The Three Unintended Consequences of OEM Funding for Google Adwords

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PCG

Digital Marketing

It wasn't long ago that automotive manufacturers did not allow digital advertising campaigns (i.e. Google Adwords) to qualify for franchise dealer co-op funds. Fast forward to 2013, OEM funding for digital advertising is commonplace.

GM was one of the first manufacturers to design a digital advertising package (DAP) with Cobalt that qualified for co-op funds. More recently, Chrysler selected three companies to provide digital advertising campaigns for their dealer network: Dealer.com, Haystak Digital Marketing, and Search Optics.

Some manufacturers have a more entrepreneurial model for co-op funds for advertising, which allows for dealers to select their own vendor partners to implement digital advertising strategies. In these cases, as long as the campaigns comply with OEM advertising guidelines, funding is approved.

Improving The Success Of The OEM Network

Why do manufacturers have co-op programs? These programs reward dealers for completing a recommended action. The purpose of OEM recommendations may not always be clear but in the case of digital advertising, the OEM is clearly trying to shift the investments dealers make to promote their dealership. Co-op programs also provide consistency of message across Tier 1/2/3 and protect the brand image through compliance of co-op guidelines.

Manufacturers know that dealers who do not leverage the power of Google Adwords are missing a vitally important piece of their marketing strategy. Dealers must have a strong presence online. Mobile advertising is becoming a critical battleground and Adwords, more than SEO, is a proven mobile marketing weapon. To get more dealers to use digital advertising, the carrot is co-op funding.

You could make the case that OEM co-op funds for franchise dealers are slanted to lift under-performing stores rather than increase the success of their top performers. Top performing dealers already have experience with Adwords. They know the ROI that proper Adwords campaigns can deliver. Top performing dealers would love to have their peers stay in the dark and spend their dollars on less efficient advertising strategies. The OEM rightfully has to think about the success of the entire network and create a more equal playing field.

With that said, if a dealership is not using Adwords to its fullest potential today, is it a lack of OEM funding or a lack of education? Is it wise to encourage "sign and drive" Adwords programs without a parallel investment in dealer education? My experience, conducting Adwords workshops, has proven that when dealers understand the power of Adwords, they will embrace the investment whether it is co-op funded or not. So when will training on digital marketing be also available for co-op funds? Regional digital advertising workshops or approved curriculum at larger conferences, are two prime candidates for educational co-op funds.

Is The Pool Overcrowded?

The **first unintended consequence** of the recent push to encourage dealers to invest in digital advertising is higher cost per click (CPC) charges. The dealers who were early adopters of paid search are now seeing their costs rise, due to increased competition from their local franchise peers.

Keyword in Adwords	Mar-11	Mar-12	Mar-13	Increase
Used Volkswagen For Sale	$1.99	$2.56	$3.31	66.3%
Volkswagen For Sale	$1.36	$2.13	$3.21	136.0%

Volkswagen is a perfect example of the dramatic increase in CPC charges over the past two years, for the same position on Google SERP's. Chrysler dealers have also told me that CPC charges have been on the rise since 2012 when OEM funding was approved for Adwords campaigns.

CPC charges are also rising because of increased budgets for digital advertising from Tier 1 and Tier 2 advertising agencies. These are rarely coordinated with Tier 3 and often outbid their own dealers, in their local market, for their OWN dealership name. Does anyone see a conflict here?

In an ideal world, Tier 1 could focus on OEM brand searches and keywords that indicate that the consumer is higher in the sales funnel. Tier 2 could focus on competitive brand searches, conquest campaigns, regional incentives, and sales programs for lead generation. Tier 3 would protect the dealership name, local dealer conquest, vehicle searches for cities in their market, and compete for localized vehicles searches on mobile devices by GPS location.

Using The Same Playbook

There are some other unspoken problems involved in rising per-click costs, which are related to OEM decisions to only approve a handful of companies to service a diverse dealer network. In order to scale and support hundreds or thousands of dealers, vendors have to create ad templates and keyword groups, which they can apply to multiple dealers. When hundreds of dealers are using a subset of the same keywords and strategies, costs will rise.

The **second unintended consequence** is that as more dealers use co-op funds for Adwords they are using the same company as their local competitors. That means they are using the exact same technology, strategy, and keywords to compete with each other**.** Ironically, in the past dealers would never hire the same traditional advertising agency used by their top local competitors, but they are for their important digital marketing strategies!

To be fair to OEM approved Adwords vendors, not all ad campaigns are exact templates. Dealers will have campaigns based on their own name and the cities' names in their Primary Market Area (PMA). However, the truth is that there will always be a competitive overlap of generic keywords like "Used Chevy Silverado," "Used Toyota Tundra," or "Used Car Dealer."

In the past, progressive dealers had less competition from other dealers for these popular keywords. Today, OEM co-op funds have frustrated "first to market" dealers who used Adwords before co-op funds were available. Is there a solution to the problem of rising CPC charges since even a smaller vendor will utilize keyword research to identify popular keywords?

