

Global Intelligence

Automotive Adspend Forecasts

In the first of a series of reports dedicated to different categories, we take a look at the automotive industry, its advertising market, and the unique marketing challenges it faces.

The automotive industry faces substantial disruption over the next few years as it copes with more technological change than many other industries. The auto industry has traditionally been slow to adapt, but is now being forced to respond to evolving consumer needs and advancements in technology. Brands are having to rethink the types of model they produce, the technology they include, and the way they communicate with consumers. They are building a new approach to paid advertising to cope with the declining reach of linear television, traditionally by far the most important channel for auto advertisers, and take advantage of emerging channels online, where consumers are conducting more research than ever.

Automotive brands face several key challenges. The rising demand for SUVs has sparked heavy competition to supply them, requiring brands to carefully assess the marketing they put behind each model. Government intervention and consumer demand are forcing brands to invest properly in green technology. And new models of ownership are challenging auto brands to prove their relevance to younger consumers, who may be putting off

permanent car ownership for years. These challenges are forcing brands to thoroughly reassess their marketing communications and paid advertising.

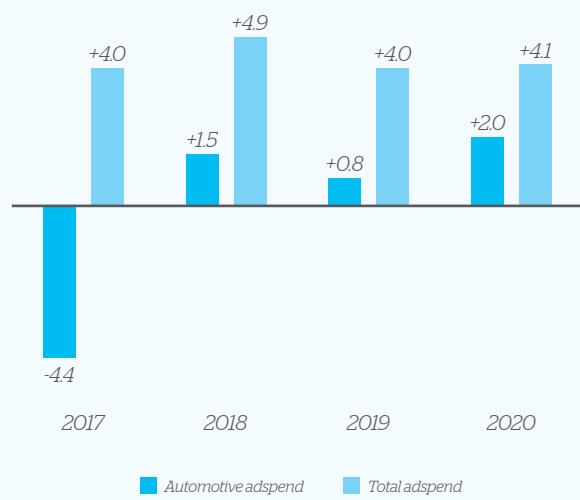
Auto advertising lags the market as a whole, as brands grapple with disruption

To better understand the automotive industry, we have conducted our first exclusive survey of automotive advertising in 14 key markets across the world, as an extension of our regular *Advertising Expenditure Forecasts*. We calculate that automotive advertising expenditure totalled US\$35.5bn across these markets in 2018, up 1.5% on the 2017 total. We then forecast 0.8% growth in automotive adspend in 2019, and 2.0% in 2020. Auto manufacturers are expected to have a tough time increasing sales in 2019, with the trade war between the US and China and the possible imposition of car import tariffs in the US making it more expensive for manufacturers to source raw materials and parts, as well as sell across borders. In 2020, though, events like the Summer Olympics in Tokyo and the UEFA Euro 2020 football championships taking place across Europe will provide valuable showcases for auto advertising.

In each year we expect automotive advertising to grow more slowly than advertising as a whole, which has happened every year since 2015. Automotive brands are particularly dependent on television advertising, and the ongoing declines in linear TV ratings have left them with higher prices and lower reach. Meanwhile they have found it more difficult than brands in many other categories to make full use of the possibilities of internet advertising because almost no one will finalise an auto purchase online.

This research covers Australia, Brazil, Canada, China, France, Germany, India, Italy, Russia, South Korea, Spain, Switzerland, the UK, and the USA. Between them these markets account for 74% of all car sales by volume, according to the International Organization of Motor Vehicle Manufacturers, and because many of these are wealthy and mature markets, their share of sales by value will be even higher. They also account for 76% of global adspend across all categories, so advertising trends in these markets are representative of trends worldwide.

