



# Assessing the Impact of Coronavirus on the American Automotive Industry

What's happening in the industry, how brands are adapting,  
and where automakers need to focus moving forward

May 2020



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## Introduction

The state of the American automotive industry is uncertain.

On the one hand, frightening headlines like “Ford Warns of \$2 Billion Loss in First Quarter Due to Coronavirus Pandemic” and “Auto-Parts Suppliers Teeter as Car Production Halts” cast doubt on the future.

Yet on the other hand, encouraging headlines like “Auto Sales Show Signs of Recovery” and “Car Industry Told It Can Sell Vehicles Despite Lockdown Controls” suggest the industry might be doing fine.

The conflicting storylines are creating confusion for everyone with a stake in the industry’s future—from consumers and investors, to dealers and original equipment manufacturers (OEMs).

Given Zeta’s unique data set (750M+ deterministic identities), technology stack and experience working closely with more than 30 auto brands, we comprised this eBook with our own proprietary and 3rd party data insights to be a source of fact-based clarity for anyone who wants to know:

1. Where the American automotive industry stands today.
2. How the industry will change in the months ahead (temporary adaptations as well as permanent shifts).
3. What industry leaders must do to expedite a return to economic normalcy.

# A few of the topics to be covered...

## Marketing to the needs of today’s consumer, not yesterday’s

What consumers want from the car-buying experience is radically different from what they wanted in 2019. Selling online will be a key element in this shift. While the goal to sell through online channels has been on the rise for several years, COVID-19 will accelerate the digitization of automotive purchasing.

## Traveling while practicing social distancing

Increasing consumer demand for personal space—especially amongst commuters—is a unique opportunity for the automotive industry.

## Committing to the promotion of lucrative financial incentives

As the data will show, the importance of pushing lucrative financial incentives cannot be understated as nothing appears to be as effective at getting car shoppers to “sign on the line which is dotted.”<sup>1</sup>

<sup>1</sup> [Glengarry Glen Ross. Directed by James Foley, performance by Alec Baldwin, Zupnik Enterprises and New Line Cinema, 1992.](#)

# Executive Summary

The coronavirus has had a major impact on consumer behavior in the automotive industry.

Comprised of both proprietary and third-party data, Zeta has uncovered insights into what's happening in the industry now, how brands and consumers are adapting, and where brands need to be positioned in the future. This includes:

- To date, new vehicle sales across the auto industry are down 30% in 2020 compared to 2019, and Q1 earning statements for most auto brands were lackluster.
- Industry experts project 11.3 million new vehicle sales in 2020 – a 33% drop from their original forecast of 16.8 million.
- However, the Auto Industry is still seeing 11% increase in sales since the end of March.
- Week over week dealership visitation is rising, indicating that the auto industry could enjoy a strong second half in 2020.
- Right now, there is also an impressive interest in auto supplies.
- Looking ahead, car shoppers are coming back – but they will come back slower. Enhancing websites and digitizing the consumer experience has been accelerated to an imperative business need.
- Financial incentives, promotions and marketing will need to be in place to target new consumer audiences who:

Is interested in a new vehicle or lease, but would rather go through their viewing and purchase process digitally.

Have an increased interest in personal transport (due to fear of coronavirus).

Are looking for travel experiences that are drive-able and closer to home

Want a positive look at the future with a new vehicle for self-gratification.

Overall, Zeta recommends the following marketing strategies to act upon the current and upcoming consumer behavior trends to drive more measurable results:

**1. Shifting auto sales to online:** The Auto Industry needs to begin to rethink how vehicles are sold. Start by updating your website, including optimizing page loads and site tags, allowing for more engagement scoring and personalized messaging to target consumers with precision.

**2. Leverage data signals to activate paid and owned marketing channels:** Determine which audiences will be in greatest demand for cars, are looking to churn, need auto parts, live in a location that requires transportation, and more by leveraging identity and intent data to activate across every channel (mobile, email, social, display, TV, search). Brands who get in front of the right consumers will have a huge advantage.

**3. Personalized messages to targeted audiences:** Shifting behaviors have led to new consumer audiences such as those who want digital experiences; personal, sterile vehicle protection; vacationing in a drive-able distance; and more. Use behavioral, transactional and location signals to send the right message to the right person at the right time, drawing more interest in a sale based on their need state.

**4. Build brand loyalty:** Stay relevant and nurture your website visitors and most loyal customers. Sync known email addresses with existing CRM profiles or loyalty program members to target key customers with personalization and accuracy. Make offers to them such as service, new auto parts, financial incentives, etc to keep them interested.

**5. Grow customers and prospects In market:** Whether they are buying or leasing now or in the future, use data-driven, omnichannel marketing that reflects their geography, local weather, known automotive preferences, etc. Invest in data and AI powered digital media campaigns to increase acquisition of website-derived leads and fill-in rates.

01

# Where the Auto Industry Is Today (The Good)

# Sales are strong, all things considered

New car sales are up 11%<sup>2</sup> since the end of March, a clear indication that consumers are still willing to pull the trigger on big-ticket purchases if the price is right.

Spurred by expanded online purchase options, aggressive advertising, and lucrative incentives, consumers are finding a way to buy new cars despite record-unemployment, mandated social distancing, and a global recession.

## Incentivization

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GM and Fiat Chrysler Automotive are offering 0% financing for seven years.<sup>3</sup>

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Ford<sup>4</sup> and BMW<sup>5</sup> are letting new car buyers delay their first payment for 90 days.

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Infinity and Jaguar are offering zero-interest loans for up to 72 months.<sup>6</sup>

Even though these incentives come at a price for the automotive industry, they're working:

1. The decline in new sales related to the American economic shutdown is far lower than projected.
2. Consumer interest in auto loans is surging—based on Zeta's transactional data signals, consumer interest in automotive financing jumped by 23.1% between the end of February and the end of April 2020.

