

Cost-Effectively Reaching the In-Market Auto Buyer

Alternatives for Tier 1 and Tier 2 marketers to deliver online advertising performance using networks

An Online Advertising Research White Paper
By ValueClick Media and Goodway 2.0
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Cost-Effectively Reaching the In-Market Auto Buyer

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Executive Summary

There is a commonly-held belief that third party automotive information sites provide the best channel to reach in-market auto buyers. While these sites offer attractive inventory proven to drive leads, low inventory levels and high rates make this one of the most expensive online channels for auto marketers. This white paper presents the ad network model as one alternative, by using data from five auto campaigns to demonstrate that, when used effectively, the extensive reach and optimization capabilities of networks can deliver in-market auto buyers on a more cost-effective basis.

Purpose

The purpose of this study, conducted by ValueClick Media and interactive agency Goodway 2.0, was to evaluate networks as an alternative to advertising on automotive information sites. Moreover, the study sought to prove the most effective way to utilize networks, namely that running on a large number of sites and allowing optimization technology to determine those which are most effective will yield higher performance than presupposing what sites or channels will generate an advertiser's intended results.

Study Data

One national study run on the ValueClick Media network in July and August 2007:

Hyundai

One regional study run on the ValueClick Media network in March 2008:

Honda

Four regional campaigns run on the ValueClick Media network between March and September 2007:

Chevrolet, Dodge, Honda, Lincoln Mercury

Methodology

The national campaign compared click-through performance of sites that were pre-targeted and considered likely to reach the intended target audience with a run-of-network media plan that was optimized based on real-time campaign data and analysis. The regional study similarly compared conversions between a pre-targeted and optimized portion, and the additional regional campaigns studied overall click-through and conversion rates, as well as performance of individual categories, to draw conclusions about the cost-effectiveness of using the network model to reach in-market auto buyers. Clients were also surveyed and asked to predict what categories would deliver the best click-through and conversion rates. This data was compared to actual category performance to illustrate the difficulty in pre-determining what categories of sites will perform best for any given campaign. Additionally, third party data from J.D. Power & Associates (2006 Online Cross-Shopping Study) and comScore (Plan Metrix winter 2007 data) was used to better understand auto site visitors and the online behavior of in-market auto buyers.

Key Findings

- The overwhelming majority of auto site visitors are not in-market to buy a car, and those who are spend less than one percent of their online time on these sites.
- Both studies and all campaigns studied revealed that ad networks can be used to cost-effectively achieve the performance objectives of auto marketers by starting from a broad media plan and optimizing down to the specific sites that demonstrate proven performance.
- The channels and sites assumed to reach in-market auto buyers are not always the best performing ones, and have proven to often be detrimental to campaign performance.

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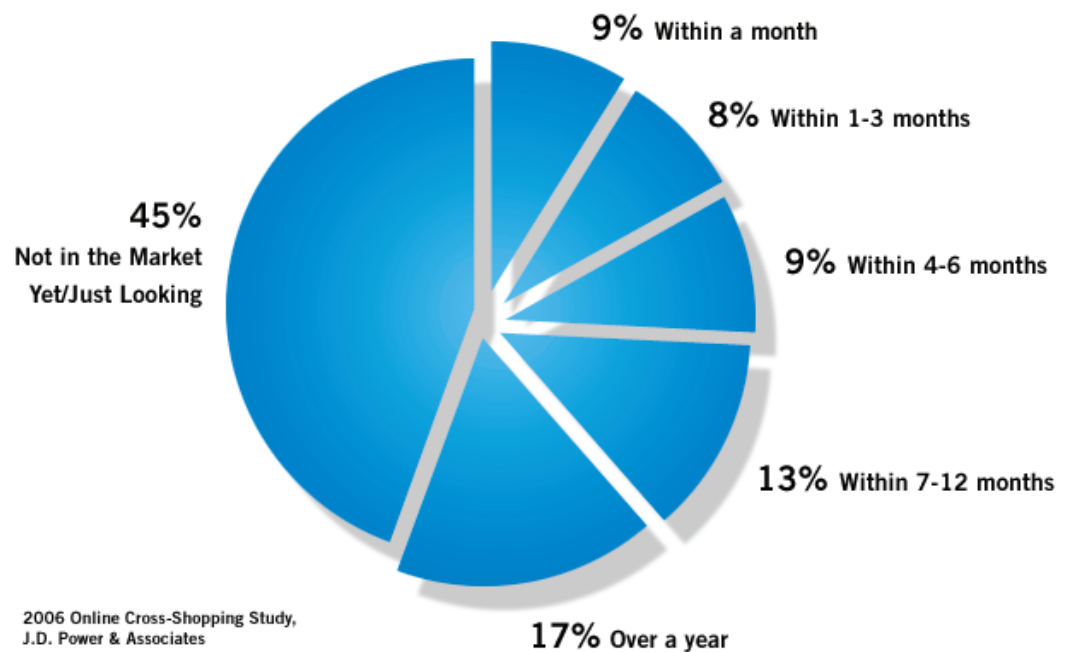
The Rationale for Auto Sites

Automotive marketers are generally segmented into Tier 1 (original equipment manufacturers), Tier 2 (dealer associations) and Tier 3 (local dealerships). While Tier 1 auto marketers are concerned with both brand and direct response objectives, Tier 2 marketers are largely focused on targeting the “in-market automotive buyer,” which is typically defined as someone who is ready to purchase a vehicle within four to six weeks. This paper addresses Tier 1 and Tier 2 marketers and their mandate to turn in-market automotive shoppers into buyers.

It is understandable that auto marketers first think of third party automotive information sites (also referred to as shopping sites, resource sites, or auto sites), as they offer attractive inventory often positioned directly in line with impartial reviews of their brands and models. These properties include sites like Autobytel.com, AutoTrader.com, Cars.com, CarsDirect.com, Edmunds.com, Kelley Blue Book and NADA.com as well as the auto channels of portals like AOL, MSN and Yahoo. Based on the content of these sites, it would be fair to assume a close association between these properties and in-market auto buyers.

However, this assumption has been proven wrong; a 2006 Online Cross-Shopping Study from J.D. Power & Associates reports that 83 percent of visitors to third party automotive shopping sites do not intend to purchase a vehicle within the next three months (as indicated by Figure 1 below). More specifically, only nine percent intend to purchase within a month and only eight percent intend to purchase within one to three months. Further, 45 percent are not even in the market at all and described themselves as “just looking.”

