

## AUTO ADV: DIGITAL ACCOUNTS FOR ALL GROWTH

### DEALER: "YOU CAN'T BRAND WITHOUT TV"

A new release from **Borrell Associates** on **2017 Automotive Advertising** confirms the marketing of new and used vehicles is the largest U.S. advertising segment, totaling \$36.3 billion in 2016. And while it appears new-car sales will be down this year, Borrell is forecasting an increase in ad spending - up 3.2%, pushing the total to **\$37.4 billion** for 2017.

Expenditures on **digital media** account for all the growth. Dealers and manufacturers are now spending more than half their budgets on it. In fact, Digital budgets are expanding this year by 7.9%, while dollars spent on offline media are shrinking by 2.3%.

What about digital ad fraud? It doesn't appear that local dealers are concerned. While they've actively lobbied to get manufacturers to ease digital requirements in co-op plans, those requirements remain in place and continue to drive local dealership ad-buying decisions.

Borrell predicts that over the next five years, overall automotive ad spending on digital media will go from a 54% share of all expenditures to a 66% share. Offline media -- principally **broadcast TV** and newspapers -- are forecast to see annual declines of nearly 3%, while digital media chugs along with annual increases of 6%.

But the increase in digital may be based on manufacturers rules, not on the impact of the ads. Dealers are complaining that manufacturers' co-op rules are forcing too much of ad spending toward the digital space. "You can't brand without TV," a multi-store dealer told us. "These online ads aren't getting the job done." Dealer Associations, managed in many cases by ad agencies, are supporting dealers on this issue. but as of now, co-op requirements haven't budged.

Meanwhile, there are a couple of other reasons new car sales are down this year. Competition from "almost-new" cars. is hurting the sale of new vehicles. Cars and trucks that have a few thousand miles on the odometer are luring buyers from purchasing a new vehicle. A flood of these top-quality used vehicles has come off lease, causing prices to drop. These vehicles give buyers the opportunity to drive a car that has a lot more features than they might be able to afford on a new vehicle.

In addition, Borrell's research shows incentives (rebates, special financing, and discounts) continue to be high, but their usefulness has abated. Heavy use for the past year has blunted their effectiveness as a marketing tool. Finally, younger buyers, especially Millennials, continue to postpone buying. Unpaid student loans and relatively low job prospects continue to restrict big-ticket purchases -- something that's affecting the real estate industry as well.

Auto sales fell 2.1% through the first six months of 2017, compared to the same period in 2016, according to **Autodata**. And July was the fourth consecutive month of retail sales declines. ([www.borrellassociates.com](http://www.borrellassociates.com))

### ADVERTISER NEWS

Although **General Motors** is looking at dropping some models, the **Chevrolet Traverse**, which has grown to become Chevy's number five nameplate, will get its first redesign this fall. Starting at \$30,875, Traverse sales are up 4.3% so far this year and it trails just the **Ford Explorer** and **Toyota Highlander** in the large crossover segment.....Other retailers are cutting back on physical stores, but *Retail Leader* says **Belk** is making a \$40 million bet on bricks-and-mortar. Now at 292 locations in 16 states, the company will open three new stores in October as well as remodel 12 existing stores this year.....**Rent-A-Center** had a tough quarter, with core U.S. revenues down 13.9% coming from lower same-store sales and store closures in the prior year. The **Acceptance Now** finance operation had positive same-store comps but much of that was offset by store closures so total quarterly revenue rose just 1.9%.....**Tempur Sealy** second quarter revenue was down 18%, but of course there's a big story behind the numbers. Second quarter sales to **Mattress Firm** were

\$1.2 million prior to the expiration of their relationship. Last year Tempur Sealy sold \$191.4 million to Mattress Firm in the same period, and it says excluding Mattress Firm, sales were up 10%.....A tough fourth fiscal quarter for **Ethan Allen**. Its retail segment had comps fall by 9.2% (although written orders were slightly ahead). The company promises "investments in...increased advertising and expanded marketing" in the current fiscal year.....Even **Starbucks** can make mistakes, and the chain will close all 379 **Teavana** units by next spring. Mall-based units were said to be "persistently underperforming." Starbucks paid \$620 million for the chain in 2012.....**Chipotle** will open its first-ever "vehicular pickup window" at an undisclosed restaurant in Ohio later this year. With the company still facing challenges over issues of food safety, the CEO also promises "changes to the design of our existing and new restaurants to optimize them for digital orders, new types of ordering formats, and new menu items".....**Whirlpool** had a strong quarter in its business in North America, although other regions of the world dragged down corporate results. Excluding currency fluctuations, North American revenue rose by 9%, and the company expects domestic unit shipments will be up 4-6% for the rest of the year.... **Hershey** is expanding its snacking products with in-house creation called **Popwell**. BakeryandSnacks.com describes it as a spin on classic popcorn, claiming to be half-popped. The marketing on the bag states that being half-popped gives it a unique texture that's "not too hard, not too soft." It has fewer than 200 calories per serving and is non-GMO, gluten-free and made from whole grains.