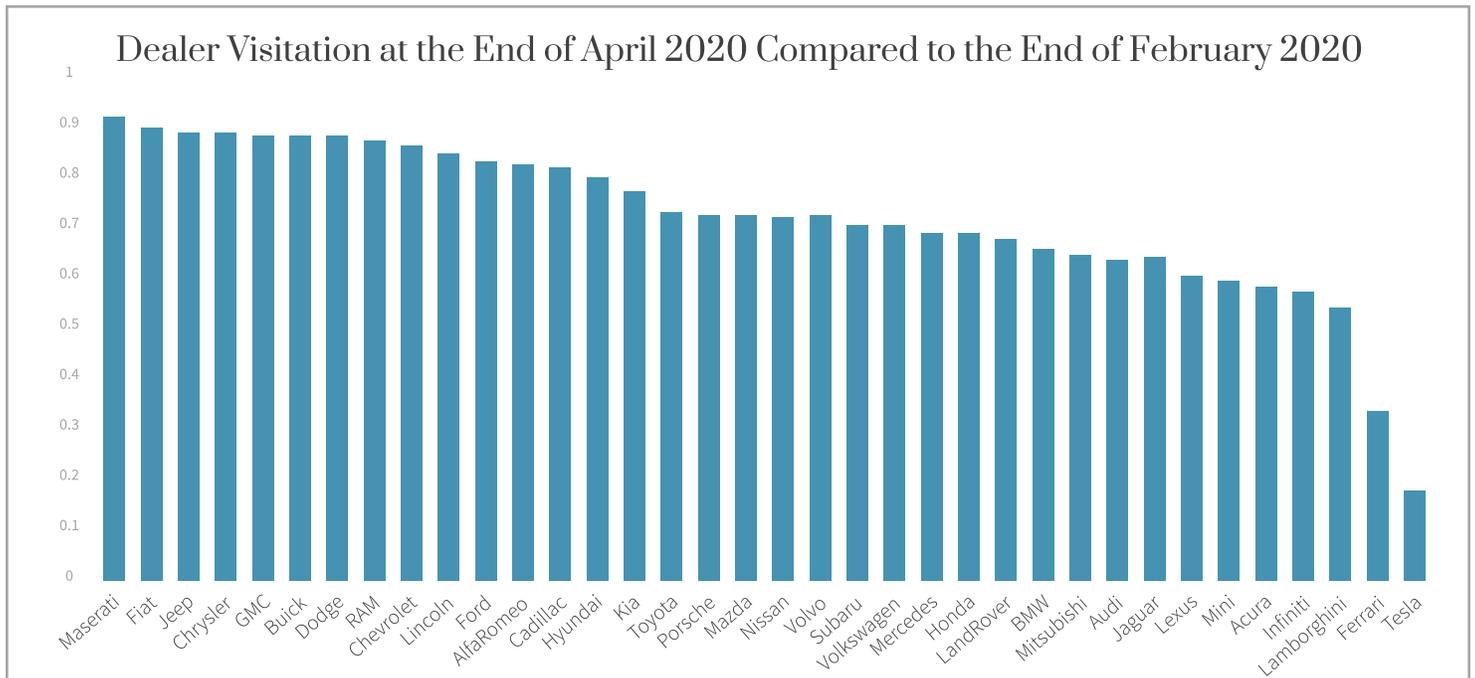
All these signals lead experts like Thomas King, Chief Product Officer at J.D. Power, to believe the auto industry is turning a corner and is “firmly in a period where sales of new vehicles [will] start to recover.”<sup>7</sup> It is a sentiment that's supported by data (see next page) showing increasing visits to dealerships at the end of April compared to the end of February.

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<sup>2,7</sup> <https://www.cnbc.com/2020/04/22/us-auto-sales-recovering-amid-pandemic-but-still-significantly-down.html>

<sup>3,5,6</sup> <https://www.caranddriver.com/news/a32082842/new-car-incentives-coronavirus-faq/>

<sup>4</sup> <https://www.cnbc.com/2020/03/16/gm-offers-0percent-financing-for-7-years-delayed-payments-amid-coronavirus.html>



### In summary...

- Industry-wide slumps rarely last more than 24 months—in most cases, the automotive industry returns to pre-slump sales levels in less than 48 months.<sup>8</sup>
- Improving week-over-week performance in key metrics like “dealership visits” and “traffic to OEM websites” is an indication the auto industry could enjoy a strong second-half in 2020.