Figure 1: Auto Site Visitors' Intent to Purchase



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“While third party automotive shopping sites have proven their ability to deliver quality leads, there is sound logic in exploring the performance driving capabilities of other, supplemental inventory like that which is available on ad networks.”

As observed by Gene Cameron, executive director, media solutions at J.D. Power & Associates:

“This very real phenomenon – of in-market buyers making up a relatively small percentage of auto site visitors – underscores the fact that consumers engage in a wide range of activities spanning the entire Internet during the time they are in market to purchase an automobile. While third party automotive shopping sites have proven their ability to deliver quality leads, there is sound logic in exploring the performance driving capabilities of other, supplemental inventory like that which is available on ad networks.”

Additionally, in-market auto buyers spend very little time on auto sites compared to the time they spend on all other online properties. comScore Plan Metrix (winter 2007) data shows that people who have identified themselves as very likely to buy an auto in the next six months only spend 0.57 percent of their time online on automotive resource sites such as AutoTrader.com, Kelley Blue Book and the major portals. Six months go well beyond the in-market window, which is normally considered to be four or six weeks, giving a clear idea of how little time – relatively speaking – in-market buyers spend on auto sites. Further, to draw an analogy, dealer associations who buy television advertising do not insist on solely buying on automotive-related programming; they also spend significant amounts on lifestyle programs. Correspondingly, high-performing sites on which to advertise to reach in-market auto buyers often have nothing to do with automotive content.

Still, marketers trying to reach in-market auto buyers pay a premium for this inventory. While it may seem logical and even “safe” to buy third party auto sites - and they certainly have a prominent role in the online marketing mix - as advertisers become savvier and more in-tune with the value online metrics can provide, decisions that appear to be “safe” should be challenged.

Introducing the Alternative

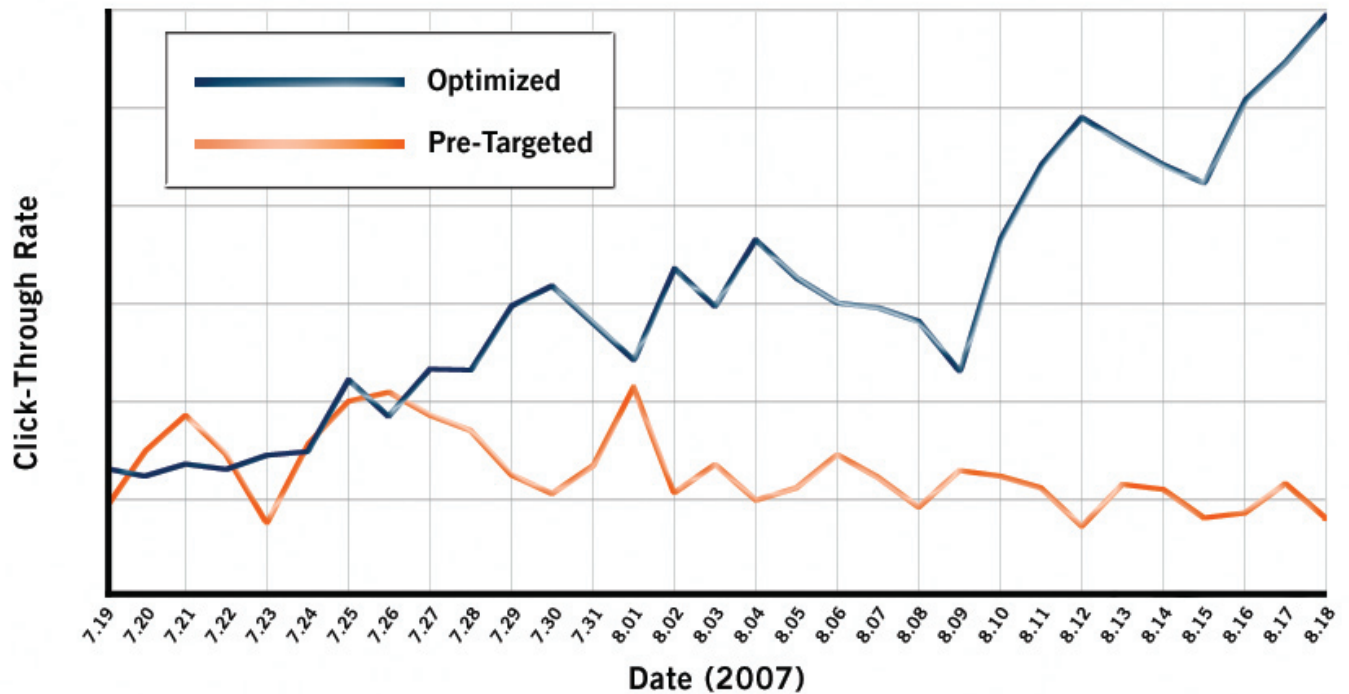
With such a low percentage of auto site visitors actually in market to buy, and because those who are in fact in-market spend very little time on those sites relative to their total time online, automotive marketers should explore other alternatives. To illustrate the efficacy of the ad network model as one alternative, ValueClick Media studied four regional campaigns in conjunction with interactive agency Goodway 2.0 for Chevrolet, Dodge, Honda and Lincoln Mercury to determine the difference in category performance and the importance of not assuming the content with which in-market buyers are associated. Additionally, true side-by-side comparisons were set up for a national Hyundai campaign, and a regional Honda campaign.

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Tier 1 Study: National Campaign - Hyundai

With one portion highly pre-targeted (only running on 92 sites in the ValueClick Media automotive channel) and another running across the entire ValueClick Media network and then optimized based on performance over a 30-day period, this national Hyundai study (editor's note: the campaign was placed by its agency of record at the time) was a true side-by-side comparison. Early in the second week, it became clear that the two portions performed differently. More specifically, as performance was closely monitored, the portion of the campaign that was not pre-targeted could be optimized, and the click-through rate of that portion improved noticeably throughout the campaign while the performance of the pre-targeted portion actually decreased (as indicated by Figure 2 below).