Growth of automotive adspend and total adspend 2017-2020 (%) – 14 key markets



Source: Zenith



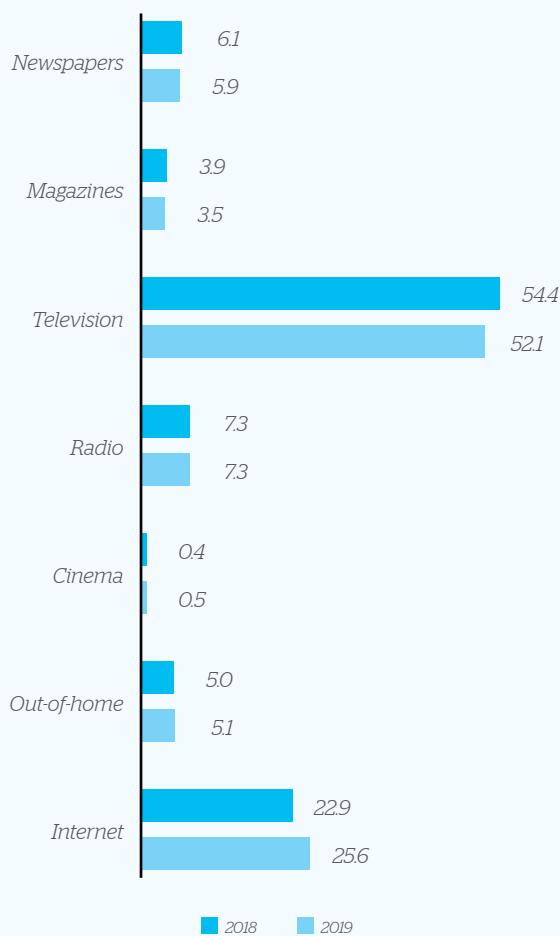


Television dominates auto advertising, but internet ads are growing fast

More than 50% of all automotive advertising expenditure goes to television – 54.5% in 2018, well above the 32.9% global average across all categories. Television remains the best channel for conveying emotional brand images and sustaining them over time. However, television ratings have been falling in most developed markets for some time, pushing up the prices of the remaining audiences. Up until 2017 automotive advertisers responded by increasing the share of their budgets allocated to television, cutting back on their spend on secondary media to concentrate on the most important. We estimate that television's share of automotive adspend fell from 54.9% in 2017 to 54.4% in 2018, however, reversing this trend, and we expect its share to fall further to 52.1% by 2020. Brands have been shifting more of their budgets to internet advertising, which – to be clear – includes advertising on all the online video services that deliver television-like content over the internet. Auto brands are some way behind the market as a whole in embracing internet advertising, though, spending 22.9% of their budget online in 2018, compared to the global average of 40.6%. The fact that sales are almost exclusively finalised offline makes it more difficult for auto brands to optimise their online activity for sales than for brands in many other categories. Consumers now conduct much of their research and consideration of auto brands online, however, so it's important for auto brands to maintain a strong online presence so they can reach consumers at this key phase in the path to purchase. We forecast the internet's share of automotive adspend to rise to 25.6% by 2020.

Apart from print, which continues to suffer from the ongoing decline in circulation figures, the rest of the traditional media are holding on to automotive advertising pretty well. We expect radio, cinema and out-of-home to either maintain or fractionally increase their share of automotive advertising between 2018

Share of global automotive adspend by medium (%)



Source: Zenith

and 2020. Radio – which many consumers experience in their car – works particularly well for automotive brands, attracting 7.3% of auto adspend, compared to 6.0% of adspend across all categories globally.

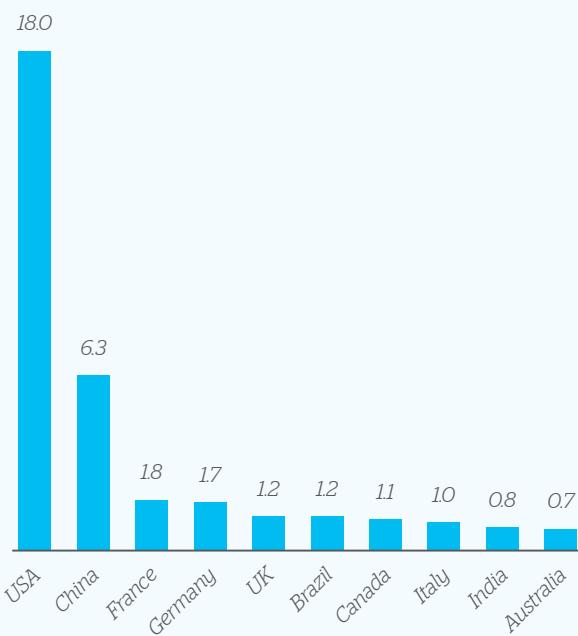
The US leads spend, while India leads growth

The USA is by far the biggest auto market in this report, spending nearly three times more than the next-biggest market, which is China. US adspend by auto brands has been in decline since 2012, however, with a 12% decline in adspend between 2012 and 2018. Meanwhile auto adspend in China grew 47% over this period.

We forecast India to be the fastest-growing auto ad market between 2018 and 2020, with average growth of 12.8% a year, supported by rising personal incomes, new financing opportunities and subsequent double-digit growth in vehicle sales. We also expect strong 8.0% annual growth in Brazil, despite its economic and political turmoil, as the industry recovers from a very sharp decline from 2013 to 2017.

