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How Radio Can Rope a Larger Share of \$9.5 Billion in Car Dealer Advertising.

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Business at many car dealer showrooms slowed to a crawl or stopped altogether when pandemic lockdown measures went into effect last spring. As the auto industry rebounds in 2021, there are “great opportunities on the horizon for broadcasters,” according to John Tkac, Automotive Expert for

Local Broadcast Sales (LBS), which provides sales training and marketing solutions for broadcasters.

During an hour-plus webinar last week, Tkac explained how brick and mortar auto dealerships possess attractive competitive advantages over their growing online retail competitors, such as Carvana, Vroom and CarMax. Local radio and TV stations that show dealers how to promote their unique selling propositions stand to boost their share of the projected \$9.5 billion to be spent on auto dealer advertising in 2021.

During the webinar "Relief and Hope For Local Auto Dealers," Tkac made the case that despite a 13% decline in total light vehicle sales in 2020, the year wasn't as bad as you might think. Individual car sales at local dealerships were down a less severe 8%, while fleet sales to car rental companies and other businesses tumbled 43%. Meanwhile, the number of dealerships increased slightly in 2020, in sharp contrast to the economic downturn of 2008-2009 when about 5,000 auto dealerships closed shop. "Dealers still sensed there was a market out there," said Tkac. "They realized they could sell a bunch of vehicles even during this terrible pandemic."

With the average vehicle on the road now more than 12 years old, Tkac predicted that "pent-up demand" to replace aging vehicles will lead to explosive sales not seen since the industry came out of the Great Recession more than a decade ago. "That's going to be happen again and you need to be positioned to take advantage of that," he said.

Growth Areas: Trucks, Luxury Vehicles

When pitching automotive accounts and prospects, broadcasters need to focus on two key growth areas: trucks and luxury vehicles. In the truck market, there is a major battle waging among Ford, Ram and Chevrolet, while Mercedes Benz, BMW and a struggling Lexus are duking it out in the luxury sector. With the average price of a new vehicle hitting record highs, the certified pre-owned (CPO) market is also heating up as shoppers seek out affordable alternatives. According to Edmunds, CPO sales will explode through 2022 and should reach 5 million.

Meanwhile, rebates, dealer cash and interest rate deals are still a big part of automotive marketing and broadcasters should inquire about all three when discussing advertising with dealerships, Tkac said.

How much money is on the table? Total U.S. auto dealership ad expenditures are expected to reach \$9.5 billion in 2021, up from \$9.25 billion in 2020. This represents out of pocket money from local dealerships, not ad spending by dealer associations or automakers. "Most of the dealers I've talked to are very optimistic about 2021," Tkac said.

Of 2020's more than \$9 billion pie, internet captured the lion's share (56%), followed by TV (14.5%), radio (10.3%), direct mail (8.3%), print (5.9%) and what is classified as "other" (4.9%).

Another crucial metric in auto advertising is Cost Per Vehicle Retail (CPVR), which refers to how much a dealer spent on advertising per vehicle sold. The national average is \$398. Tkac suggested ad sellers ask dealers about their CPVR and suggest ways they can reduce it by making more efficient use of

their ad dollars.

Crafting Effective Creative

The webinar also offered suggestions for crafting effective auto ad creative with Tkac identifying four essential elements to include in any dealer spot: Price, selection, unique selling proposition and a prominent and easy internet locator or URL. In a radio ad, the URL should be mentioned at least three times, he said.

McKinsey recently interviewed U.S. consumers in the market for a new vehicle and uncovered a raft of advantages that brick and mortar dealers can use to position themselves against Carvana and other online retail competitors. Six in ten (62%) said they wouldn't buy a vehicle without a test drive, 52% indicated they can't trust the quality of a vehicle unless they see it in person, 46% said it's hard to know exactly what you are purchasing online, 45% said they wanted to test drive multiple vehicles, and 31% said it's more difficult to return a vehicle purchased online if there is a problem.

"The dealer has some unbelievable advantages and all they have to do is stand on the rooftop and shout to the consumer what these advantages are," Tkac said. "How do you shout the loudest? Broadcast radio and television."