EXCERPT from the Digital IQ Index®: **Auto**
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L2

DIGITAL IQ *INDEX*®:

Auto

May 16, 2013

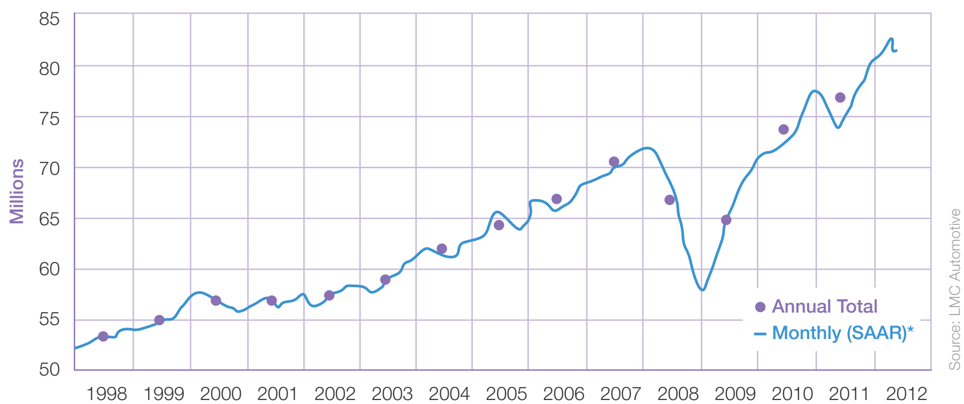
SCOTT GALLOWAY
NYU Stern

RENEWAL

The black swan event that spelled the end for Hummer, Mercury, Pontiac, Saab, and Saturn has faded as the industry eyes its first 100 million unit year by 2015.

IN JANUARY, the light vehicle market reached a record—86 million units (annualized).[1] Double-digit growth in North America and Asia has offset stagnance in Europe.[2] In a historic turn, the Detroit "Big Three" are increasing market share among new-vehicle buyers in the 18-to-24 demographic.[3]

Global Light Vehicle Sales Trend



*Monthly (Seasonally Adjusted Annual Rate) Smoothed

New Road

Over the past decade, the proportion of new-vehicle buyers in the U.S. that use the Internet to shop has ballooned from 60 to 79 percent.[4] Data points to several shifts in the purchase path:

Mobile: A third of in-market shoppers access brands' mobile sites—half browse vehicle information while in the dealership.[5]

Third-Party: Nine in 10 Gen Y-ers turn to third-party sites when researching a purchase, opening the door for new entrants such as Google Cars.[6, 7]

Connected Car: Thirty percent of customers in mature markets are willing to share personal data from connected-car services (e.g., OnStar) directly with OEMs and dealers—a mechanism to enhance brand loyalty and upsell features through customer insight.[8]

Shift

Brands have shifted their marketing mix from print to digital.[9] Several brands (e.g., Cadillac) have innovating with new ad formats exhibiting click-through rates four times the industry average that target mobile users at key reference hubs, including: Cars.com, Edumunds, MotorTrend, and AutoTrader.[10]

Digital IQ = Shareholder Value

In the U.S. market, automobile brands with strong Digital IQs (Gifted or above) are growing new vehicle sales at an average of 11 percent, versus three percent for brands with low Digital IQs (Average or below). The relationship between Digital IQ and sales is undercut by several brands, notably Ferrari, Rolls-Royce, Lamborghini, and Bentley, all ultra-luxury contenders that have experienced a recent surge in demand, but are behind online.[11]

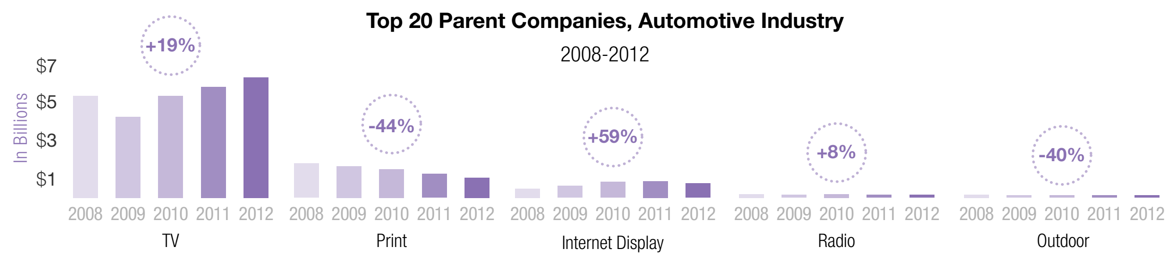
This study attempts to quantify the digital competence of 42 automotive brands. Our aim is to provide a robust tool to diagnose digital strengths and weaknesses and help brands achieve greater return on incremental investment. Like the medium we are assessing, our methodology is dynamic. Please reach out to us with comments that improve our methodology, investigation, and findings at scott@stern.nyu.edu.