Figure 2: Pre-Targeted vs. Optimized Portion – Daily Click-Through Rates



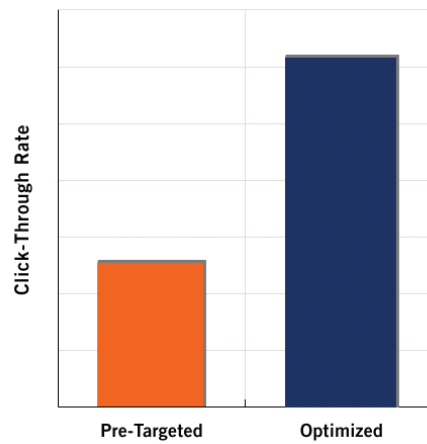
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Moreover, the average click-through rate for the optimized portion of the campaign was more than twice as high as for the pre-targeted portion.

Table 1: Pre-Targeted vs. Optimized Portion – Average Click-Through Rates

Campaign Portion	Impressions	Click-Through Rate
Pre-targeted portion	1,744,991	X
Optimized portion	3,620,054	2.4X

Figure 3: Pre-Targeted vs. Optimized Portion – Average Click-Through Rates



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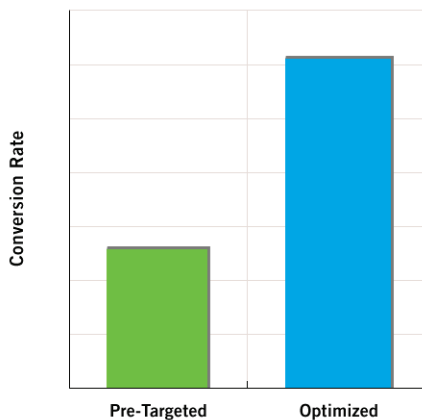
Tier 2 Study: Regional Campaign - Honda

In a study similar to the national Hyundai experiment, a Honda campaign placed by a regional dealer association (editor's note: American Honda Motor Co., Inc. was not involved with this campaign) in Atlanta and Miami was used as a basis for another side-by-side comparison. Once again, one portion was highly pre-targeted and only ran on a small number of sites in the ValueClick Media automotive and local news channels. These sites were chosen because local dealer associations commonly choose local news sites and third party auto sites as the basis for their online plans. The other portion of this same campaign ran across the entire ValueClick Media network and optimized based on performance. This regional Honda study again proved that running on a large number of sites and allowing optimization technology to determine those which are most effective will yield higher conversion rates than what a presupposed set of sites and/or channels will. Moreover, the average conversion rate for the optimized portion of the campaign was more than twice as high as for the pre-targeted portion.

Table 2: Pre-Targeted vs. Optimized Portion – Average Conversion Rates

Campaign Portion	Impressions	Conversion Rate
Pre-targeted portion	744,670	X
Optimized portion	24,451,920	2.35X

Figure 4: Pre-Targeted vs. Optimized Portion – Average Conversion Rates

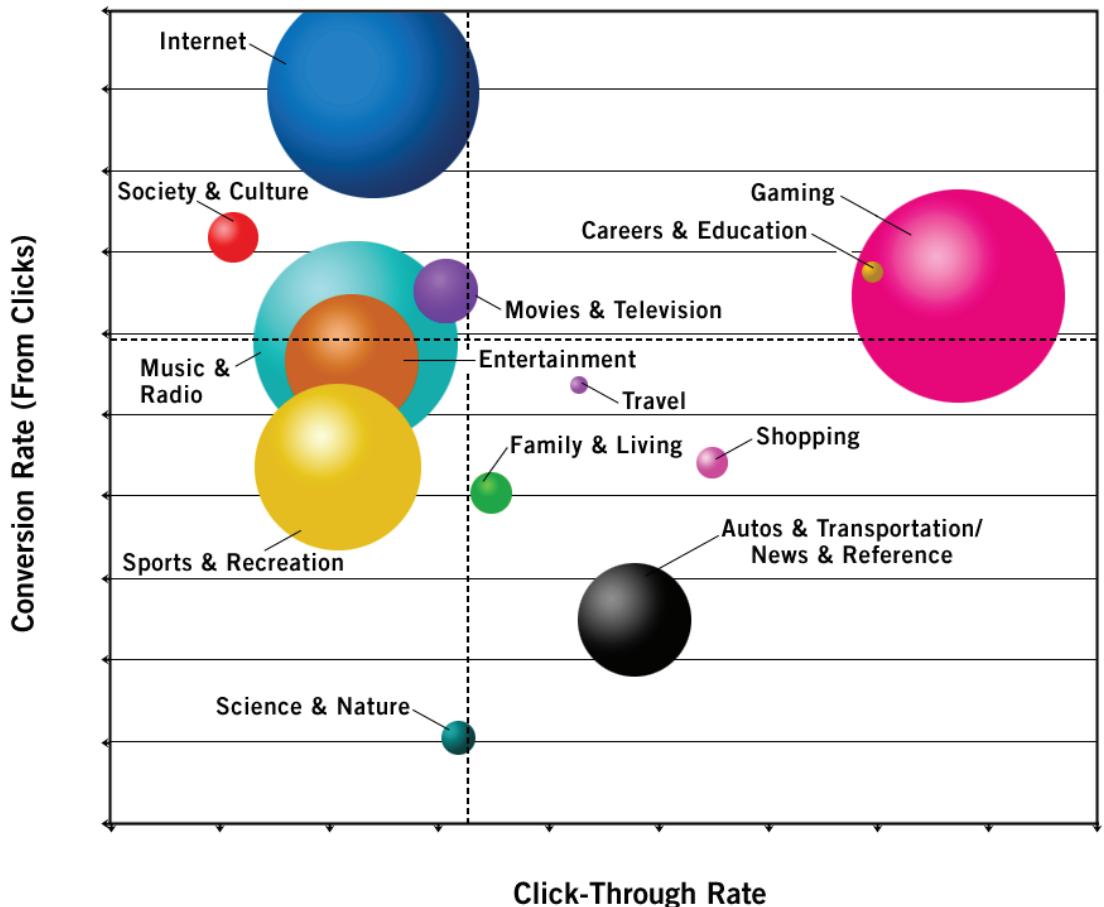


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A closer look beyond the average conversion rates and into the overall performance of the campaign in each of the two markets reveals other important findings as well. Not only was the performance of the pre-targeted portion poor compared to the optimized portion as a whole, when compared against each of the individual categories of the optimized portion, it fared among the worst. Another highly valuable finding was that the categories performed differently in each of the markets.