Are There Solutions To Fight This Trend?

Yes, there are solutions. Campaign management must be more synchronized to landing page design, Google Analytics insights, Vehicle Detail Page views, and a focus on improving quality scores. These disciplines will lower CPC charges and increase conversion. Conversion has always been important but now, more than ever, we need to get it right since costs are rising.

I have inspected a number of Adwords campaigns that are not producing the right consumer engagement as seen from Google Analytics data. These campaigns would never have been flagged as a "poor performing" campaign based on CPC costs. If you solely use Adwords reporting, you are driving your Adwords marketing with a huge blind spot.

Our industry has to evolve from looking at Cost Per Click (CPC) and Cost Per Lead (CPL) as the only measures of success for Adwords. Why? Because only half of the vehicles that car dealers sell each month can be traced to a recent lead submission or phone call. The other 50% of car sales are from consumers I like to call stealth shoppers and these stealth shoppers are influenced by Adwords!

Our industry must develop additional metrics to measure how well our digital campaigns are driving behaviors that relate to selling more cars because by standard Adwords measures they <u>never</u> converted.

How Many Vendors Should An OEM Select?

I've been asked a number of times about how co-op approved vendors are chosen or why a manufacturer would select only one approved vendor for all dealers inside an OEM network. Can one vendor create advertising campaigns fairly when all dealers in a local market are competitive and want to win market share?

The answer is tricky. If all dealers underspend, according to Google's budget recommendations, then one vendor may be able to judicially "round robin" the ads for dealers in the local market. The vendor's solution can give dealers 24x7 visibility, spread out by their budget, but they will not dominate paid search results. Also, one vendor can make sure that digital advertising campaigns are run along primary areas of responsibility, aka their dealer's DMA.

For example, if dealers in a competitive metropolitan market could spend $6,000 - $8,000 a month according to Google, but select a $3,000 a month OEM package, then all dealers can share the Google ad space. This still does not resolve the competitive bidding issue, but it explains how one vendor could make a "fair" digital advertising playing field.

However, most dealers I know *do not want to be fair*! They want to dominate their local markets and conquest consumers from adjoining marketing zones. The issue of a one-vendor model starts to break down when dealers all want to fully maximize their budget. It further breaks down when all dealers are using Adwords advocates trained in the same way, to create "unique" supplemental campaigns in the same market. Is it really feasible?

Are You Double Serving?

So, entrepreneurial dealers hire a second advertising company to drive Adwords traffic to their website to supplement the OEM program or to conquest new markets. These dealers want to be different, try new strategies, and find holes that their peers did not recognize. I applaud their initiative.

This brings me to the **third unintended consequence**; Double Serving. Google does not like two different Adwords SEM accounts sending traffic to the same website.

> *To protect the value and diversity of the ads people see on Google, we generally discourage advertisers from running ads for the same or similar businesses across multiple accounts triggered by the same or similar keywords. This policy, known as "double serving," prevents multiple ads from the same or commonly-owned company from appearing on the same search results page.*

So, you can see how enthusiasm and entrepreneurial spirit actually could be hurting dealers—a costly unintended consequence. These dealers are in a bind. Jimmy Vee and Travis Miller founders of RichDealers.com have a popular tag line that they use at workshops, "Same is Lame!" Would you agree?

Double serving may be impacting dealers who have body shops, quick lube operations, and accessories pages on their main website. It can also apply to dealers who want to push additional traffic for specific new car models or used cars. Having a second Adwords SEM campaign driving traffic to the dealer's main website could be seen as Double Serving, if both companies are using the same keywords.

Double serving does not apply to supplemental campaigns that use non-conflicting Adwords strategies. For example, dealers use video pre-roll services to tap into cost effective online video marketing because their primary Adwords vendor does not offer integrated video marketing. Video pre-roll and video retargeting are new strategies that dealers should be using to connect with shoppers during the Zero Moment of Truth.

In an ideal world, manufacturers would give dealers a co-op budget for digital marketing and not restrict vendor choices. But that is not the reality we live in today, so let's understand why manufacturers limited choices.

Why Limit Vendors At All?

So, why do manufacturers want to limit which vendors they approve for co-op funding? The answer is: Big Data. The vast amount of data generated by digital advertising is extremely valuable to manufacturers. For example, data from consumer clicks can help forecast vehicle demand and influence production schedules.

By limiting vendors, manufacturers can feed the results of digital advertising campaigns into their OEM data warehouse for marketing analysis. Since there is no "standard" for feeding digital advertising data into a central data warehouse, limiting the data partners is a practical reality.

I completely understand why the OEM's don't want to miss out on the Big Data opportunities for their dealer network. However, the bigger opportunity is to create a universal adapter that feeds data into OEM marketing models from Adwords vendors. This would give dealers a choice on which company they want to partner with to create unique digital marketing messages.

What Is The Ideal Scene?