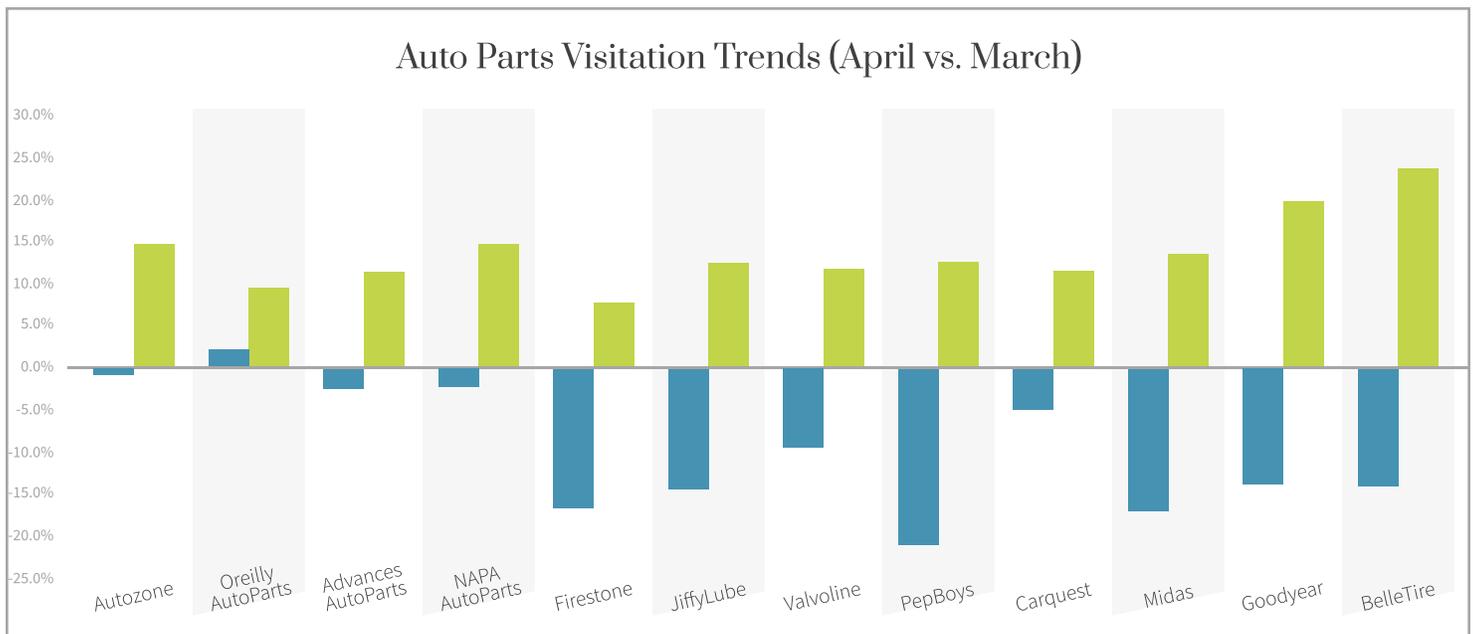
### What Zeta recommends...

- Digital marketing has the added value that it can personalize experiences to each individual. Deliver financial incentives using deterministic data and AI to increase the customer experience and drive more conversions.
- Continue pushing aggressive financial incentives.
- Add (or expand the use of) email as a customer acquisition channel.
- Avoid “tire kickers” by targeting high-intent audiences who are more likely to complete a big-ticket purchase.
- Utilize different forms of data (first-party, third-party, etc.) to better understand the real-time behavior and intent (vehicle of interest, level of engagement, etc.) of car shoppers.
- Do not stop investing in sustained omnichannel marketing efforts targeting in-market car buyers with personalized messaging that reflects their geography, local weather, known automotive preferences, etc.

<sup>8</sup><https://www.forbes.com/sites/sarwantsingh/2020/04/16/the-automotive-industry-gears-up-to-navigate-the-newnormal/>

# Impressive interest in automotive supplies

Automotive service centers are still operating, having been deemed an “essential service” by most governments. Their sustained operation is giving everyone in the auto industry—from OEMs, to dealers, to part suppliers—a much-needed injection of revenue.



## Positioning

Dealers and part retailers (e.g. AutoZone) are doing their best to put a positive spin on social-distancing and unprecedented unemployment by pitching this as the perfect time to perform automotive maintenance.

This assertion is backed by the patterns Zeta is seeing from internal signals regarding general consumer interest in autoparts, which grew by 62.1% between the end of February 2020 and the end of April 2020.

## Using marketing technology

Based on Zeta’s internal research, big brands like Toyota are using their marketing platforms to target current car owners, truck owners, and SUV owners with omnichannel messaging that promotes services related to sustained automotive performance (oil changes, tune-ups, tire rotations, etc.).

In particular, Zeta is seeing a surge in the distribution of personalized email and highly-targeted media campaigns laden with special offers and discounts related to maintenance services.

## Building loyalty and a bridge to future sales

Buying a new vehicle (or any big-ticket item for that matter) is more than a commercial transaction—it's the start of a long-term relationship.

The stronger the relationship, the easier it is for the dealer and the brand manufacturer to retain the customer's business when it comes time to buy another new car.

Consumers evaluate their relationship with carmakers and dealers using two criteria:

1. The quality of the previous vehicle purchased.
2. The quality of the customer care received.

It's that second point that's worth noting, because it means consumers don't just purchase a vehicle—they purchase an experience. The moment a consumer drives off the lot with their new car, it signals the start of the next sales cycle.

So, why mention all this in a section about automotive supplies?

It's simple—dealers and carmakers should sync purchase history with their marketing channels to stay connected with previous customers via a calendar of needs related to regular service, maintenance, and replacement parts.

Recommending maintenance and service at regular intervals is an easy way for automotive brands to show legacy customers that they're appreciated.

It's also an easy way to get old customers back on the lot, and entice them towards the purchase of a new car via lucrative offers and incentives (e.g. trade-in deals, 0% financing, etc.).

### In summary...

- Automakers should continue marketing their maintenance services (tune-ups, oil changes, etc.) to mitigate income lost due to lower new car sales.
- Use renewed consumer interest in automotive supplies and services as a way to enhance brand loyalty and build a bridge to future sales.