Top ten automotive ad markets

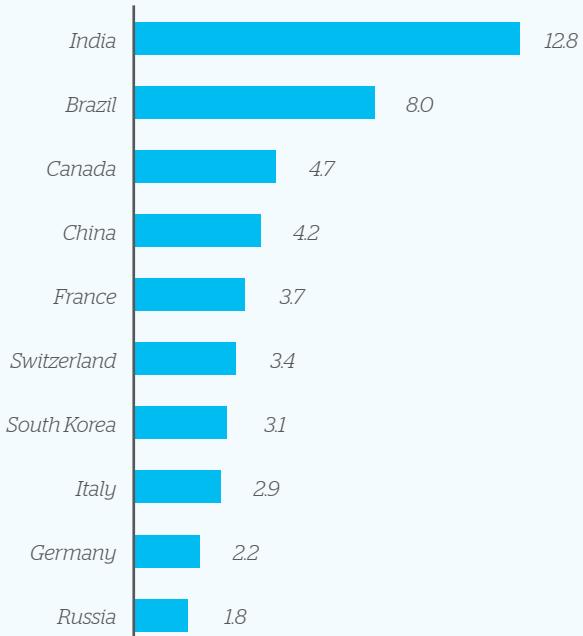
US\$bn, current prices. Currency conversion at 2017 average rates



Source: Zenith

Fastest-growing automotive ad markets

Average year-on-year growth 2018-2020 (%)



Source: Zenith



The five trends shaping automotive marketing today

SUVs are in hot demand

Auto consumers are becoming more and more demanding in what they want from their vehicle, requiring key features ranging from comfort and spaciousness to heated seats and push-button starts. New SUVs with spacious design and high-tech specs are equipped to meet these needs. All major auto brands – from premium [such as Maserati and Lexus] to mass-market [such as Hyundai, Opel and Peugeot] – are driving rapid sales growth across their SUV ranges, and this is taking place in all regions of the world.



What this means for brands

- SUV marketing is becoming more competitive as brands launch more models and shift more of their budgets behind their SUV range. This means brands need to match their adspend more closely to each model's growth potential, using regression models to align investment with business-growth targets
- Brands should take more advantage of advanced targeting capabilities to increase buying efficiency
- In particular, brands can target potential SUV buyers more effectively by tracking data cues that indicate increased need for SUV models, such as having children, receiving a promotion or moving home

Green goes mainstream

Governments are starting to act to reduce pollution and to steer new car buyers to buy electric. New policies such as banning the sale of petrol and diesel cars by 2040 [in the UK and France] are already being criticised as not bold enough. Scotland is aiming for 2032 and Norway leads the field with a target of 2025; just six years from now. Rigorous emission tests such as WLTP [World Harmonised Light Vehicle Testing Protocol] are causing bottlenecks for new car sales by requiring longer testing. We expect high-profile launch campaigns and government incentives to deliver strong growth in green car sales over the next few years. Brands are now developing more electric SUV models, with the number of electric SUV models on sales scheduled to increase by nine times over the next one or two years.

Fluid ownership models

With the rise of shared mobility services and increasing urban populations, more people are questioning whether they need to buy new cars. Millennials often report that the escalating costs of car ownership make it difficult to attain, and are putting off big purchase decisions until later in life. Services offering more flexible ownership models have proliferated in response, such as subscription services, on-the-go access to fleets, and shuttle services for commuters. For now, most of these face problems such as high prices and limited inventory, which they will need to overcome if they are to effectively challenge traditional ownership, but the trends that are driving demand for flexible ownership will only intensify over the next few years.

What this means for brands

- Advertisers should increase their investment in their green model ranges and launches
- The media formats and locations used to promote these vehicles should mirror the values of innovation that drives the demand for green models
- Data cues such as interest in environmental and green issues and early tech adoption can inform more effective targeting of potential green buyers

- Brands need to stay relevant to millennials who may be putting off their car purchases, by creating new services and experiences for those who don't own a car
- Partnering with events or activities that young consumers are passionate about, and with flexible ownership services, will help brands build relationships that will pay off when these consumers decide make the leap to full ownership





Autonomous driving and connected technology

Auto brands are already packaging semi-autonomous features in their new models, such as parking services, auto braking and syncing locks with users' smartphones. Drivers welcome these features because they save time and make the driving experience safer and more pleasant. Almost half of potential auto consumers say they would prioritise in-vehicle technology over brand style or design. But recent high-profile accidents involving driverless cars and lack of regulatory clarity means that the mass sale of fully autonomous vehicles is not going to happen in the near future. In the meantime, the most promising opportunities for brands lie in connecting existing tech applications with the driving experience, such as the recent partnership between BMW and Amazon's voice assistant Alexa.