SCOTT GALLOWAY
Professor of Marketing, NYU Stern
Founder, L2

Five Year Change in Channel Spend by Media

Top 20 Parent Companies, Automotive Industry

2008-2012



Source: Kantar Stradegy

1. "Analysis: China drive global car market to new record in January," Dave Leggett, Just-Auto.com, February 13, 2013.
2. "Global Light Vehicle Overview," Volker Krueger, LMC Automotive, October 2012.
3. "2012 U.S. Automotive Industry Survey and Confidence Index: A Return to Optimism," Booz & Company, December 2012.
4. "Detroit Three, Koreans Steal Small-Car Market Share from Japanese," Craig Cole, AutoGuide.com, March 21, 2013.
4. "2012 New Autoshopper Study Results," J.D. Power & Associates, October 4, 2012.
5. "2012 Automotive Mobile Site Study," J.D. Power & Associates, October 23, 2013.
6. "4th Annual Gen Y Automotive Survey," Deloitte, January 2012.
7. "Google poised for major retail push," Ryan Beene Automotive News, March 4, 2013.
8. "14th Annual Automotive Study: My Car, My War: Cars Online 12/13," Capgemini, March 19, 2013.
9. "Industry Views: Automotive Parent Top 20," Kantar Stradegy, February 2013.
10. "Cadillac tests rich media ads with up to 2.38 pc CTR," Chantal Tode, Mobile Marketer, May 1, 2013.
11. "Demand for 'Street Legal' Ultra-Luxury Cars Soars," Philip LeBeau, CNBC, March 5, 2013.

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Digital IQ Ranking

Genius, Gifted

RANK	BRAND		DIGITAL IQ
1	Ford	Ford Motor Company	Genius 140
2	Jeep	Chrysler Group	Gifted 135
3	Chevrolet	General Motors	133
4	Toyota	Toyota Motor Corporation	131
5	Nissan	Nissan Motor Company	126
6	BMW	Bayerische Moteren Werke AG	124
6	Honda	Honda Motor Company	124
8	Cadillac	General Motors	122
8	Chrysler	Chrysler Group	122
8	Mercedes-Benz	Daimler	122
11		Volkswagen	118
12	Hyundai	Hyundai Motor Group	117
12	Lexus	Toyota Motor Corporation	117
14	Audi	Volkswagen	116
15	Acura	Honda Motor Company	115
15	Buick	General Motors	115
15	Dodge	Chrysler Group	115
15	Fiat	Fiat	115
19	GMC	General Motors	114
20	Mazda	Mazda Motor Corporation	113
20	Porsche	Volkswagen	113

GENIUS
Ford
GIFTED
Jeep
Chevrolet
Toyota
Nissan
Bmw
Honda
Cadillac
Chrysler
Mercedes-Benz
Volkswagen
Hyundai
Lexus
Audi
Acura
Buick
Dodge
Fiat
Gmc
Mazda
Porsche
AVERAGE
Subaru
Infiniti
Kia
Lincoln
Ram
Volvo
Mini
Scion
Jaguar
Land Rover
CHALLENGED
Tesla
Ferrari
Mitsubishi
Smart
Maserati
Aston Martin
FEEBLE
Rolls-Royce
Bentley
Lamborghini
Lotus
Bugatti

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May 16, 2013

Digital IQ Ranking

Average, Challenged, Feeble

RANK	BRAND		DIGITAL IQ
			Average
22	SUBARU	Fuji Heavy Industries	109
23	INFINITI	Nissan Motor Company	107
24	KIA	Hyundai Motor Group	105
25	LINCOLN	Ford Motor Company	104
26	RAM	Chrysler Group LLC	103
27	VOLVO	AB Volvo	101
28	MINI	Bayerische Moteren Werke AG	100