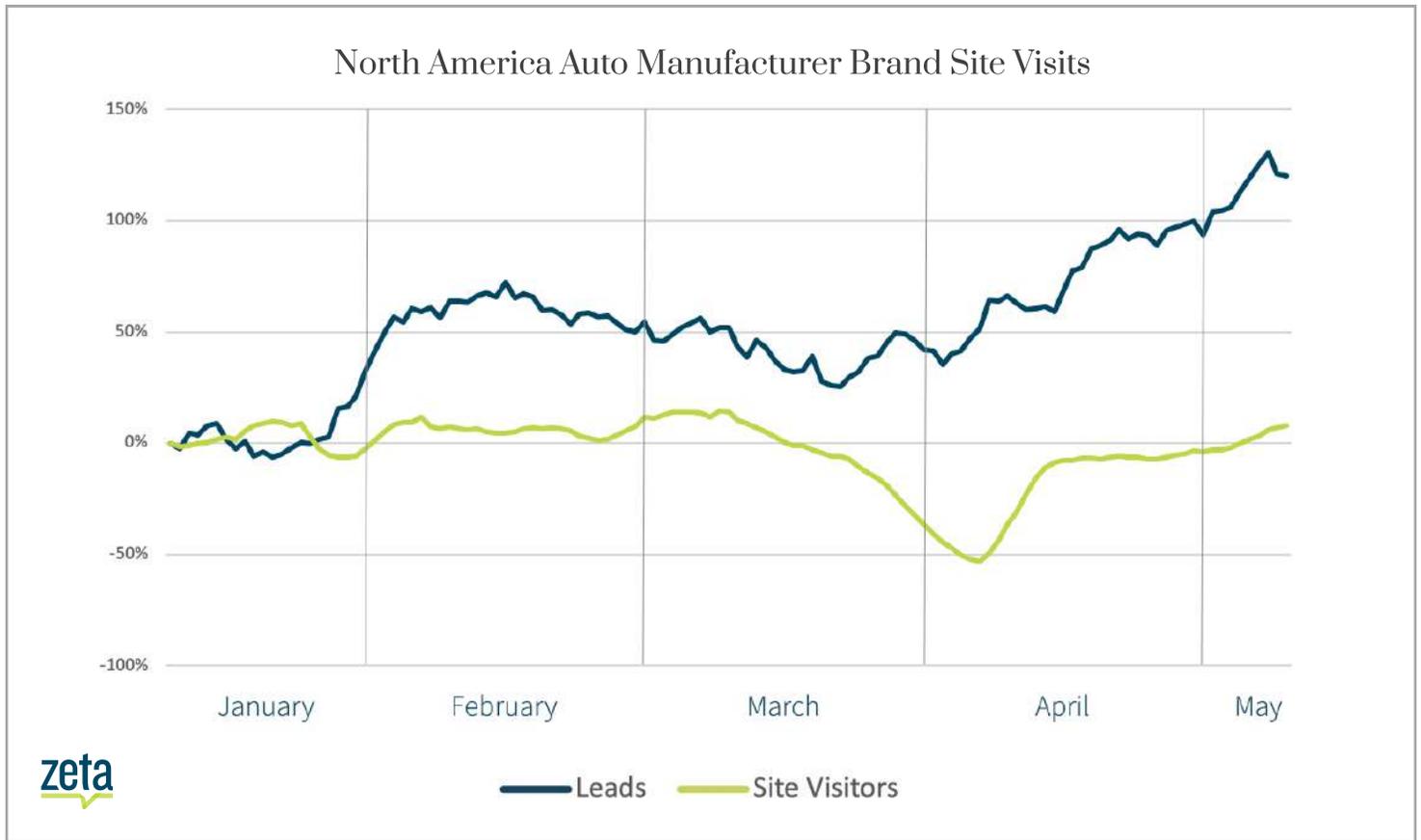
### What Zeta Recommends...

- This increased interest in autoparts is a big opportunity to set up a customer journey of digital touchpoints, as well a starting point for digital storytelling about their product for both the immediate and the future.
- Use a healthy mix of digital media to market replacement parts, repairs, and maintenance services.
- Target this media mix towards vehicle owners who fit one of the following criteria:
  - Owners who have a high "intender score" as determined by behavioral, transactional, and geographic signals.
  - Owners who live in geographies where seasonal service is common (e.g. removing snow tires).
  - Owners with vehicles that should be approaching their 30-60-90 thousand-mile maintenance milestones.
  - Owners who have not purchased a new vehicle in more than five years.
- Run "good-will" media campaigns to stay relevant in the public eye, and remind consumers about your continuing commitment to the community (e.g. Jaguar-Land Rover's "Safe Business Commitment" campaign).

# Digital trends suggest better days ahead

Website traffic, website-derived leads, and user interest towards content about the automotive industry continue to rise overall since the start of Q2 2020.

Taken collectively, these upward-sloping trends indicate the majority of consumers still have genuine interest in buying cars, parts, and accessories despite the state of the broader economy.



## In summary...

- Now is the time for automotive marketers to engage with site visitors.
- High-intent shoppers will be the most important visitors to identify and target.
- The best way to keep high-intent visitors engaged is through the production of innovative marketing campaigns backed by high-quality content.
- Zeta's automotive clients are seeing a 4% increase in website-derived leads and a 14% increase in fill-in rates from their media efforts.

## What Zeta Recommends...

- Build highly effective, data-driven media campaigns that score consumers based on their intent and engagement levels, personalizing their experiences and driving more conversion..
- Make sure these campaigns are multi-touchpoint throughout the consumer journey, including email, mobile, social, display, TV and paid search- to increase acquisition of website-derived leads and fill-in rates.
- Use a mix of media to push “open-for-business-again” messaging targeted at highly engaged prospects.

# Getting people back to work

Some of the biggest car makers in the world “including Toyota, Renault, Hyundai, Volkswagen and Volvo” are either reopening their factories or preparing to reopen their factories in the near future.<sup>9</sup>

A return to the assembly line means a return to work for hundreds of thousands of people.

Getting people back to work will inject much needed dollars into local economies, and bolster general consumer confidence.

As confidence goes back up, more and more consumers will start buying new cars.

Free to finally step outside the house after two-plus months of confinement, Americans will be ready to do more than get back to work and collect their paycheck—they’ll be ready to live for the moment like never before.

Few industries are as well-positioned as the automotive industry to capitalize on this human behavior. It is an industry built on giving consumers a sense of excitement, optimism, power, and freedom—not just freedom of movement, but freedom of destiny (i.e. self-determination).

These are sentiments consumers will crave in the months ahead.

## But there’s more to it than that

Numerous psychological studies suggest exposure to a traumatic event (e.g. a pandemic that shuts down the global economy<sup>10</sup>) increases impulsivity in consumers.<sup>11</sup>

### In summary...

- Automotive marketers need to build campaigns laden with positive, “live-for-the-moment” messaging.

