DIGITAL IQ INDEX®

AUTO

JUNE 30, 2014

Watch the Video

Downshift

Last year, automakers reported a total of 15.6 million cars and trucks sold in the United States—the best year for the industry since 2007.[1] While this represents the fastest period of expansion since 1950, few expect double-digit growth to continue.

As average vehicle age hit 11.5 years, automakers enjoyed a spike in demand that pushes the limits of current production capacity.[2] However, this silver lining has a cloud—last year, vehicle recalls outpaced new car sales by 45 percent. In 2014, the industry is expected to issue over 31 million recalls, topping the record set back in 2004.[3] Going forward, 42 percent of auto executives expect top-line growth to return to low single digits, intensifying competition and ushering in a new era of incentive-based marketing tactics.[4]

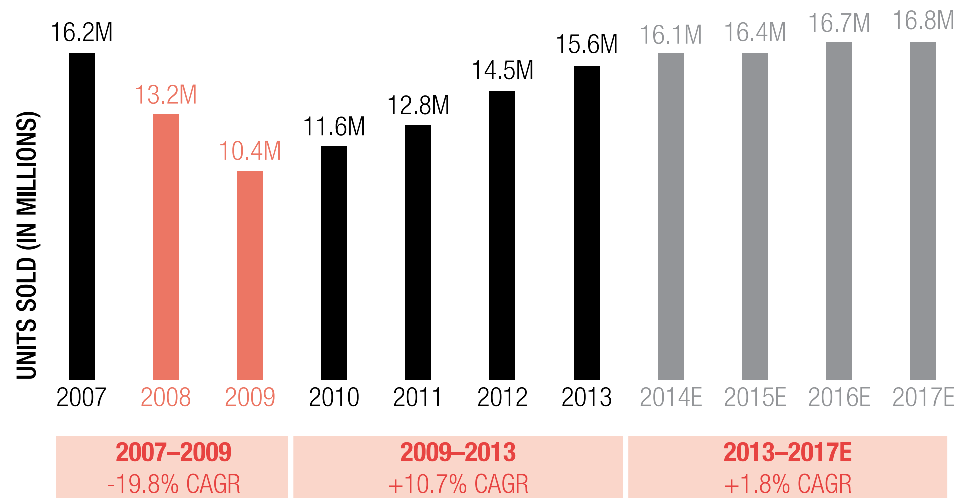
The Millennials Problem

Over half of Millennials (born between 1980 and 2000) report the high cost of maintenance, parking, and gas as major impediments to owning a car (versus 35 percent across older generations).[5] The percentage of 16-to-24 year olds with a driver's license has dropped below 70 percent for the first time since 1963.[6] Ridership on public transportation is at its highest level in 57 years.[7] And nearly a quarter of Millennials identify popular transportation apps (e.g., Hailo, Lyft, Uber, Zipcar) as a reason to drive less (versus only 10 percent of older cohorts).[8]

1. "U.S. auto industry sees best sales since 2007; recovery expected to slow in 2014," Michael Wayland, Michigan Live, January 4, 2014.
2. "American Auto Sales Seen at Annual 16 Million With Profit," Craig Trudell, Bloomberg Businessweek, September 16, 2013.
3. "Why are automakers recalling so many cars?" Robert Duffer, Chicago Tribune, April 4, 2014.
4. "2013 Automotive Industry Survey and Confidence Index," Brian Collie & Scott Corwin, Booz & Company / Bloomberg, October 23, 2013.
5. "Millennials Don't Care About Owning Cars, And Care Makers Can't Figure Out Why," Darren Ross, Co.Exist, Fast Company, March 26, 2014.
6. "The Real Reason Millennials Don't Buy Cars and Homes," Rick Newman, The Exchange, Yahoo! Finance, May 31, 2013.
7. "Record 10.7 Billion Trips Taken On U.S. Public Transportation In 2013," American Public Transportation Association, March 2014.
8. "Millennials and the New American Dream," 4th Annual Survey, Zipcar, January 2014.

