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Automotive

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Fuel Factor

Automotive advertising remains stable despite high gas prices

By Jennifer Streisand

The high price of gasoline has had a subtle impact on automotive sales and dealership advertising in newspapers, according to advertising directors and automotive strategy experts.

As gas prices have gone up, Louis Stancampiano, vice president, director of advertising at the Orlando (Fla.) Sentinel, has noticed two phenomena. One is that manufacturers are becoming more aggressive with their rebates.

"We see the rebate amounts changing over time," he noted.

The second is that advertising for used SUVs has seen a slight increase.

Stancampiano reported that the high price of gasoline has affected sales and advertising in other categories besides automotive.

"When people have to spend an extra \$50 to \$100 a month on gas, we see it impacting certain categories of business, according to what our retailers tell us," Stancampiano said.

For example, high prices at the pump appear to have affected retail advertising, with supermarkets, low-end furniture and discount stores being the hardest hit.

"In talking to some of our clients, who have either lines or stores dedicated to the lower socio-economic groups, there is definitely an impact. They feel it is due to the high price of gas, Stancampiano said."

Hugo Lambert, classified advertising manager at Times Community Newspapers, which owns 18 weekly newspapers in suburban Washington, D.C., said high gas prices have not affected dealership advertising at all in his market.

"I think the person who is buying an SUV or a Hummer is going to do it regardless," he said.

In California, people are so used to high energy prices that they

make adjustments in their lifestyles, but these adjustments do not seem to affect car sales, observed Dexter La Pierre, classified advertising director at The San Diego Union-Tribune.

"Things that are important to us, which are typically homes and cars, we continue to buy," he said.

However, manufacturers and dealers generally have two different perspectives on the issue, said Edward Choi, automotive strategy manager at Tribune Co.

"Manufacturers are seeing that the high cost of gasoline has not really impacted sales yet," he explained, "but if you talk to a lot of the dealers, you hear a little different story. A lot of dealers are seeing that more and more people are coming to their lots looking for smaller-sized vehicles

See FUEL FACTOR, E6

Advertisement for Ed Caprara featuring a dinosaur and three car models: VW Jetta GL TDI, Kia Spectra, and Chrysler PT Cruiser. Includes financing offers like 'BUY \$319 FOR PER MONTH'.

Advertisement for Saturn of State College featuring a Saturn ION car and financing offers: '0% APR for 5 years' and '\$2,500\* for qualified buyers on most new 2004 ION models'.

Advertisement for University Motors featuring a list of cars and prices: '2002 Honda Accord SE Red, only 20,980 miles \$16,900'.

The high cost of gasoline has been a popular subject in newspaper automotive advertising.



rather than larger-sized ones."

Choi also said that while advertising for used SUVs has increased by about 10% since January, it is still too early to tell whether this projects to a permanent trend.

## Hello, hybrids!

Ultimately, Choi feels prolonged high gas prices will force manufacturers to build more fuel-efficient vehicles.

"The easiest thing for manufacturers to do right now is to improve internal-combustion engines," Choi said. After that, he predicts manufacturers will build more hybrid vehicles, which combine a traditional engine with an electric motor for greater fuel efficiency.

However, the industry consensus is inconclusive as to whether or not hybrids save a significant amount of gasoline.

Car manufacturers are trying to better educate consumers on how to drive hybrids because it is a factor that determines the level of fuel efficiency, Choi explained.

Some owners of hybrid cars claim that advertising often misrepresents the gas mileage the vehicles get.

"You have to step on your accelerator to kick in that electric motor, and then you actually end up saving a little more gas," Choi explained.

Lexus, Ford and General Mo-

tors are launching hybrid SUVs this year and next, so consumers will be seeing more hybrids on the market, he noted.

Right now, there is a waiting list for hybrids at dealerships in the San Diego area, according to La Pierre.

Such waiting lists are common at dealerships whenever there is a popular new product on the market, said Jake Kelderman, the Newspaper Association of America's director of automotive and advertising agency relations.

"It's merely a function of ramping up production," he explained. "It takes a long time to put all of that in place. They schedule them for a certain production run and then all of a sudden demand quickly outstrips the ability to produce it."

However, Kelderman noted that good dealerships might recognize an opportunity to construct an ad campaign around the issue of high gas prices.

For example, a dealer may develop a strategy that says something like, "Gas prices are really hurting our SUV sales, so we are overstocked, and there's never been a better time to buy them," he said.

Dealerships are always looking for new ways to draw in customers, considering that profits have declined in each of the past two years.

Data from the National Automobile Dealers Association shows that in 2001, total dealership net profit was 2%, and it slipped to 1.9% in 2002 and 1.7% in 2003.

## Profitable presentation

Discounts are not the answer to improved dealership profitability, according to Lembert, who noted that automotive advertising at Times Community Newspapers has increased because its advertising is focusing more on the quality of dealership services.

"What we are trying to do is provide dealers with the opportunity to address the buying public and present themselves in a favorable atmosphere," he said.

Lembert and his team have developed a program that allows dealers to "test" advertising with the newspapers for 13 weeks. The trial run includes a business profile story on participating dealerships titled "Auto Dealer of the Week."

The newspapers also offer dealers additional line ads included in the price of the advertisement. These ads run in another section of classified, separate from the dealership's display advertising.

"In essence, they are getting more than one ad a week," Lembert said.

While dealership advertising at Times Community Newspapers has improved, Lembert acknowledged that private party advertising in the automotive category has remained flat.

"We are taking steps to rectify that," he said. "We need private party ads in order to stimulate more dealer-

ship traffic. We are currently running a promotion to attract more private party advertisers."

The private party ads increase dealership advertising because dealers see the line ads and realize people are interested in buying and selling cars, Lembert said.

"The dealers are going to say, 'Hey, people are reading this paper; they are buying cars. I am going to put my ad in there.'"

## Ongoing evaluation

At Tribune Co., Choi said efforts are constantly focused on examining what gets dealers excited about their advertising and what drives consumers to dealer lots.

"So far, we have done pretty well with many different smaller ideas, such as full-color inserts and red-tag sales," he said.

Stancampiano contends dealership advertising would increase if newspapers had more print color capacity.

"I think that for us and other markets as well, we really don't have enough color capacity to satisfy the dealers," he explained. "If we had more color capacity, we probably could sell it. It's a problem for a decent amount of newspapers."

Online advertising, however, is another way to offer dealers more automotive advertising, he observed.

"It is more supplemental to

the print vehicle, but it continues to grow in importance," Stancampiano said. "The overwhelming majority of our dealers do business with us online to round out their purchases."

Although the cost of an online ad at the Sentinel is not bundled into the price of a print ad, Stancampiano pointed out that advertisers usually choose to purchase online advertising with the newspaper simply because of the strong relationships they have established with their print sales representatives.

"If the print representatives have a viable online product, then the advertiser feels comfortable that they don't have to deal with a whole other vendor," he said. "One salesperson can take care of all their needs."

Consumers can search for cars online through the Sentinel's Web site, but the site's automotive section takes consumers to Cars.com, which is partly owned by Tribune Co., the newspaper's operating company.

"Cars.com ranks very high in terms of its reception in the marketplace," Stancampiano noted.

So far, automotive advertising on the Internet has not decreased the level of print advertising at Tribune Co. newspapers, according to Choi.

In fact, Choi has found that online advertising often drives consumers to newspaper classified sections.

"We have seen, anecdotally, more people are using the classifieds (in newspapers) because they are going online," Choi said. "Our goal is to build a continuum of media between print and online."