BORRELL

## CABLENET CHATTER

Turner's TBS network has ordered a fourth season of its hit comedy series **Angie Tribeca**. In addition, the cast has been expanded to include two-time Emmy winner **Bobby Cannavale** (Boardwalk Empire, Nurse Jackie). **Angie Tribeca**, starring **Rashida Jones**, has scored two consecutive seasons of growth among adults 18-49, including a 13% increase for last year's second season and another jump of 8% for the just-completed third season. The show also ranks as one of cable's Top 10 comedies for the quarter across all demos. **Nancy and Steve Carell** are the executive producers on the series along with showrunner **Ira Ungerleider**. Since its premiere, **Angie Tribeca** has attracted an audience that's four years younger than TBS' primetime median age and has accumulated 17.4 million YouTube views.....**ESPN's Marty Smith**, a regular contributor to **SportsCenter**, will bring his unique perspective and storytelling to the next level with the launch of a new monthly television program. **SportsCenter Presents: Marty Smith's America** will be a one-hour program featuring Smith interviewing and spending time with four sports newsmakers, sometimes in unusual settings. "Everyone has a story," said Smith, "This life is about relationships and sharing those stories. The program will debut Wednesday night at 7 PM (ET) on **ESPN2**, with features on **Tim Tebow**, **Carolina Panther's** quarterback **Cam Newton**, and University of Southern California quarterback, and pre-season consensus No. 1 overall draft pick, **Sam Darnold**..... **TNT** will debut the second season of **Good Behavior** on Sunday, October 15<sup>th</sup> at 9 PM (ET). In the drama, award-winning actress **Michelle Dockery** plays a thief and con artist whose life is always one wrong turn or one bad decision away from implosion. **Juan Diego Botto**, **Terry Kinney**, **Lusia Strus** and **Joey Kern** also star in the hit series, which was created by **Chad Hodge** and **Blake Crouch**. **Good Behavior** is based on a series of books by Crouch..... Social media has been strongly pushing **Mario Cantone** to play the new White House Communication Director **Anthony Scaramucci** on **Saturday Night Live**. It turns out that **Comedy Central's The President Show** has landed Cantone and debuted his portrayal of Scaramucci last Thursday night. In the late-night segment, **Comedy Central's President Trump**, **Anthony Atamanuik** told a group of White House correspondents, "I'd like to introduce you to my favorite new team member who I will eventually betray - Anthony Scaramucci!" ..... **TNT** and **TBS** president **Kevin Reilly**, speaking to an audience at the Television Critics Association summer meeting, said that he foresees fewer channels for the TV business in the future. "I think you're going to see additional consolidation and different corporate alignments," Reilly noted. He referenced the restructuring at **Viacom**, which identified six networks as flagship brands that would be getting the lion share of resources, with the rest being rebranded as reinforcing channels. An example of the trend is the shutdown of **NBCU's Esquire** this past year.

Taco Bell will begin selling a potato-rito, which is beef, cheese, potatoes, and chipotle spice wrapped in a tortilla for \$1. Or, for the same nutritional value, just eat the dollar.

Seth Meyers

## ACCOUNT ACTIONS

**Amazon** has issued a Request For Proposals for a media shop to handle business in North America and other markets around the world. **Initiative** has had the media activity on the account since 2013 with digital buying at **MEC**. Latest estimates are that Amazon has spent as much as \$950 million in the U.S. with total global expenditures well over a billion dollars annually. **Adweek** says it's not yet clear which agencies will pitch the account.

## THIS AND THAT

**Altice USA**, the fourth-largest U.S. cable TV operator lost 37,000 subscribers in Q2. During its earnings call last week, Dexter Goei, CEO of Altice USA, said, "We are not seeing an acceleration of video subscriber losses. We are trending at two percentage points on video subscriber losses, just like last year." Total revenue rose 3.2% to \$2.33 billion, while net losses more than doubled to \$474.8 million. Local cable advertising sales improved 2% to \$92.7 million.... The attorney for former CBS chairman **Sumner Redstone** has been added to the company's board

of directors. **Robert Klieger**, a partner in the law firm of Hueston Hennigan LLP, will succeed Mr. Redstone on the CBS board. Redstone, 94, resigned from the board earlier this year.... **Consumer confidence** remained largely unchanged for the month, a survey of consumers by The University of Michigan revealed on Friday. Americans appear the most optimistic about the current economic situation in U.S. than they have in 12 years.

## BUSINESS BYTES

**Wells Fargo** could have another public relations problem on its hands. After being heavily criticized (including by Congress) over opening accounts customers didn't know about last year, the bank now says it will pay more than a half million customers who were charged for car loan insurance they did not need. Wells Fargo agreed to pay those customers about \$64 million in cash and another \$16 million in account adjustments.

We've talked a lot lately about the tightness in the housing market, and one result is that more Americans are renting now than any time in the last 50 years, according to analysis of **Census Bureau** data done by the **Pew Research Center**. Pew says the number of households in the U.S. grew by 7.6 million in the decade between 2006 and 2016, but the number of households headed by home owners remained relatively flat. That led to 37% of households renting last year, up six percentage points from ten years before. 65% of all households headed by people under 35 are renters, up from 57% in 2006. Households headed by 35-44s were a bit better with 41% renting, up from 31% in 2006. For Boomers and older Americans, the rental rate remained steady around 20%.

## ECONOMIC NEWS

Here's some good news: **Gross Domestic Product** was up 2.6% in the second quarter, more than double the 1.2% increase that had been seen in the first quarter. **Marketwatch** reports a vibrant labor market has raised income for millions, enabled more Americans to buy homes and fed steady demand for business services. Most of the gain in GDP came from consumer spending, which was up 2.8% while business' fixed investments were up 2.2%.