### What Zeta recommends...

- Double down on marketing with targeted campaigns.
- Remind consumers that cars are an extension of the home and a “safe” environment.
- Increase the appeal of financial incentives by pushing “live-for-the-moment” messaging that inspires people to get off the couch and get into the driver’s seat of a new vehicle.

<sup>9</sup> <https://www.ft.com/content/9d3b2243-5e26-4890-918f-ec1daee33ffb>

<sup>10</sup> <https://www.psychologytoday.com/us/blog/experimentations/201812/new-study-shows-brain-change-after-psychological-trauma>

<sup>11</sup> <https://www.psychologytoday.com/us/blog/the-human-beast/201212/trauma-resets-personality>

# Embracing 21<sup>st</sup> century marketing and sales

The coronavirus pandemic, shelter-in-place orders, and a swelling preference for social distancing is forcing both manufacturers and dealers to make an earnest attempt at selling inventory online. In the words of one JD Power auto analyst: “This may be the iPhone moment of transitioning to a more digital retail environment.”<sup>12</sup>

Some of the biggest names in automotive retail like AutoNation and Sonic Automotive are “adding new features to their websites” to make the remote sales process more enticing to consumers. In a few cases, dealers are “sending sales associates directly to consumer’s homes” where local social-distancing regulations allow for proximal face-to-face interaction.<sup>13</sup>

Manufacturers like Ford are pushing to jumpstart sales by making it easier for consumers to do things like receive trade-in estimates, apply for financing, and get maintenance at home.

Though it will take time for mainstream manufacturers and dealers to replicate success of a Tesla or Carvana when it comes to online sales, increasing consumer demand for digital services will make the juice worth the squeeze.

<sup>12,13</sup> <https://www.wsj.com/articles/car-dealers-push-online-sales-to-make-up-for-coronavirus-losses-11585229103>

## Do vehicle buyers want an online option? —YES.

The number of customers shopping for new and used Chevrolet vehicles on GM's website is up

30%

since March 16<sup>th</sup>.<sup>14</sup>

As of April 15<sup>th</sup>, digital transactions for the auto industry as a whole are up nearly

70%

year over year.<sup>15</sup>

Geely Automobiles Holding Ltd. said more than

10,000

customers have bought cars through its online store, which launched in February.<sup>16</sup>

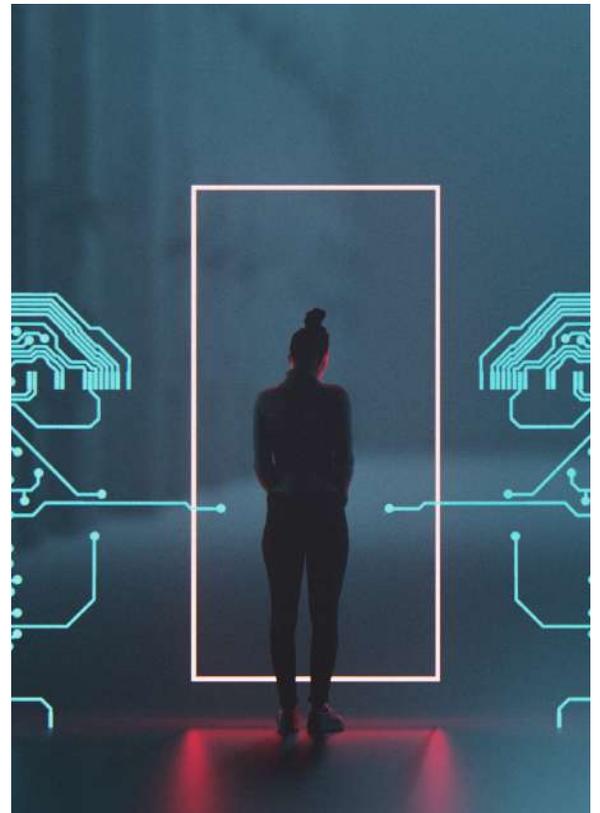
## Consumers are in control

Consumers demand personalized marketing content that adapts to who they are, what they believe in, what devices they prefer to use, etc.

To deliver on this expectation, auto marketers must use real-time intent signals extracted from things like behavioral and transactional data to better understand consumers at an individual level.

Only from that improved understanding will it be possible to create contextually relevant messages and engagement strategies that lead to new car sales (regrettably, less than 40% of marketers have access to the data they need to obtain a unified view of consumers).

These messages and strategies must be deployed across all relevant channels (display, social, search, etc.) and devices if they are to have any hope of creating an individualized customer experience.



<sup>14</sup> <https://www.wsj.com/articles/car-dealers-push-online-sales-to-make-up-for-coronavirus-losses-11585229103>

<sup>15</sup> <https://www.cnbc.com/2020/04/22/battered-automakers-lure-buyers-with-steep-incentives.html>

<sup>16</sup> <https://www.wsj.com/articles/car-dealers-push-online-sales-to-make-up-for-coronavirus-losses-11585229103>

## In summary...

- The auto industry needs to rethink how vehicles are sold—something that hasn't changed in roughly 100 years.<sup>17</sup>
- Manufacturers and dealers can use the internet to speed up the car-buying process by making things like financing applications available online.
- Social distancing may do to the auto industry what the iPhone did to the telecommunications industry—force radical, rapid change.
- There will always be a case for keeping traditional showrooms open, but there's no reason the bulk of the buying process can't be moved online forever.