Auto: U.S. Light Vehicle Sales

2007-2017E

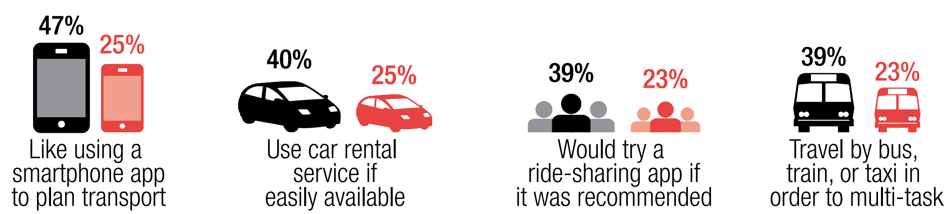


Source: Wards Auto (January 2014); Booz & Co. (October 2013)

Auto: Generational Divide in Alternative Modes of Transport

January 2014 (n=2,000 U.S. Consumers)

Gen Y   Other Generations



Source: Deloitte (January 2014)

Despite alarm bells, recent data suggests that Gen Y drove 23 percent of all new vehicle sales last year—and over three quarters of Gen Y plans to purchase or lease a vehicle within the next five years.[9,10] While automakers retain a robust customer base, the path to purchase for new car buyers has undergone a tectonic shift, with digital becoming the seminal domain for both discovery and decision-making.

Digital Decision

Four in five prospective car buyers use the Internet to research a new vehicle purchase.[11] During the consideration phase, half of shoppers are initially open to any car brand. But once customers move offline, most purchase decisions have been made. The average car buyer now visits only 1.6 dealerships, down from five dealerships a decade ago.[12] A third of buyers test-drive only one car to confirm their selection, and 16 percent skip this phase altogether.[13] All told, 73 percent of time spent shopping for a new vehicle takes place online—immune to organic, face-to-face influence.[14]

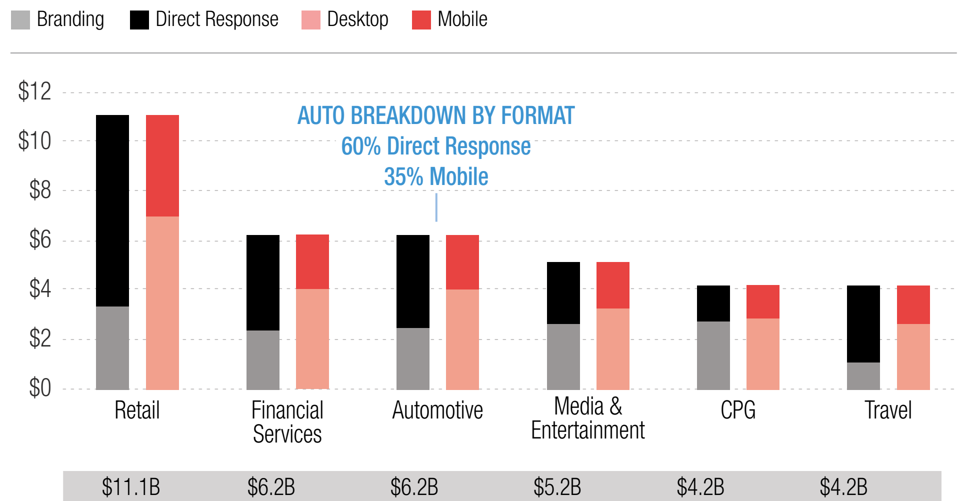
As the U.S. Auto industry exceeds $6 billion in digital ad spending, challenging Financial Services as the second-largest industry segment, budget is shifting to direct response and mobile ad formats.[15] These investments underscore the expansive role of digital across awareness, discovery, consideration, and conversion.

Over 70 percent of active vehicle shoppers in the U.S. explored a brand site or brand app from a smartphone in 2013 (up from 41 percent in 2012).[16] Further down the funnel, 63 percent of auto shoppers conducted research on their phone while visiting a dealership. Of those, 52 percent elect to visit additional dealers due to information found on their mobile device and 33 percent are lured to competitors by online advertisements.

9. "Annual Automotive Marketing Roundtable," J.D. Power, October 2013.
10. "5th Annual Gen Y Automotive Consumer Study," Deloitte, January 2014.
11. "Among Automotive Internet Shoppers, Tablet Usage Surpasses Smartphone Usage for the First Time," Press Release, J.D. Power, September 9, 2013.
12. "Americans rethinking how they buy cars," Phil LeBeau, CNBC, February 26, 2014.
13. "1 in 6 Car Buyers Skips Test-Drive; Nearly Half Visit Just One (Or No) Dealership Prior to Purchase," DME Automotive, April 15, 2014.
14. "2013 Automotive Buyer Influence Study," Polk & AutoTrader,com, June 27, 2013.
15. "Digital Ad Spending in U.S. Auto Industry Racing Ahead," eMarketer, May 23, 2014.
16. "Mobile Device Use at the Dealership: How Smartphone Shopping is Impacting Automotive Retailing," Cars.com Insights and Placed, January 2014.
17. "Digital Drives Auto Shopping," Google Think Insights, November 2013.