RANK	BRAND		DIGITAL IQ
29	SCION	Toyota Motor Corporation	99
30	JAGUAR	Tata Motors	96
31	LAND ROVER	Tata Motors	94
			Challenged
32	TESLA	Tesla Motors	87
33	Ferrari	Fiat	84
34	MITSUBISHI MOTORS	The Mitsubishi Group	83
34	smart	Daimler	83

RANK	BRAND		DIGITAL IQ
36	MASERATI	Fiat	75
37	ASTON MARTIN	Aston Martin Lagonda	73
			Feeble
38	Rolls-Royce®	Rolls-Royce	68
39	B	Volkswagen	61
40	LAMBORGHINI	Volkswagen	59
41	LOTUS	Proton Holdings	48
42	BUGATTI	Volkswagen	37

GENIUS
Ford
GIFTED
Jeep
Chevrolet
Toyota
Nissan
Bmw
Honda
Cadillac
Chrysler
Mercedes-Benz
Volkswagen
Hyundai
Lexus
Audi
Acura
Buick
Dodge
Fiat
Gmc
Mazda
Porsche
AVERAGE
Subaru
Infiniti
Kia
Lincoln
Ram
Volvo
Mini
Scion
Jaguar
Land Rover
CHALLENGED
Tesla
Ferrari
Mitsubishi
Smart
Maserati
Aston Martin
FEEBLE
Rolls-Royce
Bentley
Lamborghini
Lotus
Bugatti

Key Findings

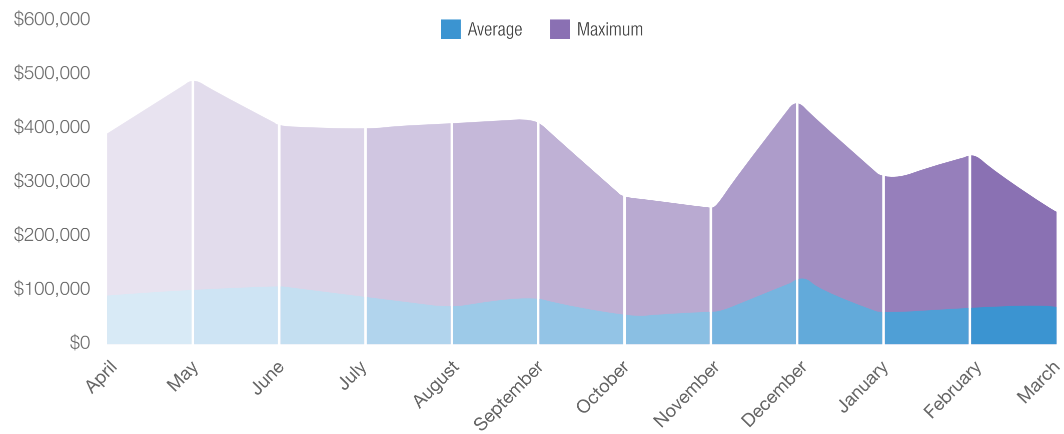
Paid Search: Desktop vs. Mobile

Sixty-three percent of new car shoppers have an initial brand in mind when they start looking for a new car.[12] Yet only 20 percent buy the first vehicle they search for online—indicating competitive purchasing is critical for automakers. Estimates from leading SEM toolkits suggest auto brands spend an average of $79,000 per month on paid search in the U.S. market (and upwards of $363,000 in select cases).

Unlike many industries where desktop search results mirror mobile search results, auto brands are more advanced—demonstrating a greater propensity to engage in competitive purchasing on mobile search, where screen real estate is more valuable. On desktop search, L2 found only three brands (BMW, Mercedes-Benz, Scion) engaged in competitive purchasing during the observation period. On mobile search, 11 brands bought against multiple competitors, capturing a fifth of paid search real estate.