## What Zeta Recommends...

- Devote more resources towards digitizing the customer experience on your website (similar to the retail industry).
  - Your virtual showroom is your website. Make every engagement and visitation count by personalizing the site experience based on visitor behavior throughout their customer journey.
  - Streamline the financing process and qualify visitors on your owned channels to mitigate challenges with financing in the showroom. (Take a look at GM's massively successful 'Shop Click Drive' program).<sup>18</sup>
  - Leverage geo-targeted campaigns to match inventory based on customers' model of interest and the availability of buy-online programs in the region.
- Enhance existing digital elements of the customer experience of personalization because...
  - 78% of consumers will engage with a brand's offer IF AND ONLY IF that offer has been personalized based on a previous engagement.<sup>19</sup>
  - 59% of consumers say personalization plays a major role in shaping their buying decisions.<sup>20</sup>

<sup>17</sup> [https://en.wikipedia.org/wiki/Car\\_dealership](https://en.wikipedia.org/wiki/Car_dealership)

<sup>18</sup> <https://www.chevrolet.com/shop-click-drive>

<sup>19</sup> <https://www.infosys.com/newsroom/press-releases/Documents/genome-research-report.pdf>

<sup>20</sup> <https://www.mckinsey.com/business-functions/marketing-and-sales/our-insights/personalization-at-scale-first-steps>

# Knocked down, but never knocked out

If history is any indicator, the automotive sector is poised to “bounce back” better than most industries.

Remember the economic uncertainty following the September 11<sup>th</sup>, 2001 terrorist attacks?

Or the massive concerns surrounding America’s financial future during the Great Recession?

Despite getting knocked down by tumbling stock prices, shrinking market cap, and tanking new car sales, the automotive industry didn’t get knocked out.

## To cope with 9/11, car makers such as...

- GM offered 0% financing to restart auto lending and sales for all makes and models.<sup>21</sup>
- Mitsubishi waived all car payments for the first 12-months following a new car purchase.<sup>22</sup>
- Ford provided car buyers with lucrative cash-back rebates (as much as \$7,000) on certain makes and models.<sup>23</sup>
- DaimlerChrysler (now Fiat Chrysler Automobiles) made it’s 7-year/100,000-mile powertrain warranty a permanent promotion.<sup>24</sup>

## To cope with the Great Recession, car makers such as...

- Hyundai came up with aggressive sales campaigns and promotions, allowing their brand to gain key market share they still hold to this day.<sup>25</sup>
- GM eliminated unprofitable product lines and subsidiary brands (e.g. Saturn).<sup>26</sup>
- Dodge capitalized on government programs like “cash for clunkers.”
- Ford invested in the production of more fuel-efficient cars.

<sup>21</sup> <https://www.cnbc.com/2020/04/22/battered-automakers-lure-buyers-with-steep-incentives.html>

<sup>22</sup> <https://www.motor.com/magazine-summary/post-911-automotive-industry-idling-ready-roll-september-2002/>

<sup>23</sup> <https://www.motor.com/magazine-summary/post-911-automotive-industry-idling-ready-roll-september-2002/>

<sup>24</sup> <https://www.motor.com/magazine-summary/post-911-automotive-industry-idling-ready-roll-september-2002/>

<sup>25</sup> <https://www.forbes.com/sites/sarwantsingh/2020/04/16/the-automotive-industry-gears-up-to-navigate-the-newnormal>

<sup>26</sup> <https://www.businessinsider.com/gm-ford-chrysler-almost-died-during-financial-crisis-changes-since-2018-9>

Of course, there are no guarantees, but the auto industry's demonstrated ability to adapt and survive should make key stakeholders confident that sales will rebound.

## Credit isn't as tight as it's been in other economic crises

Central banks like the US Federal Reserve and the European Central Bank are attacking the economic crisis created by COVID-19 with unprecedented aggressiveness, slashing interest rates and “providing trillions in relief facilities” to help businesses and consumers (a double benefit for automotive manufacturers and dealers).<sup>27</sup>

In comparison to previous economic downturns (e.g. the Great Recession) the intense front-footedness of today's leading central banks should mitigate the financial damage to the global economy, despite the fact “substantial parts of most countries' economies” are completely shut down.<sup>27</sup>

### In summary...

- The automotive industry has a knack for survival.
- Historically speaking, the automotive industry not only survives most economic crises, but emerges from said crises stronger than before.
- Both public and private lenders traditionally love the automotive industry, and are willing to extend generous lines of credit to help businesses across the supply chain endure an economic slowdown.

### What Zeta recommends...

- There is a big need for nurture campaigns targeted at existing site visitors. To do this, add site tags to collect email addresses, sync IDs and create segmented audience list for various campaigns.
- Leverage your first-party data to target off-lease customers with loyalty offers.
- Run focused media campaigns at consumers who've shown interest in “automotive financing” at any point in the last 12 months, or have a history of purchasing during promotions.
- Develop marketing campaigns around any state-sponsored incentive programs (e.g. “cash for clunkers”) as a way to get new buyers, otherwise content to keep their existing vehicles, onto the showroom floor.

<sup>27</sup> <https://www.spglobal.com/ratings/en/research/articles/200427-credit-trends-global-financing-conditions-bond-issuance-will-likely-contract-9-in-2020-11454374>

02

# Where the Auto Industry Is Today (The Not so Good)

# February was bad.

# March was miserable.

## The rest of the year is a question mark.

### Here are a handful of the lowlights:

#### General Motors

— an 87% loss in net income quarter over quarter.<sup>30</sup>

#### Honda

— 48% drop in sales in March 2020 versus March 2019.<sup>31</sup>

#### Hyundai

— Sales slipped by 11% in Q1 2020 versus Q1 2019.<sup>32</sup>

#### Goodyear

— Quarterly new loss of \$619 million dollars.<sup>33</sup>

#### Ford

— Q1 2020 net loss of \$2 billion dollars.<sup>34</sup>

#### BMW

— A 15% decline in new vehicle sales.<sup>35</sup>

Fueled by cratering consumer interest and the forced closure of dealer showrooms due to government-mandated social distancing, February and March were two of the worst months on record for the automotive industry.

To date, new vehicle sales across the industry are down 30% in 2020 compared with 2019,<sup>28</sup> and the sector has lost more than \$125 billion dollars in market cap.<sup>29</sup>

As a result many of the industry's biggest brands—from OEMs like Ford to component suppliers like Goodyear—delivered dismal earnings statements for Q1 2020.