Auto: U.S. Digital Ad Spending by Industry

2014 (in $ Billions)



Source: eMarketer (March 2014)

Digital IQ = Shareholder Value

Increasingly, standard site features such as vehicle configuration tools, retail locators, and inventory search utilities are becoming commoditized. Accordingly, auto brands that invest in agile search campaigns and comprehensive mobile tools are better positioned to withstand the consumer's growing affinity for online research and digital cross-shopping.[17]

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 a greater return on incremental investment. Like the medium we are assessing, our approach is dynamic. Please reach out to us with comments that improve our methodology, investigation, and findings. You can reach me at Scott@L2ThinkTank.com.

Scott Galloway
Founder, L2
Professor of Marketing, NYU Stern

Methodology

SITE & E-COMMERCE
30%

EFFECTIVENESS OF BRAND SITE

Technology

Search & Navigation

New Model Pages & Comparison Tools

Build & Price Utilities

Dealership Directory & Localized Support

Certified Pre-Owned & Inventory Matching

Customer Service & Vehicle Documentation

Account Support & Financing Tools

DIGITAL MARKETING
30%

SEARCH, DISPLAY & EMAIL MARKETING EFFORTS

Search:
Traffic, Web Authority, SEO/SEM

Advertising & Innovation:
Display, Retargeting, Cross-Platform Initiatives

Email:
Ease of Sign-Up, Frequency, Consistency, Content

Blog & Other User-Generated Content:
Mentions, Sentiment, Brand Activity on Industry-Specific Outlets

SOCIAL MEDIA
20%

BRAND PRESENCE, COMMUNITY SIZE, CONTENT & ENGAGEMENT

Facebook:
Likes, Annual Growth, Custom Tabs & Apps, Responsiveness, Engagement

YouTube:
Search Visibility, Channel Experience, Upload Views, Content Tagging

Twitter:
Followers, Annual Growth, Frequency, Programming

Instagram:
Presence, Community Size, Engagement

Emerging Social Media:
Emerging Social Media: Google+, Pinterest, Tumblr, Vine

MOBILE
20%

COMPATIBILITY, OPTIMIZATION, AND MARKETING ON SMARTPHONES & TABLETS

Smartphone Experience:
Compatibility, Functionality, Dealer Finder, Offers, Shopping Tools

Tablet Experience:
Compatibility, Responsiveness, UI/UX Optimization

Mobile Search:
SEO/SEM, Localization, Coverage (Urban, Suburban, Rural)

Mobile Innovation:
iOS & Android Apps, In-Car Technology, SMS Alerts, Other Mobile & Geolocal Initiatives

Classification

GENIUS 140+	GIFTED 110–139	AVERAGE 90–109	CHALLENGED 70–89	FEEBLE <70
Digital competence is a point of competitive differentiation for these brands. Robust shopping tools translate seamlessly to mobile devices. Paid search strategies hedge across brand, category, and competitor terms. Innovative campaigns grow established communities while providing a launch pad for new models.	Brands are experimenting and innovating across site, mobile, and social platforms. Digital presence is consistent with brand image and larger marketing efforts.	Digital presence is functional yet predictable. Efforts are often siloed across platforms.	Inconsistent execution of social and digital marketing efforts. Site lacks inspiration and utility.	Investment does not match opportunity.

ABOUT THE RANKING

DIGITAL IQ INDEX® **AUTO**

L2

IN THE COMPANY OF GENIUS **GIFTED**

RANK	BRAND	DIGITAL IQ
1	Mercedes-Benz Daimler AG	140
2	Chevrolet General Motors Company	139
3	Nissan Nissan Motor Company	133
4	Toyota Toyota Motor Corporation	131
5	Ford Ford Motor Company	130
6	Volkswagen Volkswagen AG	128
7	Cadillac General Motors Company	127
8	Lexus Toyota Motor Corporation	125
9	BMW BMW AG	123
9	Honda Honda Motor Company	123
11	Hyundai Hyundai Motor Group	122
12	Jeep Fiat Chrysler Automobiles	120
13	GMC General Motors Company	119
13	Subaru Fuji Heavy Industries	119
15	Audi Volkswagen AG	118