Estimated Monthly Automotive Pay-per-Click Ad Budget

April 2012–March 2013

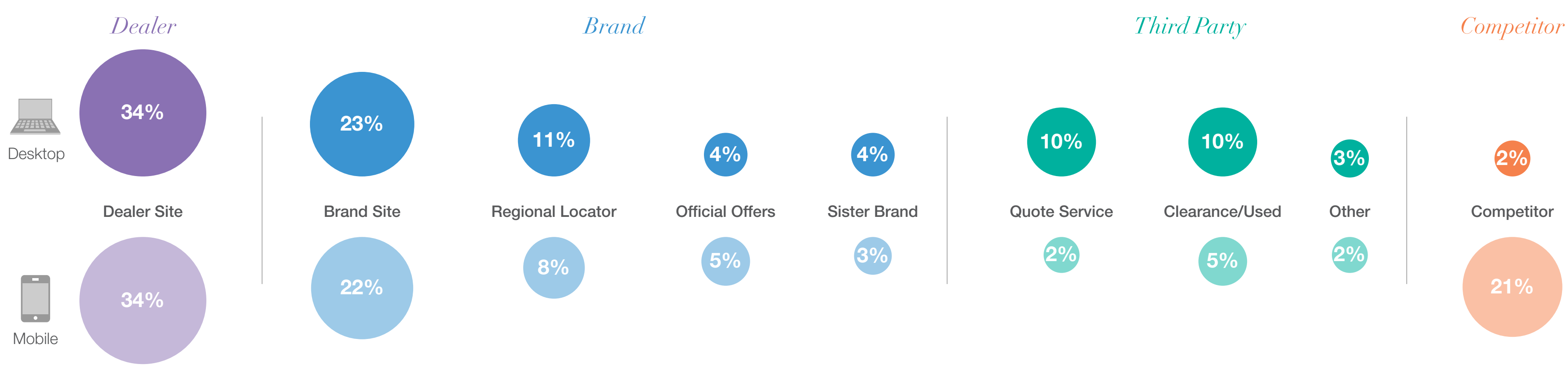


Source: iSpionage

Desktop vs. Mobile

Share of Paid Search Real Estate

April 2013



12. "Constant Consideration: Brand Choice on the New Vehicle Path to Purchase," Google, Compete, R.L. Polk, & TNS, September 2012.

Key Findings

Site: Dealer Handoff

Once users have configured their car of choice, they are typically presented with multiple next steps ranging from estimating cost to connecting with a dealer. Only 12 percent of brands lack an obvious next step thus losing the information a user has volunteered when redirected to generic dealer locators/contact information.

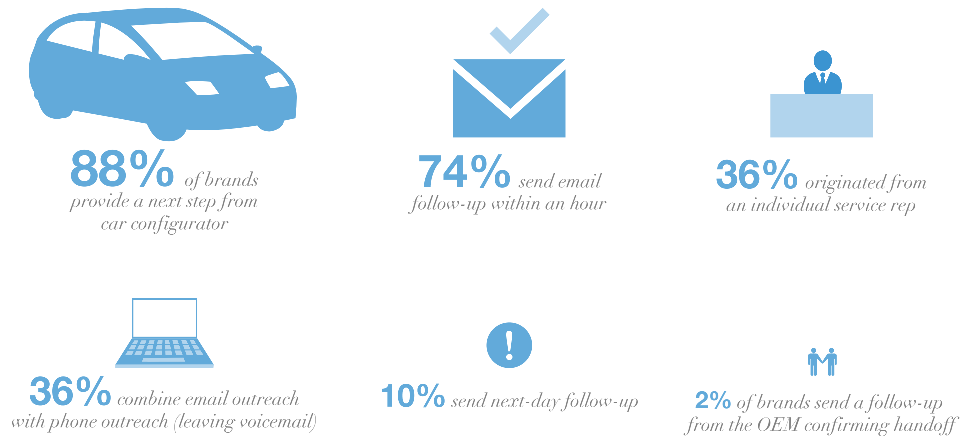
Requesting a quote from the OEM site generates a flurry of activity from local dealerships using both email and phone for immediate follow-up. Thirty-seven requests by L2 generated 31 email chains within the first 24 hours. All but three of the responses were received within a one-hour window—suggesting that more than 75 percent of referred dealers have implemented a quick-response system. This is a significant improvement over reports from 2010 that found that only a third of dealers maintained this capability.[13]

Forty-eight percent of the initial responses originated from an individual service representative, and 19 percent of email chains combined an automated response from the OEM with direct follow-up from the dealership (typically minutes apart). Where do brands fail? Only 25 percent of the follow-ups satisfied the primary ask for pricing information. In short, brands are mistaking timeliness for responsiveness.