While slivers of positive news (especially Tesla's better-than-expected Q1 earnings<sup>36</sup>) lead some to suggest the worst is over, other industry pundits are less optimistic, believing that “demand will continue to fall [in May] and likely into the summer.”<sup>37</sup>

<sup>28</sup><https://www.cnbc.com/2020/04/17/ford-warns-of-2-billion-loss-in-first-quarter-due-to-coronavirus.html>

<sup>29</sup><https://www.barrons.com/articles/used-car-prices-cratered-heres-what-that-means-for-ford-gm-51587396560>

<sup>30</sup><https://www.freep.com/story/money/cars/general-motors/2020/05/06/gm-first-quarter-earnings-down-87-percent/3080870001/>

<sup>31,32</sup><https://www.cnet.com/roadshow/news/car-sales-q1-coronavirus-covid-19-automakers-us/>

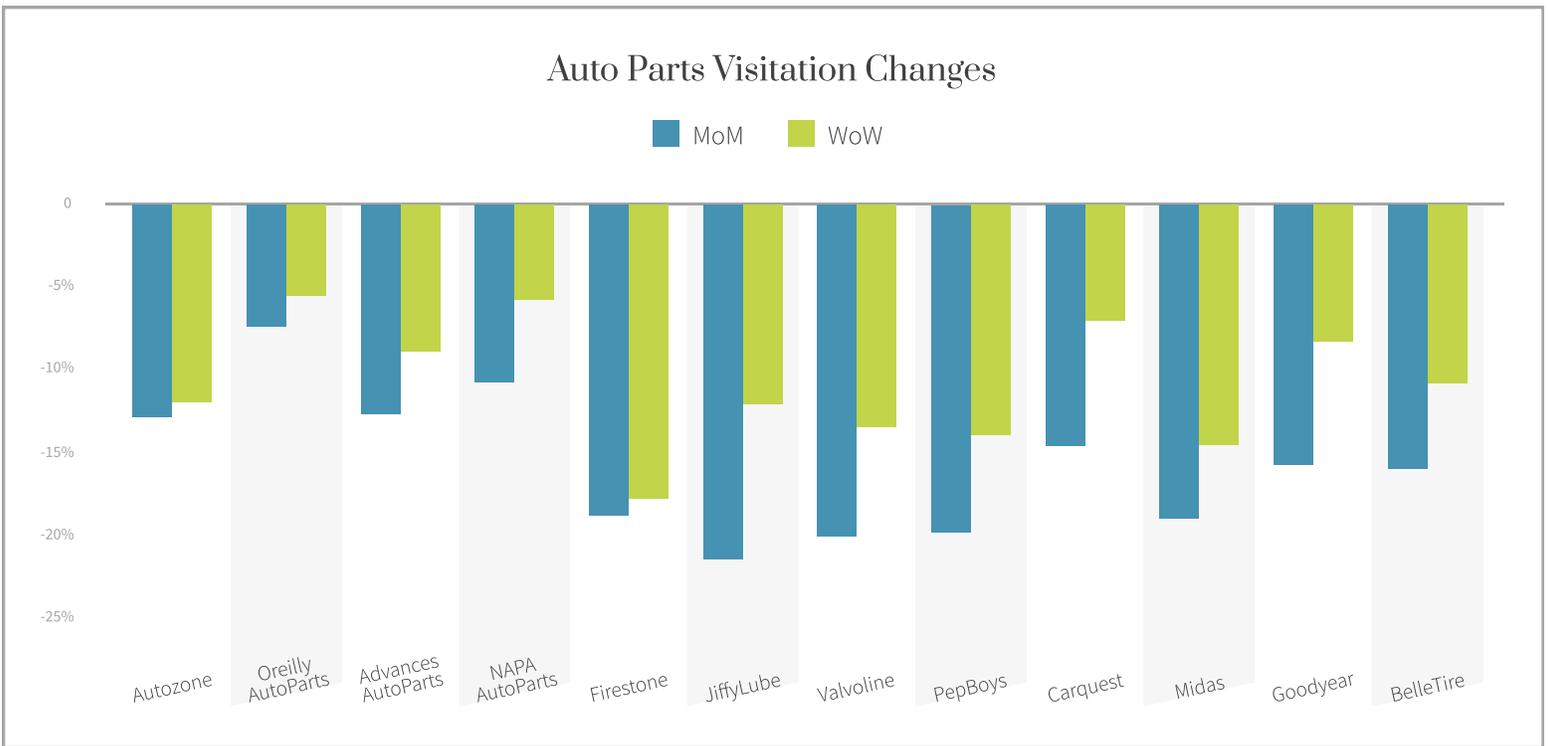
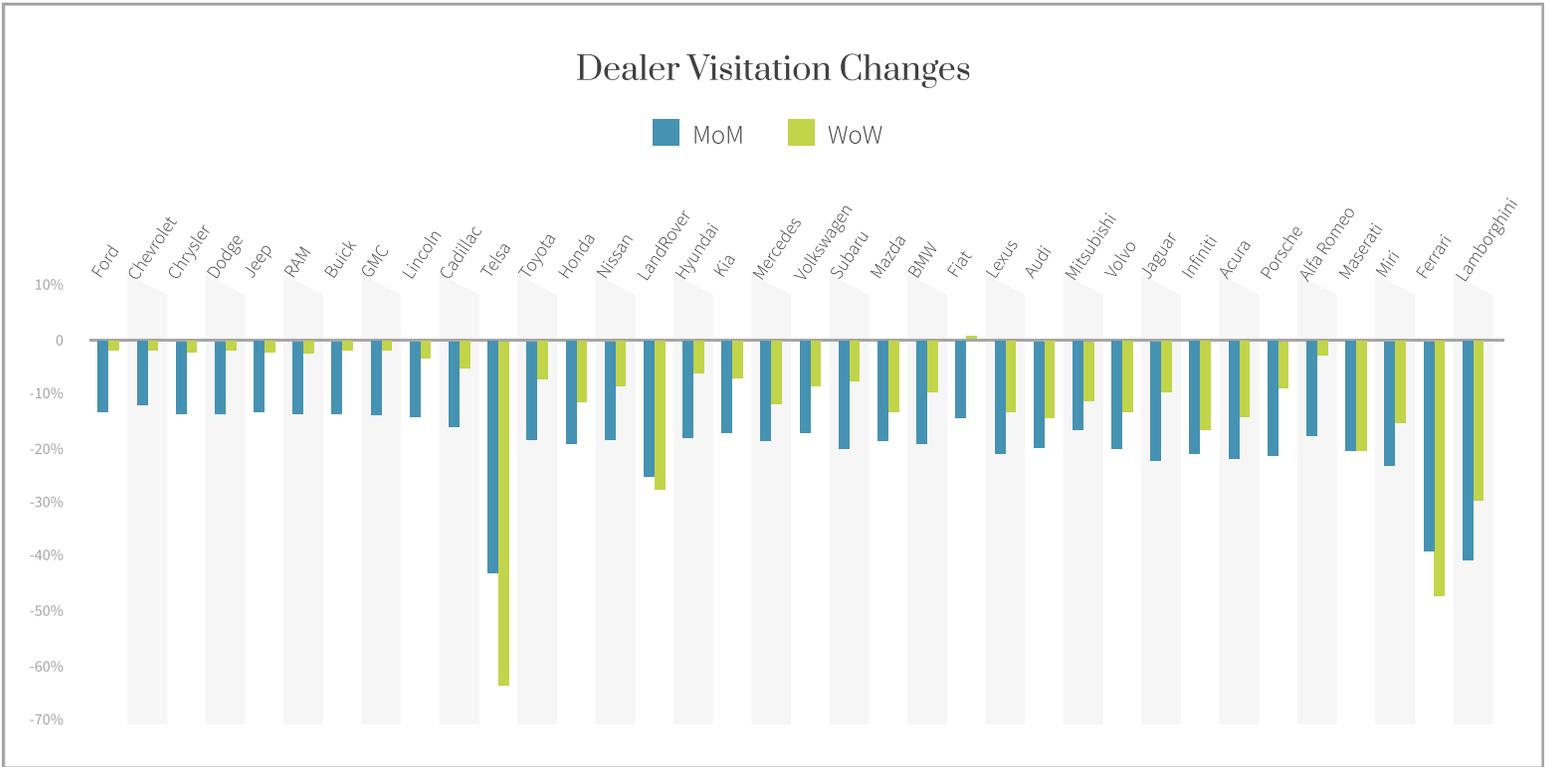
<sup>33</sup>[https://www.just-auto.com/news/goodyear-posts-q1-net-loss-of-us619m\\_id195227.aspx](https://www.just-auto.com/news/goodyear-posts-q1-net-loss-of-us619m_id195227.aspx)