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

ABOUT THE RANKING

DIGITAL IQ INDEX® AUTO

GIFTED | AVERAGE | CHALLENGED

RANK	BRAND	DIGITAL IQ
15	Porsche (Volkswagen AG)	118
17	Acura (Honda Motor Company)	116
17	Chrysler (Fiat Chrysler Automobiles)	116
17	Dodge (Fiat Chrysler Automobiles)	116
20	Kia (Hyundai Motor Group)	114
20	Mazda (Mazda Motor Corporation)	114
22	Infiniti (Nissan Motor Company)	112

RANK	BRAND	DIGITAL IQ
23	Ram (Fiat Chrysler Automobiles)	110
24	The Lincoln Motor Company (Ford Motor Company)	107
25	MINI (BMW AG)	104
26	Buick (General Motors Company)	102
26	Fiat (Fiat Chrysler Automobiles)	102
26	Volvo (AB Volvo)	102
29	Ferrari (Fiat Chrysler Automobiles)	101

RANK	BRAND	DIGITAL IQ
29	Scion (Toyota Motor Corporation)	101
31	Jaguar (Tata Motor Group)	99
32	Land Rover (Tata Motor Group)	98
32	Tesla (Tesla Motors)	98
34	Mitsubishi Motors (Mitsubishi Group)	88
35	Maserati (Fiat Chrysler Automobiles)	83
36	Aston Martin (Aston Martin Lagonda)	81

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

ABOUT THE RANKING

DIGITAL IQ INDEX® **AUTO**

FEEBLE

RANK	BRAND	DIGITAL IQ
37	smart Daimler AG	69
38	Lamborghini Volkswagen AG	65
39	Bentley Volkswagen AG	64
40	Rolls-Royce BMW AG	62
41	Lotus Proton Holdings	50
42	Bugatti Volkswagen AG	38

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

Site Features

Although auto shoppers interact with an average of 24 distinct research "touch points" during their consumer journey, manufacturer sites remain the second most influential source of online information (behind dealer sites)—rivaling in-person interactions conducted at the point of sale.[18]

At first glance, auto sites vary widely by functionality. However, several patterns emerge across brands at equivalent price points. Premium brands are the most likely to couple vehicle comparison engines with live chat. Luxury brands ensure the preservation of custom car configuration (e.g., print, email, or save) and excel at pushing test drives. Ultra-Luxury contenders invest in video assets—and little else.

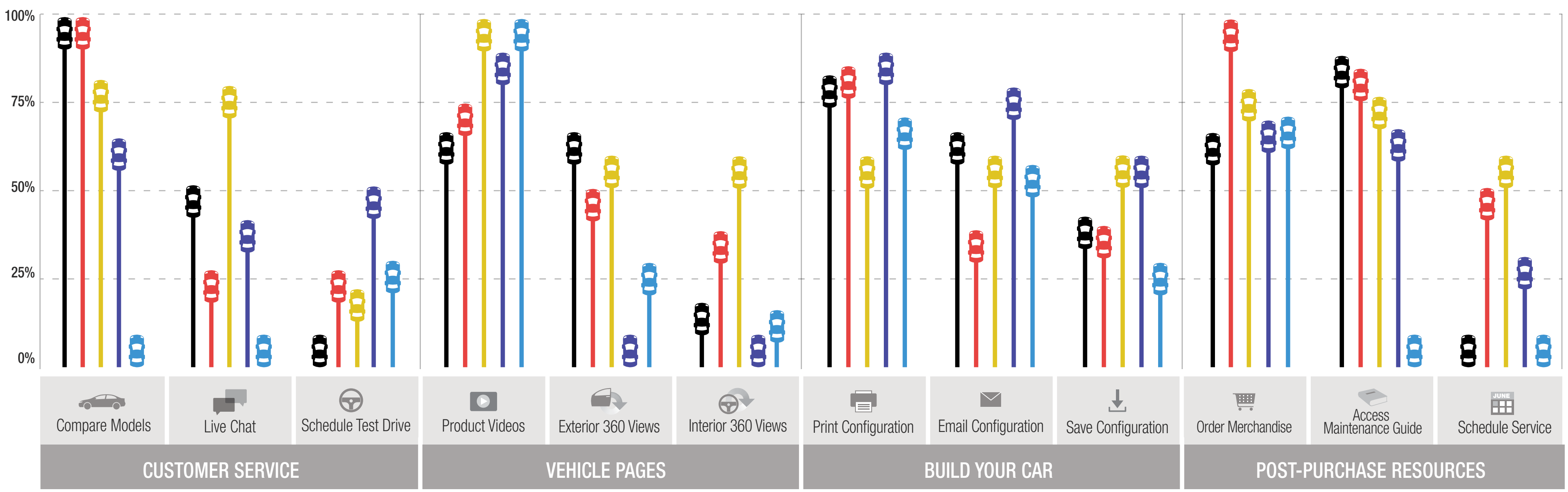
As a result, brands experience tunnel vision, benchmarking their efforts against immediate peers. A peripheral view of industry efforts is critical to ensuring site refinements add utility and enhance the customer experience, versus playing defense in an innovation "echo chamber."