On the phone, the same 37 requests generated 29 calls. Half the callers left voicemails, evenly split between immediate and next-day follow-up. Brands appear to be leveraging both phone and email simultaneously—only one dealership relied on phone exclusively.

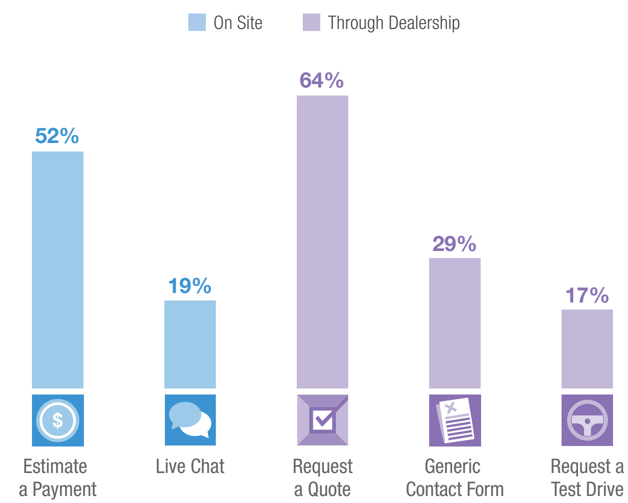
Dealer Handoff

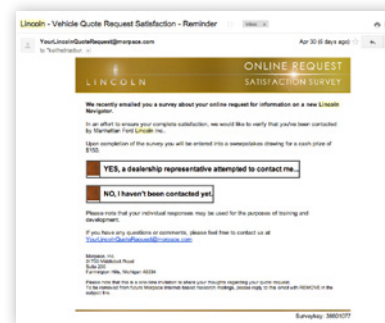
24 Hours Following Inquiry to NYC Dealership



Next Steps Presented Following Car Configuration

April 2013, n=42





Lincoln follows up with an Online Request Satisfaction Survey—collecting instant feedback on whether their affiliated dealerships are following through

13. "Online Auto Shoppers: Who Are They and How Do You Meet Their Needs?" U.S. Automotive Practice, J.D. Power & Associates, June 2011.

Key Findings

Mobile

Mobile vs. Tablet

In 2012, 31 percent of “in-market” shoppers visited auto brand sites from their smartphones (up from 17 percent in 2010).[14] Automakers are prepared for this shift in device traffic—86 percent of brands support mobile-optimized sites. Furthermore, three in four mobile sites represent unique and separate domains from the desktop site, featuring reduced page content at half the typical size for enhanced load time (765 versus 1,632 kilobytes).

Automakers also recognize that while shoppers switch between PC, tablet, and smartphone devices throughout the purchase process, user behavior varies by device type. A recent survey found that tablets are the mobile tool of choice for upper- to middle-funnel activities—specifically, general research, vehicle comparison, and spec/option exploration.[15] Accordingly, 93 percent of auto brands currently push conventional desktop content to tablet devices.

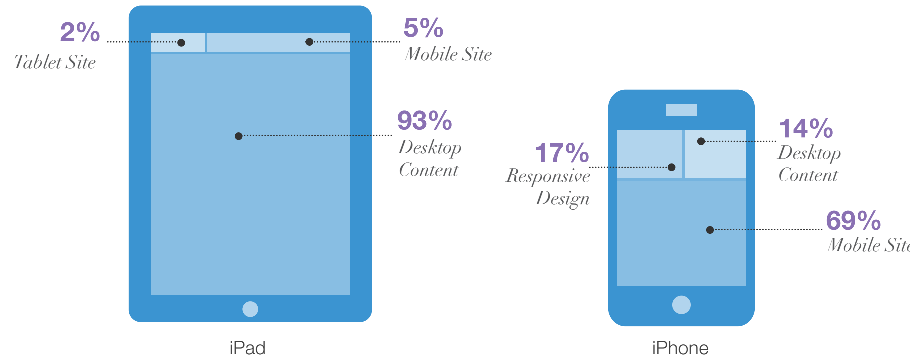
Unfortunately, past investments in mobile optimization have left a gap in terms of the tablet experience:

Only **33 percent** *of sites that load on tablet feature touch-and-swipe functionality (vs. 75 percent on mobile sites)*

14 percent *of car configurators (a universal site feature) accessed on the tablet do not function fully—often requiring a separate app investment*