Starting with Atlanta, the Gaming category saw the highest click-through rates while the Internet category had the highest conversion rates. Also, the pre-targeted portion that ran on the automotive and local news channels (referred to as Autos & Transportation/News & Reference in Figure 4 below) had conversion rates far below the average of the campaign – even with above-average click-through rates. Science & Nature was the only category with lower conversion rates. Clearly, running on only the automotive and local news channels would hurt campaign performance.

Figure 5: Click-Through and Conversion Rates by Category and Associated Volume



The size of the bubbles represents the volume in terms of impressions served for each category

The placement of the bubbles represents the combined performance in terms of click-through and conversion rates

The vertical dashed line represents the average click-through rate for the campaign

The horizontal dashed line represents the average conversion rate for the campaign

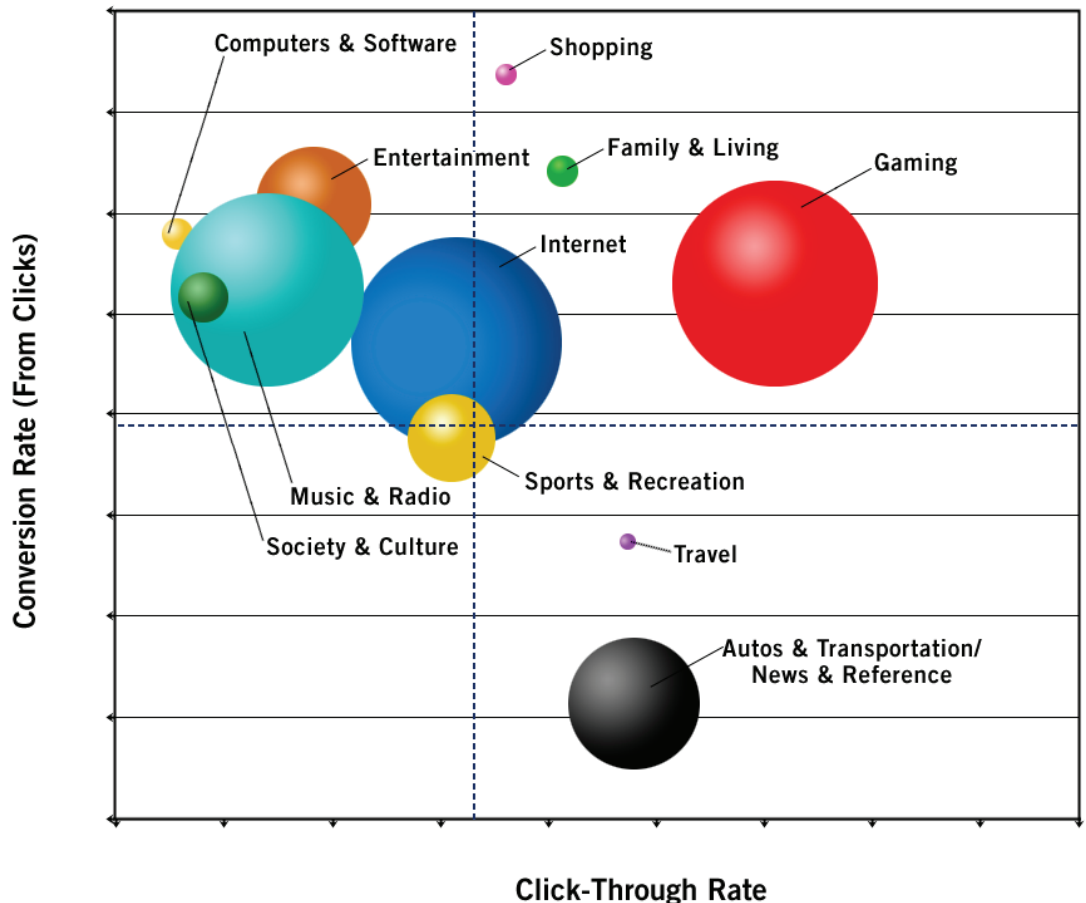
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An analysis of how the campaign performed in Miami reveals similar findings. In fact, and as indicated in Figure 5, the pre-targeted portion that ran on the automotive and local news channels (referred to as Autos & Transportation/News & Reference) was the clear loser in terms of conversion rates. Again, Gaming outperformed the rest of the categories in terms of click-through rates, but the highest conversion rates came from the Shopping category.

What this shows is that even two markets in the same region behave differently, which further underlines the importance of not presupposing what sites or channels/categories with which in-market auto buyers are associated.

The following pages include more data from additional regional campaign examples; of the aforementioned auto brands for which these regional campaigns ran – Chevrolet, Dodge, Honda and Lincoln Mercury – three of them tracked both click-throughs and conversions like this Honda study. The fourth campaign tracked only click-through rates, but it ran twice and therefore includes other interesting findings.

Figure 6: Click-Through and Conversion Rates by Category and Associated Volume



The size of the bubbles represents the volume in terms of impressions served for each category

The placement of the bubbles represents the combined performance in terms of click-through and conversion rates

The vertical dashed line represents the average click-through rate for the campaign

The horizontal dashed line represents the average conversion rate for the campaign