18. "Digital Drives Auto Shopping," Google Think Insights, November 2013.

Auto: Site Features & Funtionality by Vehicle Category

June 2014, n=42

Value, n=12 | Premium Entry-Level, n=8 | Premium, n=5 | Luxury, n=10 | Ultra-Luxury, n=7



INDEX	71%	38%	29%	83%	40%	24%	81%	62%	45%	76%	69%	26%

Desktop SEO

While nearly two thirds of new car buyers start with an initial brand in mind, only a fifth of shoppers actually buy the first vehicle they research.[19] Search engines rank as the sixth most influential source of in-market research—edging out both car buying sites and professional review sites.

Within the auto category, 52 percent of traffic to brand sites originates from search portals.[20] Organic search drives 82 percent of these clicks, underscoring the influence of unpaid links. Brand properties capture over 40 percent of first-page results for brand-related searches. Over 80 percent of these brand results drive to either the OEM's consumer portal or social media destinations.

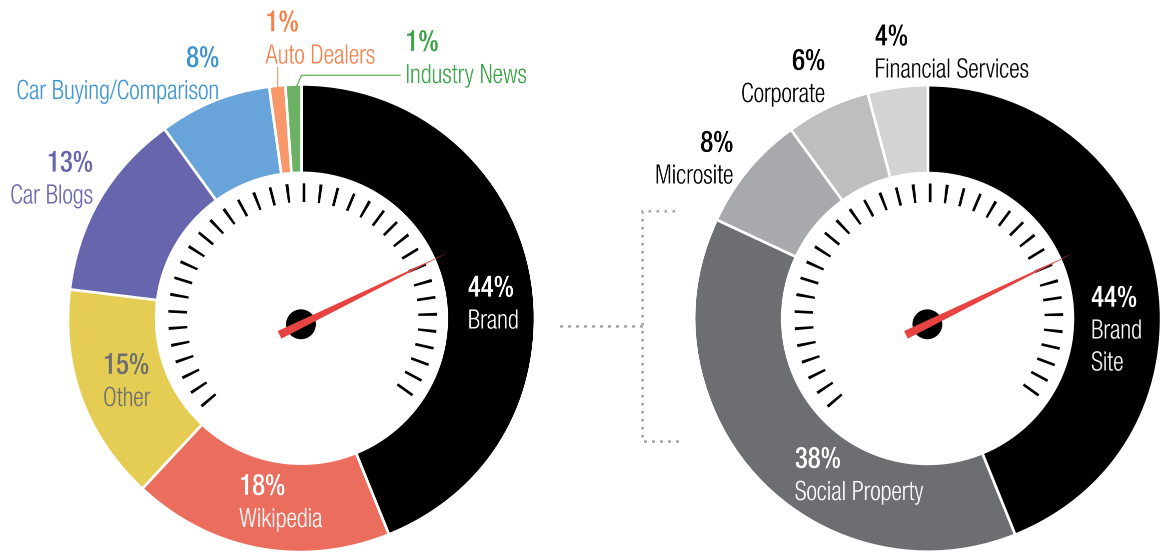
While brands consistently win the first organic position and enable additional links to internal pages, only 38 percent of brands provide a shortcut to dealership directories. As a result, local retail affiliates are highly dependent on automated Google Map results (appearing on 60 percent of queries) or their own paid search efforts to gain additional visibility.

19. "Constant Consideration Inforgraphic," Google Think Insights, January 2013.
20. SimilarWeb.

