue Book Value, for example) or for activities beyond purchasing a vehicle (e.g. to use AutoTrader's Trade-In Marketplace). While these sites are still highly valuable in moving visitors into a purchasing mindset, Cars.com's "one-stop-shop" format could explain the site's performance in the study.

Dataium's study found that the average direct visit-to-lead conversion rate for Cars.com was 12.5%—over 40% higher than the average of 7.3% achieved at other automotive marketplace sites. Visitors from Cars.com logged more than 11 page views per visitor—over 2.5 times the average across other automotive marketplace sites. Further, visitors from Cars.com viewed over 3 times the number of vehicle detail page views than the average of its competitive set.

The analysis also reinforced that Cars.com shoppers appeared *closer to conversion* than shoppers who had not been to Cars.com. For example, Dataium's figures indicated that consumers who visited Cars.com were 70% more likely to click on a map, review directions or look for business hours on dealership websites—key "Walk-in Indicators" reflecting purchase intent. In-market shoppers visiting Cars.com were more than 8.5 times more likely to submit a lead on a dealership site than shoppers who had not been to Cars.com. In addition, those Cars.com shoppers who submitted leads at dealer sites did so on average within 48 hours—4 times faster than the 8-day average exhibited by consumers who had not been to Cars.com.

Overall, Cars.com outperformed the other automotive marketplace sites across a wide variety of measures and delivered a high quality, informed and motivated audience.

Digital Forces

Putting it all in Perspective

After examining the data and considering trends, it is difficult to reach any conclusion other than that dealers need to become more invested in the engaging pre-purchase aspects of the digital automotive advertising market. The consumer's desire for greater information and more transparency, along with compelling statistics related to online automotive marketplaces' efficiencies in engaging consumers "upstream" vs. in the final moments of their purchasing activity, all corroborate this study's conclusions.

Currently, budgets reflect especially strong emphasis on search engine marketing. However, the reality of search engine marketing is that dealers may be misinterpreting its value, or even usage by the consumer. Paid SEM's potential for influencing sales appears overstated.

This is not to suggest that dealers should totally withdraw from paid SEM, but to underscore the importance of increasing allocations toward the automotive marketplace sites. Intelligently designed digital marketing budgets should be aligned with the priorities of the customer. There are meaningful, under-leveraged opportunities today to reach this emerging, growing and information-seeking consumer segment.

The astute marketer will benefit from increasing their presence alongside the consumer "upstream". By investing into the online automotive marketplace, they can be more successful with the increasing number of fast-moving, data-centric consumers who represent the face of change in the new digital marketplace.

References:

- *All Data Cited in this White Paper* is original research based off information provided by **Dataium Corporation** (Nashville, TN), apart from material cited below:
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