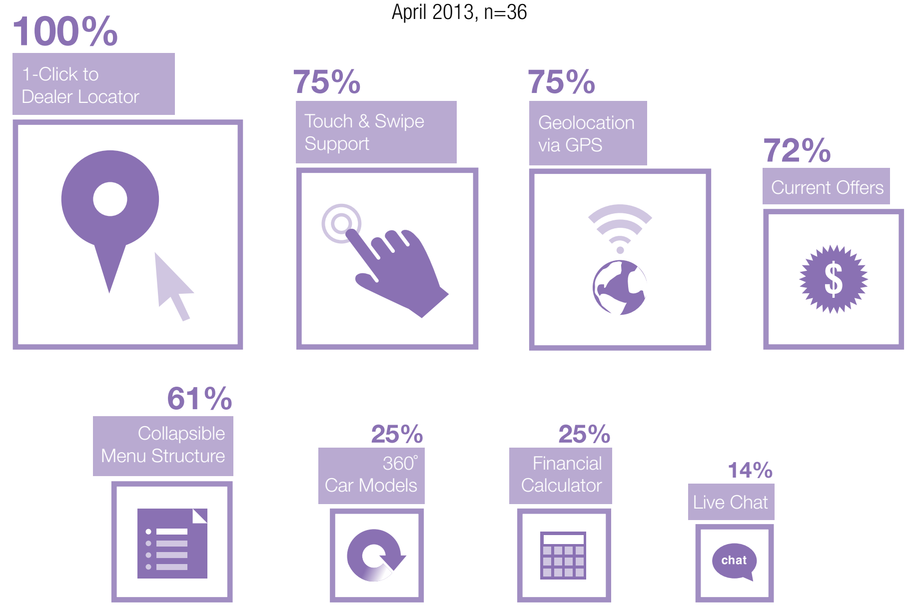
24 percent *of brands feature Adobe Flash elements on their site that do not load on the iPad, compromising the experience*

Mobile Browser Content by Device Type



Mobile Site Features

April 2013, n=36



14. “2012 Automotive Mobile Site Study,” J.D. Power & Associates, October 23, 2012.
15. “Mobile Web and App Usage for Automotive Shoppers,” Cars.com Insights, September 2012.

Key Findings

Digital Marketing

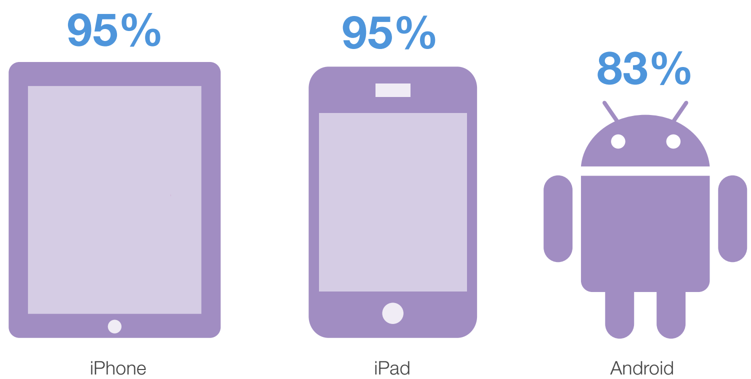
App Frenzy

Forty-one percent of mobile car shoppers report using automotive apps during the purchase process.[16] And while less than half of smartphone users (and a third of tablet users) express an explicit preference for apps versus sites, automakers have made apps a central component of their mobile strategy. Ninety-five percent of brands maintain an app presence on the iOS platform (83 percent on Android), collectively producing over 400 unique apps—more than 10 per brand—spanning 17 of the 23 categories defined on the iTunes App Store.

Despite this substantial investment, comparatively few apps have achieved visibility in the iTunes App Store. The average app has been available for 15 months and garnered only 120 user ratings. Twenty-four percent of auto apps have received no ratings. Of the 10 highest rated apps (controlling for time on store), six are games—the most competitive category to gain visibility. Only one of these gaming apps (Volkswagen's "Sports Car Challenge") has achieved significant traction, reaching number 18 on the Racing list and number 238 on the Top Free Games for iPad.