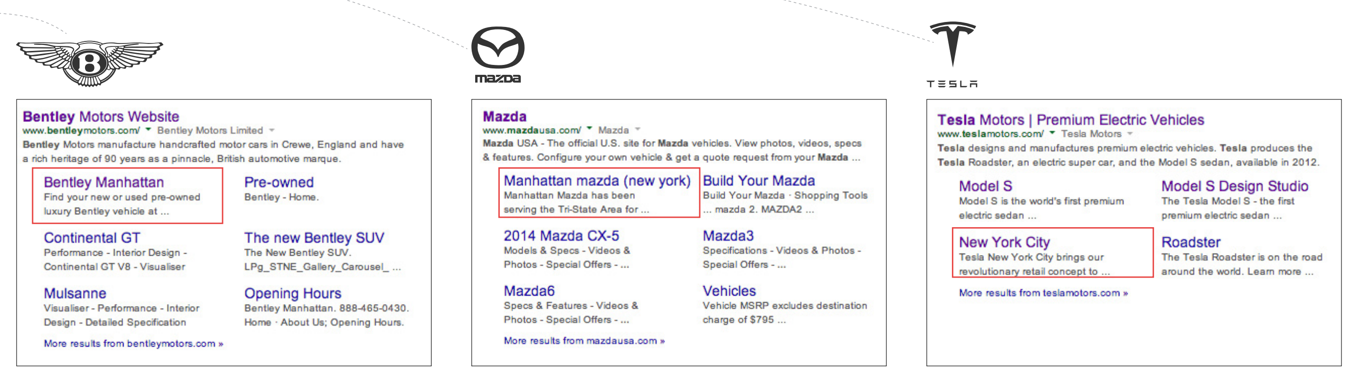
Auto: Ownership of First-Page Organic Search Results on Google

Brand Search Terms (e.g., "Acura")

June 2014, n=326 results



Breakdown of "Brand" Results by Type



Bentley, Mazda, and Tesla provide rare examples of "deep links" to local showrooms that re-populate depending on the geographic origin of the user query.

KEY FINDINGS SOCIAL MEDIA

DIGITAL IQ INDEX® AUTO

Social Media

According to a recent review of social-driven leads, up to 15 percent of social conversations convert to test drives. Social leads have a $2 acquisition cost and it takes 67 leads ($134) to move one vehicle.[21] At the average sales price of a new car, that represents a 230x return on investment.

Auto brands need not be convinced of the efficacy of social marketing—becoming the first industry tracked by L2 that features ubiquitous adoption of Facebook, YouTube, Twitter, and (now) Instagram.

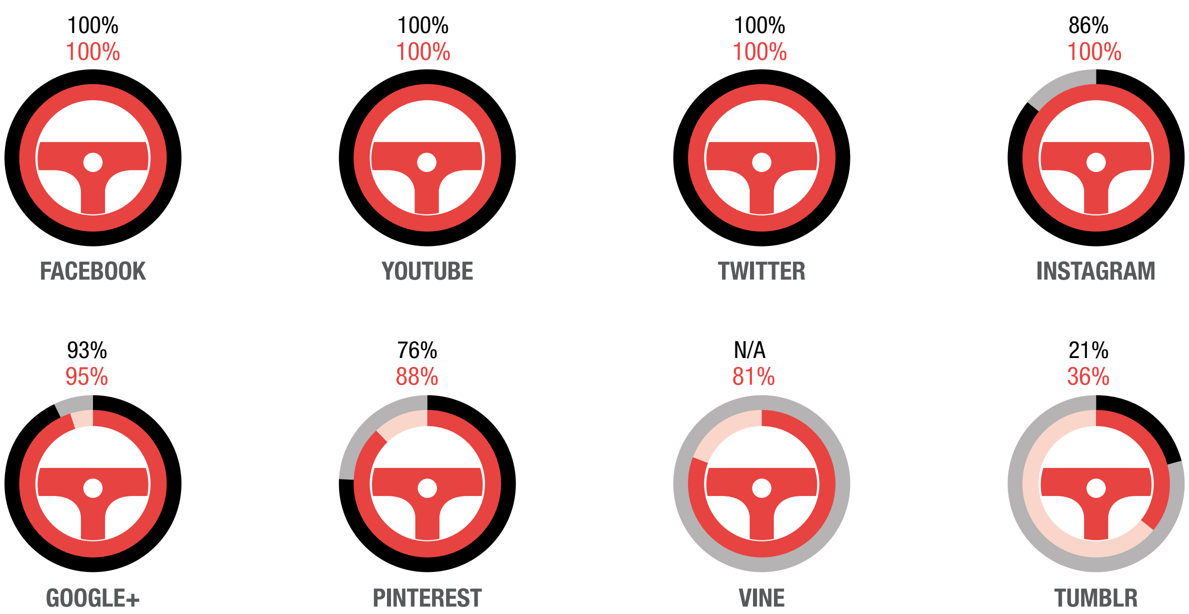
While auto brands are still doubling their following on Twitter and Instagram each year, growth on Facebook has slowed as brands face an increasingly pay-to-play environment.[22] Despite the rising costs of participation on the platform, Facebook remains a critical investment for auto brands—with an estimated 65 percent of social conversation about vehicles taking place there.[23]

21. "Social Selling: A Digital Blueprint for the Automotive Industry," Brian Decker, PwC, December 2013.
22. "Facebook Admits Organic Reach Is Falling Short, Urges Marketers to Buy Ads" Advertising Age, December 2013.
23. "How Digital Living Impacts the Automotive Industry" J.D. Power, October 2013.