What this means for brands

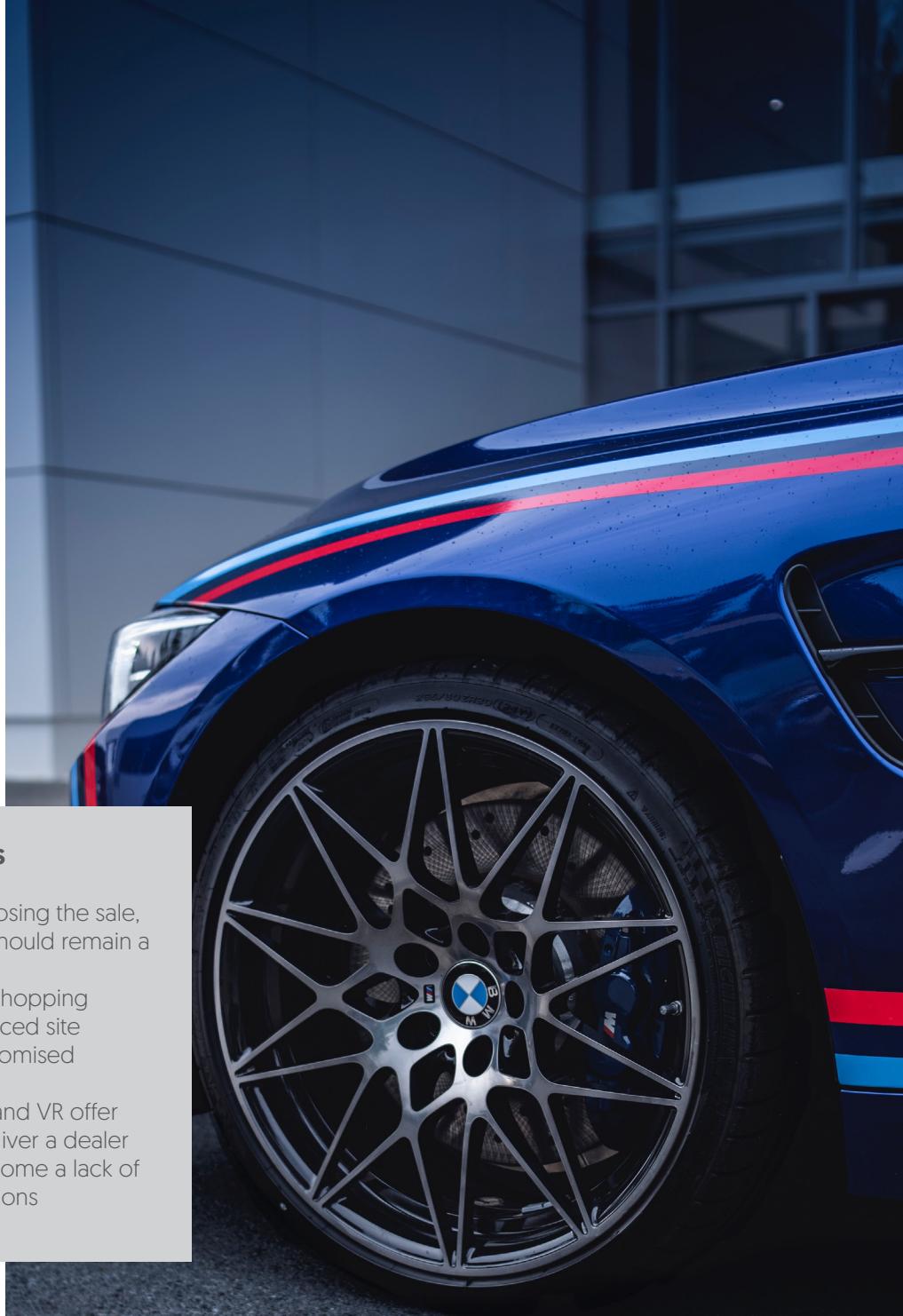
- To attract tech-savvy drivers, brands should emphasise their semi-autonomous technology in their communications, and form partnerships with tech companies that can make their drivers' lives easier
- Auto brands need to demonstrate how they use technology to provide a more connected driving experience that saves time and creates convenience

The changing path to purchase

Digital media are becoming central to the auto research journey. About 90% of all auto research journeys begin online, so automotive brands are working on creating a more seamless online path to purchase. Hyundai offers a click-to-buy service and an Amazon showroom for its range of models, for example. More customers than ever express a willingness to buy online, but most still want to buy in person. Customers are now better informed than ever as a result of their digital research, but still value human interaction for such a key decision.

What this means for brands

- Dealerships are still vital for closing the sale, so driving leads and footfall should remain a top KPI
- Target auto buyers in online shopping environments by using advanced site analytics to deliver more customised messages
- Tech platforms like chatbots and VR offer brands the opportunity to deliver a dealer experience online, and overcome a lack of dealerships in particular locations



About Zenith

Zenith is The ROI Agency. We blend data, technology and brilliant specialists to scout out new opportunities, solve complex challenges and grow our client's businesses. Zenith is part of Publicis Media, one of four solution hubs within Publicis Groupe. We have over 6,000 brilliant specialists across 95 markets. We are experts in communications & media planning, content, performance marketing, value optimisation and data analytics. Zenith works with some of the world's leading brands including Coty, Electrolux, Essity, Kering, Lactalis, Luxottica, Nestlé, Nomad Foods, Oracle, Perrigo, RB, and 21st Century Fox.