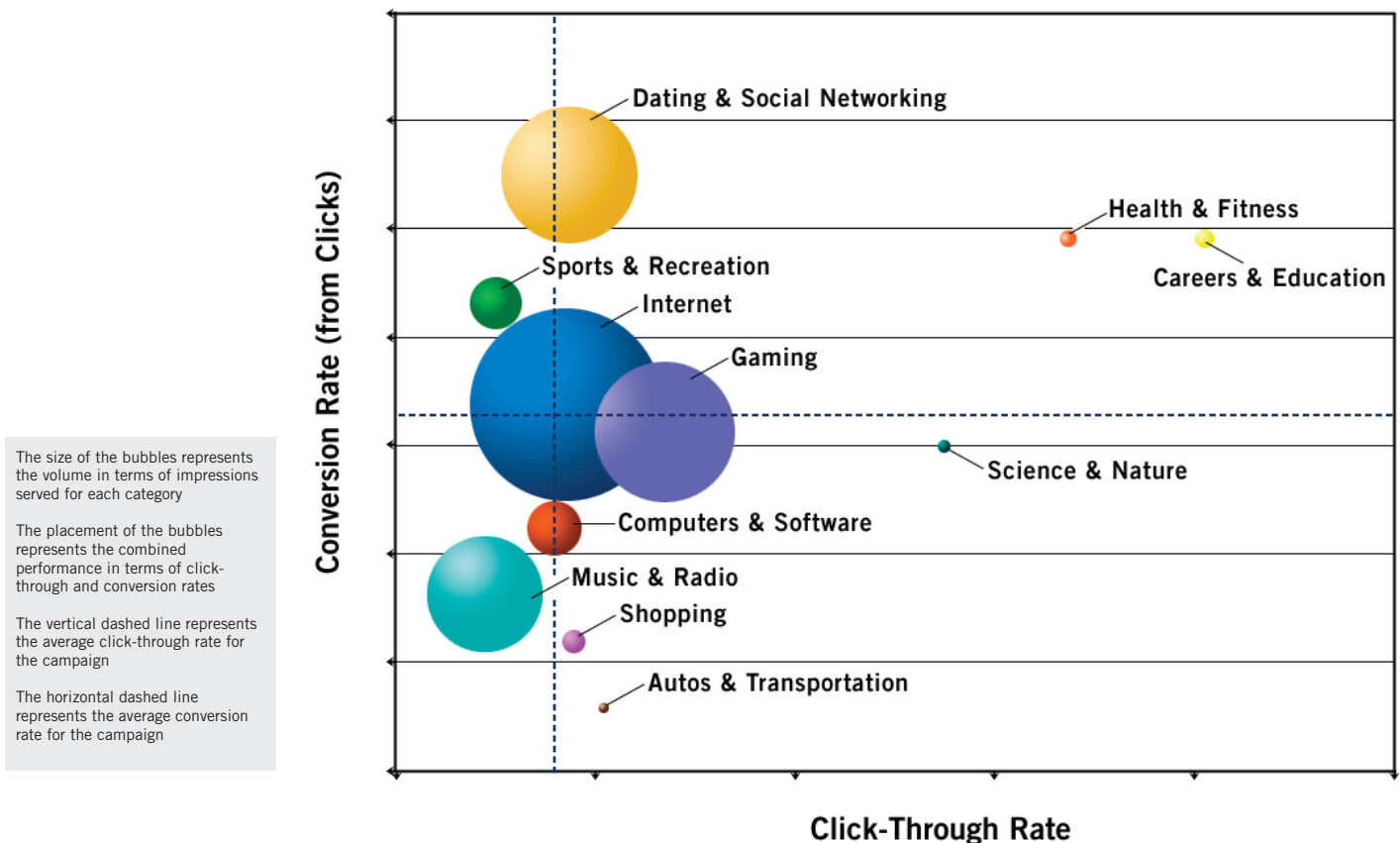
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Regional Campaign Example #1

This campaign ran for a pickup truck across multiple states in the Southeastern United States. Conversion is here defined as “printing out a test-drive certificate.” As Figure 6 below shows, Careers & Education generated the best blend of performance, including click-through and conversion rates, which came as a surprise to all the partners involved in this project. Another surprise was that Dating & Social Networking was the highest-performing conversion category. Even more surprising to some, though, was that Autos & Transportation had a conversion rate dramatically lower than the average of the campaign while the click-through rate was only slightly higher than the average.

But herein lies the point; guessing where in-market auto buyers can be found and sticking to that without looking at any campaign data will not lead to campaign success. Further, the true benefit of this data for the agency and marketer is not only in understanding this campaign’s performance, but also in being able to use the data to more accurately target their online advertising investments going forward – both within the current campaign and going into the next one. By removing the lowest performing categories, performance will automatically increase.

Figure 7: Click-Through and Conversion Rates by Category and Associated Volume



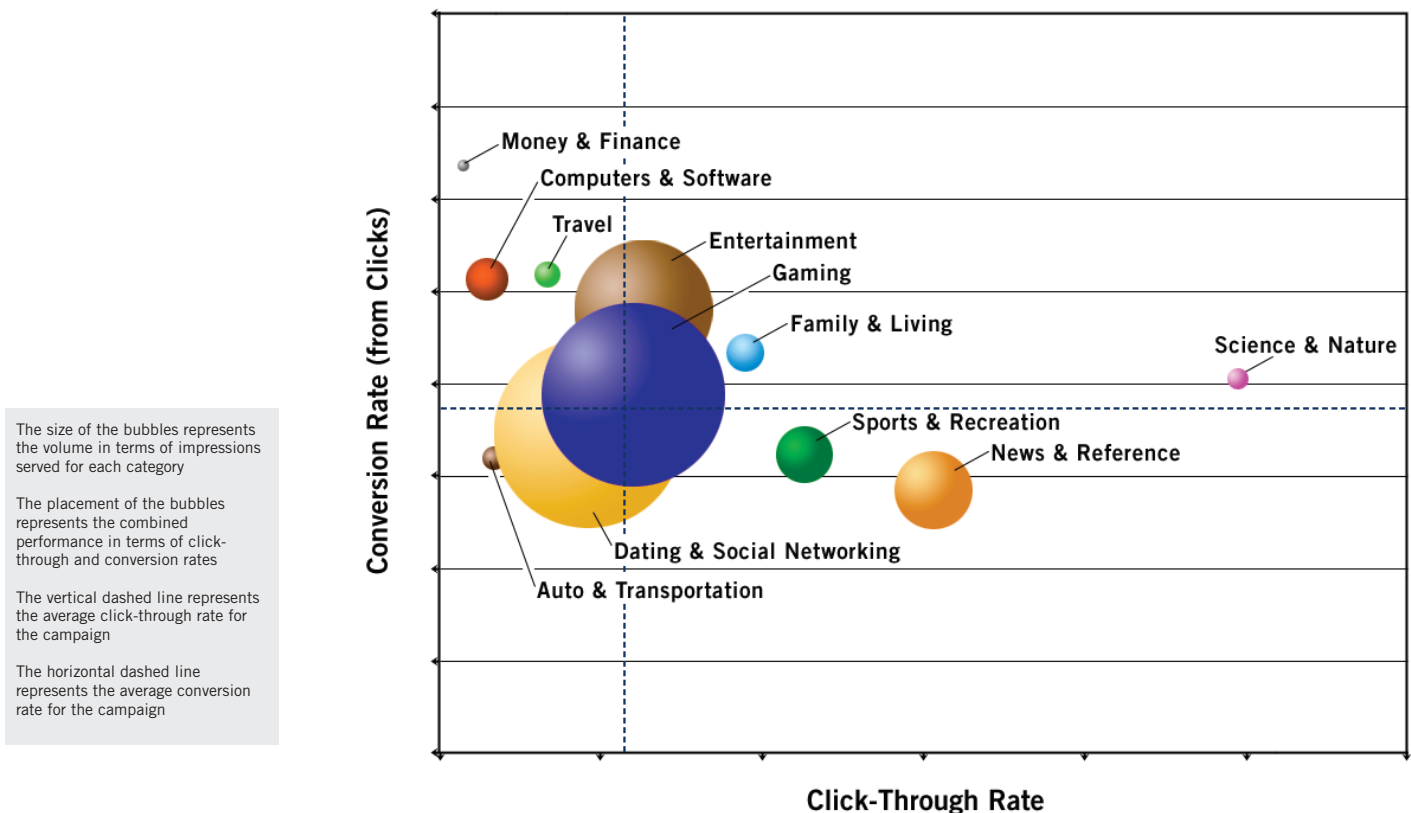
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Regional Campaign Example #2