Manufacturers need to create digital marketing co-op strategies that give dealers choices. Those choices should include companies that can provide boutique, customized marketing campaigns and not just mass marketing giants. Co-op programs should not force their dealer network into the same "box" or use one specific solution. A more accommodative policy would give dealers the freedom of expression and an ability to showcase their creativity for their local market.

Some may argue that creative freedom exists today, as offered by the largest agencies that provide Adwords services to thousands of dealers. My experience is actually contrary to that belief. I have found too many "set it and forget it" campaigns running for dealers that do not include any regular discussion on strategy, creative testing, and first to market ideas. There is also the practical reality that limited choices will create situations where personalities and customer service polices are not a good fit for some dealers.

Manufacturers should also require their OEM approved website platform providers to "play nice" with third party advertising partners. That should include the ability for all agencies to leverage Adwords conversion tracking for form leads and phone calls. Ironically, this is a topic that gets very little discussion online. Existing anti-agency policies, from OEM approved website providers, border on monopolistic practices that give dealer's little choice on marketing partners.

Digital marketing strategies continue to evolve and advanced dealers are well underway with testing video pre-roll, video retargeting, and digital radio advertising. Our industry needs more open standards for reporting so that dealers have more choice. More choice will allow dealers to use their entrepreneurial skills to deliver a strong marketing message that is not the same as their peers, but still OEM compliant.

A Fourth Consequence?

Is there a **fourth unintended consequence?** I'll dive deeper into that consequence in my next whitepaper but let me say that Automotive SEO strategies are looking more attractive then ever now that we see CPC charges rising over 100% for some branded keywords.

It's time for dealers to revisit SEO strategies to increase high-quality, organic traffic that is sustainable. Investments in original website content, once only considered an SEO strategy, are actually helping to lower CPC charges, when collaboration occurs between SEO and SEM vendors.

A Call For Change

It is my desire for the digital marketing teams, working with automotive manufacturers, to take the time to learn about the unintended consequences that may be impacting their dealer network. I encourage OEM's to have a greater dialogue with their dealer network on digital marketing ROI. The conversion would surely help to avoid costly unintended consequences in the future.

OEM co-cop models also need to be more nimble and empowering. It took years for manufactures to co-op basic Adwords SEM. Industry sales would be hampered if it takes another year to approve co-op funding for new digital strategies that include video pre-roll and online video marketing. When will the manufacturers, seeing a rising trend in CPC charges, recognize the importance of co-cop funding high quality website content development and SEO?

I hope that this whitepaper starts a lively discussion within our industry to maximize the impact of co-op funding for digital marketing initiatives.

About Brian Pasch

Brian Pasch, founder of PCG Digital Marketing, has built his business insights and strategy on a foundation consisting of over 20 years of Information Technology and Marketing leadership. His career history includes work in the public sector, Senior Telecom Analyst on Wall Street and has an incredible talent for building successful private enterprises.

Fresh out of Rutgers University, Brian published his first book and software package with Prentice Hall in 1984. Since that time he has been recognized as a builder of world-class data warehousing models, a creator of award winning search marketing strategies and the highest rated Internet Trainer in the automotive industry.

Recognizing a powerful shift in corporate advertising spending, Pasch founded PCG Digital Marketing in 2005 to assist growing companies with their digital marketing strategy. Brian's ability to speak authoritatively to business leaders and their technical teams on business architecture, marketing, and sales helped to catapult their growth and credibility.

In August 2011, Inc. Magazine named PCG Digital Marketing the 192nd Fastest Growing Private Company in the United States. PCG was also ranked in the Top 10 Fastest Growing Private Companies in New Jersey where PCG is based. PCG serves many industries, but their largest by far is the automotive retail industry where they serve hundreds of car dealerships across the US and Canada.

Brian Pasch is an avid writer and blogger and his commentary on Search Engine Optimization and Digital Marketing can be easily found on the Internet. In 2012 he founded PCG Consulting to provide vendor neutral advise to business leaders looking to create a comprehensive marketing strategy that includes the latest opportunities in traditional, digital, and social media.

Brian is an active speaker at automotive industry conferences, 20 Groups, and digital marketing workshops. His popular training programs makes him an in demand speaker with elite flying status. Brian is an advocate of balance living and takes time to invest in his health and spiritual well being. That lifestyle includes making time for his family and friends in New Jersey where he lives by the Jersey Shore.

About PCG Digital Marketing

Founded in 2005, PCG Digital Marketing provides customized digital marketing strategies for car dealers that includes:

- Search Engine Optimization (SEO).
- Digital Advertising (SEM, Video Pre-Roll, Retargeting, Digital Radio).
- Internet Reputation Management (IRM).
- Social Media Engagement & Marketing via Google WildFire Platform.
- Facebook Advertising.
- Content Marketing Packages.

PCG Digital Marketing has been recognized for outstanding service by the DrivingSales Dealer Satisfaction Awards, which are compiled by actual dealership voting.

To speak with a consultant regarding PCG Digital Marketing services, call 732.450.8200.