Auto: Social Media Platform Adoption

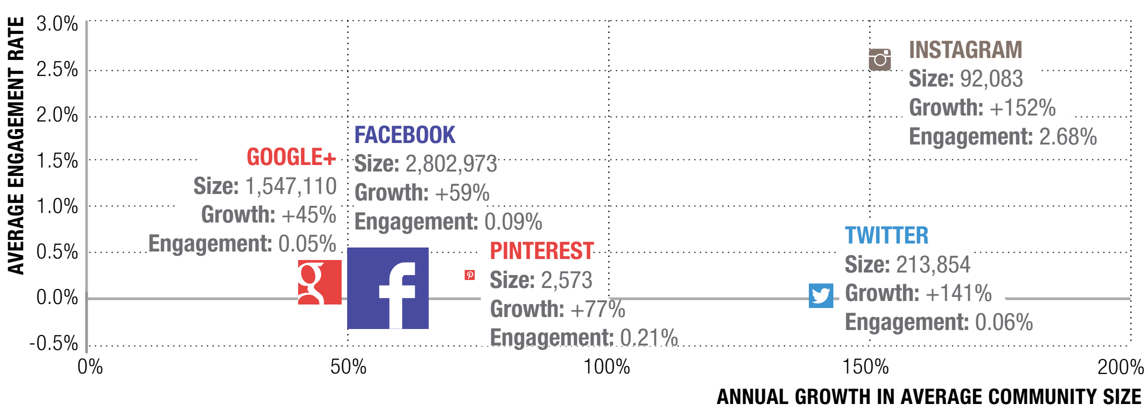
Percentage of Brands with Official Presence

June 2014, n=42 ■ 2013 ■ 2014



Auto: Comparative Community Metrics by Platform

June 2013–2014



Mobile & Tablet

A recent consumer tracking study suggests auto shoppers spend about a quarter of their time accessing online resources from mobile devices (versus 51 percent of the general sample).[24] While desktop clearly drives much of the research phase, nearly 1 in 10 auto shoppers are already at a dealership when they access information from a mobile device—with 16 percent of mobile auto shoppers reporting their prospective purchase as "imminent."

This contextual reference underscores the need for auto brands to optimize features that prove particularly relevant on the dealer lot. While the high adoption of mobile-optimized sites (90 percent) remains consistent with last year, brands are tweaking functionality to cater to on-site shoppers. Mobile access to financing calculators and live chat has doubled in the past year. Meanwhile, brands have reduced access to 360-degree car views, which frequently proves cumbersome on the small screen and exacerbates load time.

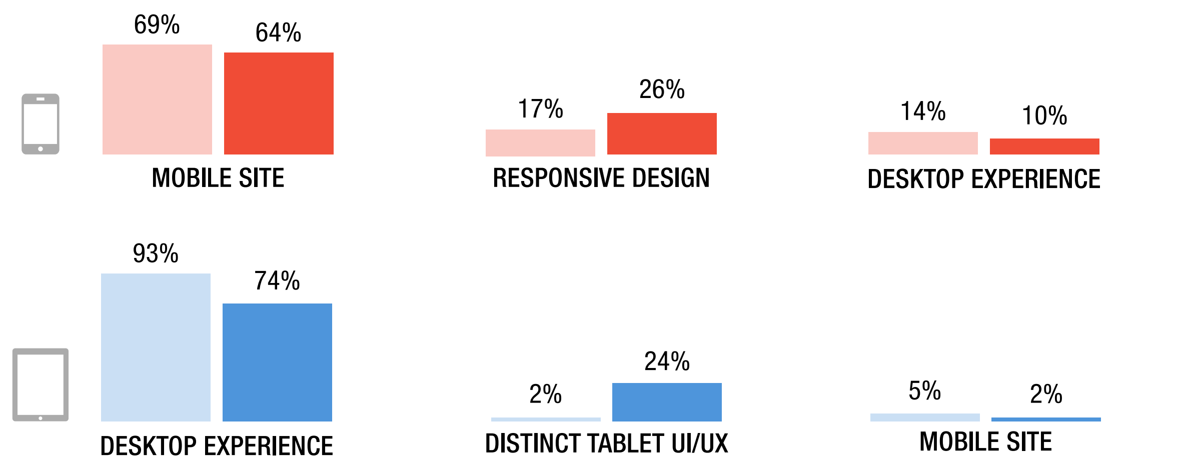
Parallel to these tweaks, investment in tablet-optimized sites has increased substantially. Nearly a quarter of auto brands now support UI/UX elements that enhance the desktop experience. Brands have also attacked technical issues that plagued the tablet experience last year. Error rates on complex car configuration utilities are now 10 percent (down from 21 percent last year).