This campaign ran for a different pickup truck and instead, in Texas, and conversion is here defined as “providing personal information to a dealer,” or “watching the one minute and thirty second video in its entirety.” Figure 7 below shows that Science and Nature performed better than any other category in terms of click-throughs while Money & Finance outperformed all categories in conversions. This is interesting for two reasons. First, Money & Finance is traditionally thought to be a fit for luxury vehicles, not a full-size pickup. Second, traditional thinking tells us that consumers within Money & Finance sites are “time-challenged” and “on the go.” Yet this group spent the full 90 seconds - more than any other group - watching a video about a full-size pickup truck. Clearly, stereotypes continue to be challenged.

Additionally, the Autos & Transportation category performed below the campaign average both in terms of click-through and conversion rate. The assumption that a category consisting of automotive enthusiasts is the best way to reach consumers who are ready to buy a car within the next four or six weeks proves to be incorrect. It is interesting to note that these types of auto sites are sometimes even referred to as “in-market” sites when real campaign data continues to suggest that in-market buyers can be more successfully found on other sites in other categories.

Figure 8: Click-Through and Conversion Rates by Category and Associated Volume



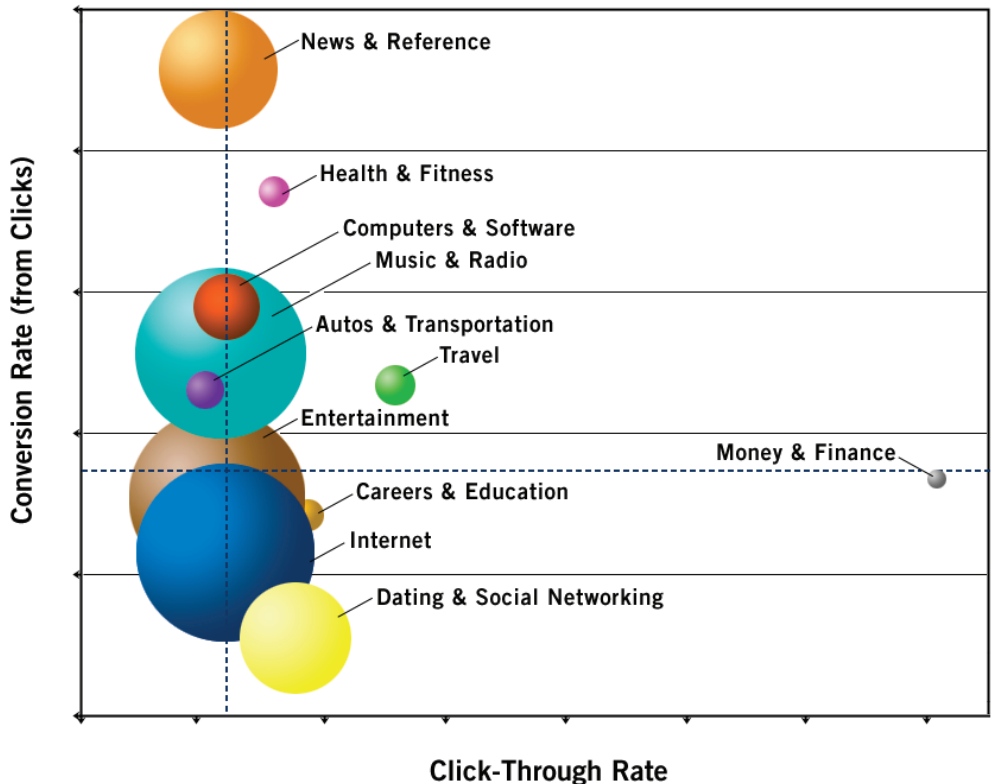
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Regional Campaign Example #3

This campaign ran for a popular family sedan in Atlanta, Orlando and Miami, and conversion is here defined as “clicking out to an individual dealer web site.” As Figure 8 below shows, Money & Finance was again a top performer, again in terms of click-through rate. Actually, Money & Finance is generally a top performer in any automotive campaign as those who can afford new vehicles in particular are typically upper income individuals. Also, Travel and News & Reference are two interest categories known to skew toward upper income and education, which makes sense using this rationale. However, the success of Health & Fitness, Music & Radio, and Computers & Software can simply not be explained by the same idea. Continuing the trend from the other campaigns analyzed above, the fact is that for any product in any market in any given season there will always be surprises in online results for which the campaign could not have been pre-targeted.

This is where the exact value of running across a large network of sites in multiple channels lies; while the early phase of a campaign may be spent learning the behaviors of your product, audience, and online behavior, subsequent spending has a strong likelihood of performing significantly higher than campaigns targeted to the assumed “right” channels. And to address the Autos & Transportation category again, although its conversion rate was slightly higher than the campaign average, the click-through rate was lower.