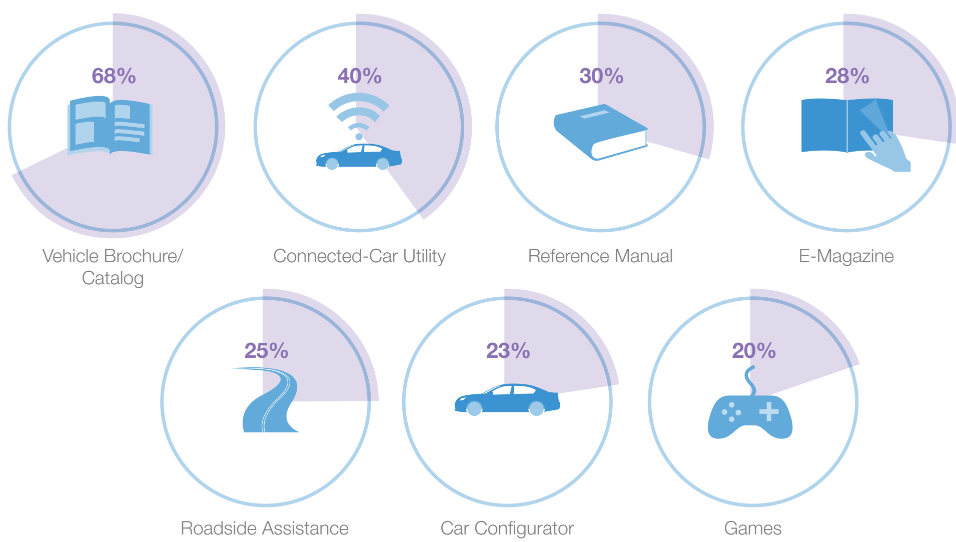
Mobile App Penetration by Platform

April 2013, n=42



Brand Mobile Apps by Function

April 2013, n=40



16. "Mobile Web and App Usage for Automotive Shoppers," Car.com Insights, September 2012.

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About L2

L2 is a think tank for digital innovation.

We are a membership organization that brings together thought leadership from academia and industry to drive digital marketing innovation.

RESEARCH

Digital IQ Index® is the global benchmark for digital performance of prestige brands. By analyzing more than 650 data points across four dimensions—Site & E-Commerce, Digital Marketing, Social Media, and Mobile—we quantitatively diagnose brands' digital strengths and weaknesses and rank peer-to-peer performance within the following verticals: Luxury, Beauty, Retail, Travel, Drinks, Auto, and CPG.

L2 Intelligence Reports complement L2's flagship Digital IQ Index® with a deeper dive on platforms or geographies of future growth. Critical areas of investigation include: Mobile, Video, Emerging Platforms, APAC and Brazil Russia India.

L2 Supplements provide an in-depth regional or platform-specific analysis of our Digital IQ Index® reports.

EVENTS

The Forum: Our annual flagship conference, held each November. The Forum is a one-day, TED-style event where the largest gathering of prestige executives in North America learn about case studies and best practices within the broader categories of Leadership, Genius, Organization and Behavior, among others.
300+ attendees

Clinics: L2's version of the one-day M.B.A, our quarterly clinics, held at NYU Stern and Hotel Palais Brongniart in Paris offer members an in-depth look at the issues, trends, strategies and technologies changing the face of prestige marketing.
120–180 attendees

Working Lunches: Held in cities across the world every month, our working lunches provide members with a midday opportunity to learn about our latest research releases and gain insight into digital opportunities.
40–80 attendees

CONSULTING

Advisory Services: L2 works with brands to garner greater return on investment in digital initiatives. Advisory work includes Digital Roadmaps, Social Media Strategy, and Organizational Strategy engagements.

MEMBERSHIP

For membership info and inquiries: membership@L2ThinkTank.com

Upcoming Events

CLINIC: **DISRUPTION**
June 11, 2013 • NYC

CLINIC: **SOCIAL CRM**
June 18, 2013 • Paris

LUNCH: **MULTI-CHANNEL**
June 19, 2013 • London

LUNCH: **RESEARCH BRIEFING**
June 21, 2013 • Shanghai

LUNCH: **RESEARCH BRIEFING**
June 24, 2013 • Hong Kong

Upcoming Research

DIGITAL IQ INDEX® REPORTS:
Specialty Retail
Department Stores

RESEARCH SUPPLEMENTS:
Russia: Luxury
Brazil: CPG

INTELLIGENCE REPORTS:
Multi-Channel
Platform Analysis

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