24. "Mobile Path to Purchase: The New Shopper Mindset," xAd, Telmetrics, & Nielsen, June 2014.

Auto: Site Configuration on Smartphones & Tablet

June 2014, n=42

2013 2014



Auto: Site Features & Functionality on Mobile Devices

June 2014, n=42

Smartphone Tablet

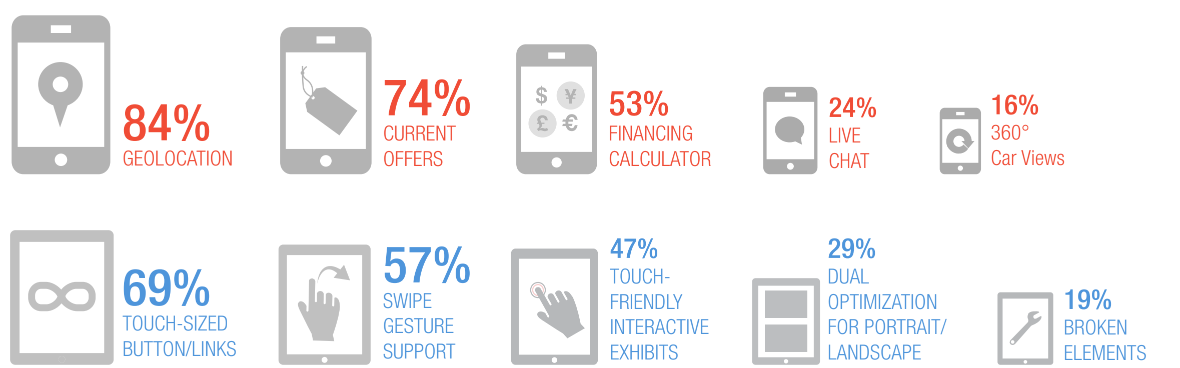


TABLE OF CONTENTS

DIGITAL IQ INDEX® **AUTO**

Click to jump to:

Click logo to return here.

L2 business intelligence for digital.

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

RESEARCH

Digital IQ Index®: The definitive benchmark for online competence, Digital IQ Index® reports score brands against peers on more than 850 quantitative and qualitative data points, diagnosing their digital strengths and weaknesses.

Intelligence Reports: 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 Collective®: Series of benchmarking reports designed to help member brands better understand resources, human capital, budgets, and priorities supporting digital strategies.

EVENTS

Forums: Big-picture thinking and game-changing innovations meet education and entertainment. The largest gathering of CPG executives in North America.

300+ attendees

Clinics: Executive education in a classroom setting with a balance of theory, tactics, and case studies.

120–180 attendees

Working Lunches: Members-only lunches led by digital thought leaders and academics. Topic immersion in a relaxed environment that encourages open discussion.

40–80 attendees

MEMBERSHIP

For membership info and inquiries: membership@L2ThinkTank.com

Upcoming Events

CLINIC: **SOCIAL IS MEDIA**

July 1, 2014; Paris

BREAKFAST: **OMNICHANNEL**

July 2, 2014; London

CLINIC: **SOCIAL IS MEDIA**

July 4, 2014; Geneva

LUNCH: **AMAZON**

July 15. 2014; New York

LUNCH: **DEPARTMENT STORES**

July 30, 2014; New York

Upcoming Research

DIGITAL IQ INDEX® REPORTS:

Departments Stores

European Personal Care

L2 INTELLIGENCE REPORTS:

Amazon

Omnichannel Retail

Social Platforms

CONTACT INFO:

155 Wooster Street, 2nd Floor
New York, NY 10012

L2ThinkTank.com
info@L2ThinkTank.com