Figure 9: Click-Through and Conversion Rates by Category and Associated Volume



The size of the bubbles represents the volume in terms of impressions served for each category

The placement of the bubbles represents the combined performance in terms of click-through and conversion rates

The vertical dashed line represents the average click-through rate for the campaign

The horizontal dashed line represents the average conversion rate for the campaign

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Regional Campaign Example #4

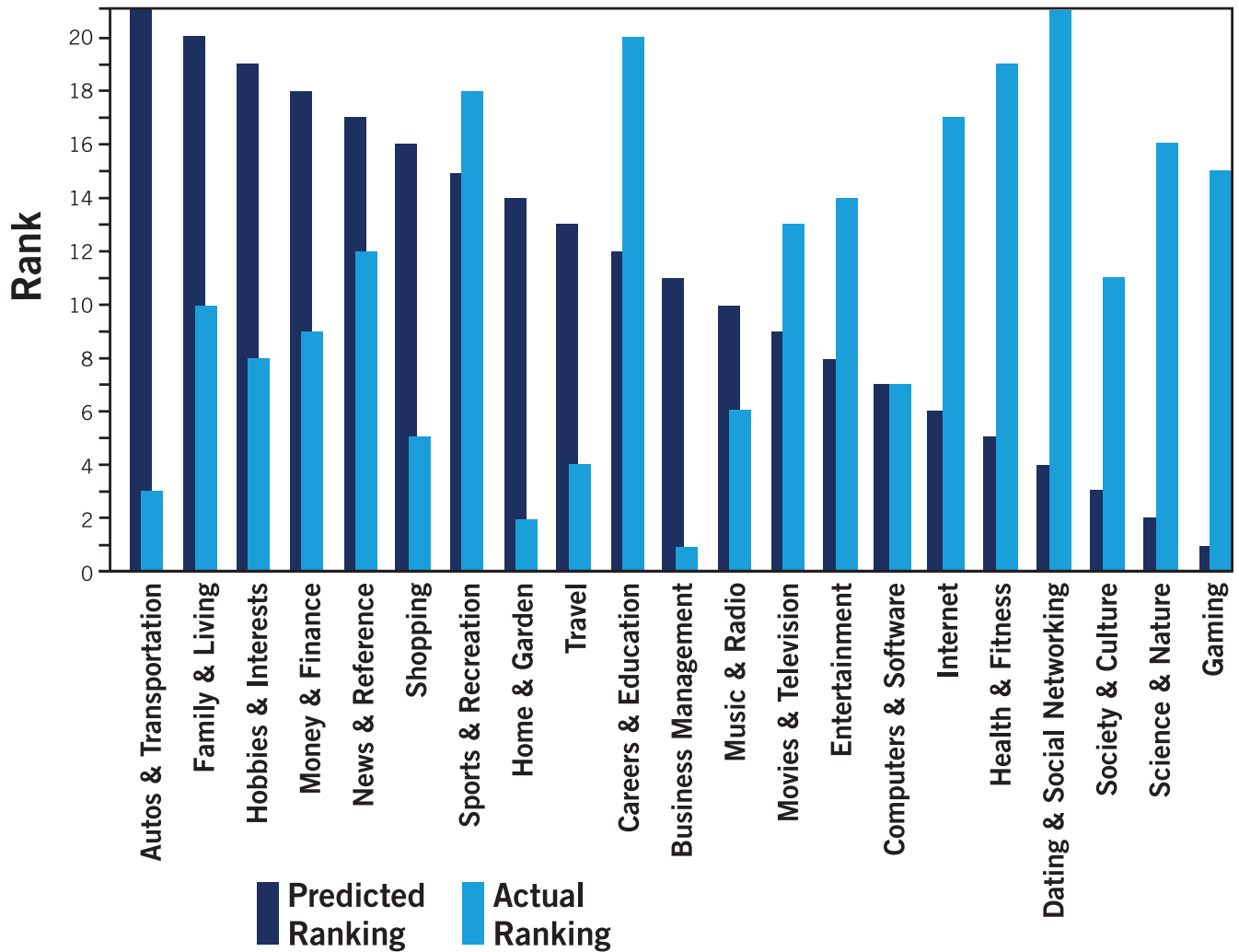
The fourth regional campaign only tracked click-through rates; however, this campaign ran twice – first over a 26-day period in March and then over a 40-day period from July to September 2007. The click-through rate increased by 85 percent from the first time it ran to the second, further demonstrating the value of optimizing campaign placements based on actual behavior of the audience. It should be noted that the creative was different for the two periods, but the click-through rate of the portion of the campaign that ran on the ValueClick Media network outperformed the average click-through rate of other network placements by 23 percent during the first period and by 29 percent during the second period. This improvement can be attributed to a focus on removing the categories that did not perform in March and narrowing in on the ones that did. By learning behavior this way, marketers can reach their audience in a significantly more cost-effective manner than by repeatedly running ads on the same sites.

Unexpected Results

Client and/or agency representatives for the regional campaigns were asked to force-rank the 21 ValueClick Media channels (categories) on which their campaigns ran based on their expected performance. Figure 10 shows the predicted vs. actual ranking of these categories in terms of click-through rate for one of the campaigns while Figure 11 does the same for conversion rate for the same campaign. As indicated by the dark blue bars, Autos & Transportation was expected to be the top performer while Gaming was expected to be the worst. However, as the light blue bars indicate, the actual ranking was very different. The purpose of illustrating this dramatic difference between what the client and/or agency representatives predicted and the actual results is simply to bring attention to the importance of not presupposing where a certain audience is likely to be found. The performance of some of the categories came as a surprise even to the authors of this paper.

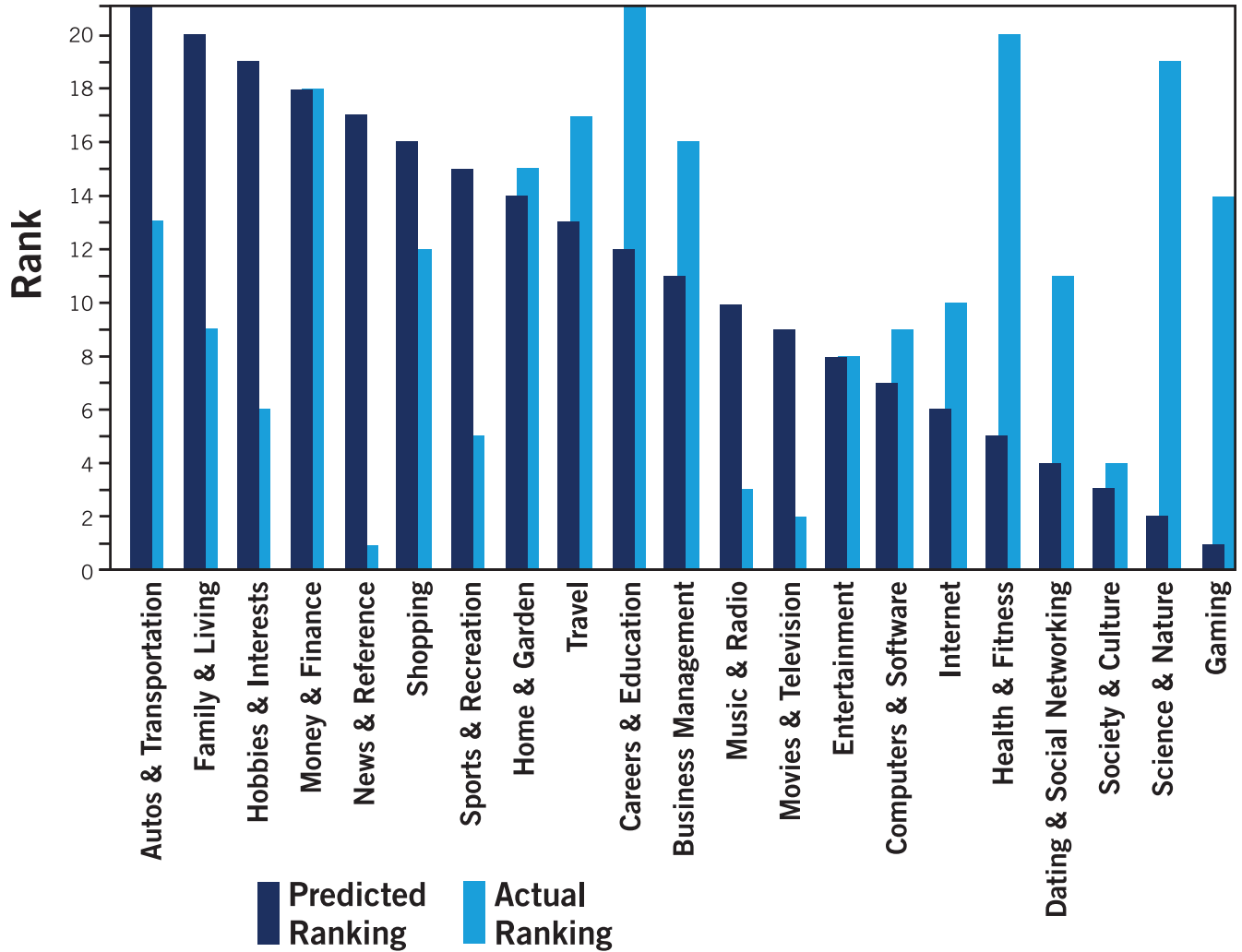
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Figure 10: Category Click-Through Rates – Predicted vs. Actual Ranking



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Figure 11: Category Conversion Rates – Predicted vs. Actual Ranking





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Other Relevant Tactics for Auto Marketers

The material covered in this paper addresses specific attributes of the ad network model, namely optimization technology. For automotive marketers who may not have worked extensively with ad networks or online agencies, it is worth noting additional ways in which to leverage their capabilities.

Transparency – The largest and most reputable networks offer a high degree of transparency and flexibility that should genuinely overcome concerns over ads running next to objectionable content. Some networks will disclose every site on a plan or offer a list outside of which your ads are guaranteed never to appear.

Road Blocks – While technically networks are unable to guarantee 100 percent share of voice, they do have the ability to quickly deliver a high volume of impressions to specific audience segments, creating high impact that is ideal for vehicle product launches.

Behavioral Targeting – Ad networks are continually improving their ability to identify specific audience segments based on user behavior, the most prominent of which is re-targeting consumers who recently visited a manufacturer's site when they appear on sites within the network.

Content Integration and Sponsorship – Some networks have representation agreements with publishers that allow them to go beyond serving banner ads to offer sponsorship, promotions and content integration with higher response rates and unique branding opportunities.

Video – In addition to their longtime ability to run Flash-based in-banner video ads, most major networks now offer in-stream video capabilities, creating new ways to extend television assets and online video strategies.

Lead Generation – Beyond lead generation as a marketing objective, the discipline of generating qualified leads as consumers complete registration forms online is offered by some networks and allows automotive marketers to quickly build databases of consumers who have requested product information.



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Conclusion

Although advertising on automotive information sites is a logical choice for most marketers aiming to reach in-market auto buyers, this inventory is limited and therefore sold at a premium. Third party research also shows that an overwhelming majority of auto site visitors are not in-market to buy a vehicle and the ones who are spend less than one percent of their online time on those sites. Further, data from five different campaigns suggests that a distributed buy performs significantly better in the long run than contextual buys in terms of both response and conversion.

Ad networks rise out of these findings as a natural option for marketers whose mandate is to convert automotive shoppers to buyers. With their reach and optimization technology, large ad networks can run campaigns with broad media plans and optimize down to the specific sites that perform best for each campaign. Although this concept is far from new, analyzing the category performance from the campaigns in this study makes it clear that pre-supposing where an audience exists and pre-targeting based on those assumptions will not deliver desired performance.

While targeting and optimization must work interdependently and in varying degrees of emphasis depending upon the campaign objective, pre-targeting too narrowly prevents campaigns from having the ability to be optimized. And in general, the stereotype of a web site and its correlation with its users is rarely a good match. The real-time data provided by ad networks tells the real story of the categories that drive verifiable success, which is information both Tier 1 and Tier 2 marketers can use to cost-effectively reach the in-market auto buyer.



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About the Authors

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About ValueClick Media

ValueClick Media is one of the world's largest and most effective performance advertising networks. Offering innovative solutions to advertisers through its advanced display and lead generation platforms, ValueClick Media leverages its global reach, extensive targeting capabilities and market-leading optimization technology to accomplish any online marketing objective. For publishers, ValueClick Media offers comprehensive solutions to earn the highest revenue for their available advertising inventory. Underlying all of ValueClick Media's solutions is an experienced and passionate team dedicated to helping advertisers and publishers achieve online advertising results.

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About Goodway 2.0

Goodway 2.0 is a division of the Goodway Group, a marketing and promotions company originally founded in 1929 by Milton Wolk. Milton's Grandson, David Wolk, is now president and owner and formed Goodway 2.0 with Jay Friedman in 2006. Goodway 2.0 has quickly become a leader in the digital space, working with clients from major domestic and import automotive manufacturers to local and national political candidates. Each product in the Goodway 2.0 proprietary solutions suite – Niche Web™, DARCO™, Vernon™, Behavioral Learning™, RateJammer™, and Periscope™ - each offers a unique ability to target consumers online with increased efficiency and ROI. These products, coupled with extensive retail experience, allows Goodway 2.0 to bring custom solutions to clients who are looking for new ways to reach a digital audience.

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