<sup>34</sup><https://finance.yahoo.com/news/ford-f-q1-loss-wider-122612827.html>

<sup>35</sup><https://www.cnet.com/roadshow/news/car-sales-q1-coronavirus-covid-19-automakers-us/>

<sup>36</sup><https://finance.yahoo.com/news/auto-stock-roundup-tsla-hog-153703364.html>

<sup>37</sup><https://www.wsj.com/articles/car-dealers-push-online-sales-to-make-up-for-coronavirus-losses-11585229103>



### In summary...

- Year-over-year sales are down by 30% across the industry.
- The automotive sector lost \$125 billion in market capitalization.
- Although the worst may be over, demand for new vehicles could continue to slide through May and into June or July.

### What Zeta Recommends...

- Work on generating more leads from engaged website traffic and existing customer base in CRM.
- Push emotion-evoking marketing messages (e.g. the freedom of getting behind the wheel of a new car) that reignite consumer optimism.
- Deploy social and programmatic advertising targeting audiences that are either traditionally or currently engaging with automotive content.
- Automakers develop marketing campaigns centered around their empathetic response to the COVID-19 crisis (e.g. Renault's decision to lend cars to hospital staff free of charge during the crisis).

# Sales aren't where they need to be

Even though “data shows car sales likely bottomed out at the end of March...[and] began to stabilize during the first two weeks of April,” sales are still down year-over-year.<sup>38</sup>

Compared to April of 2019, new car sales are down by approximately 50% (this number is actually seen by many as good news as it reflects a less severe drop than what analysts initially forecast).<sup>39</sup>

Sales Volume Forecast, By Manufacturer<sup>40</sup>

Sales Volume	2020 April Forecast	April 2019	March 2020	Change from April 2019	Change from March 2020
GM	123,408	231,375	167,339	-46.7%	-26.3%
Ford	103,105	194,219	169,012	-46.9%	-39.0%
FCA	91,766	172,900	127,593	-46.9%	-28.1%
Toyota	75,679	183,866	135,730	-58.8%	-44.2%
Hyundai/Kia	56,396	108,410	81,500	-48.0%	-30.8%
Honda	48,363	125,775	77,153	-61.5%	-37.3%
Nissan	35,443	95,698	78,159	-63.0%	-54.7%
VW/Audi	25,694	46,333	35,258	-44.5%	-27.1%
Industry	633,260	1,333,560	998,268	-52.5%	-36.6%

<sup>38</sup> <https://www.cnet.com/roadshow/news/car-sales-coronavirus-incentives-deals-data>

<sup>39</sup> <https://www.cnbc.com/2020/04/22/us-auto-sales-recovering-amid-pandemic-but-still-significantly-down.html>

<sup>40</sup> <https://www.edmunds.com/industry/press/new-vehicle-sales-continue-downward-slide-in-april-edmunds-forecasts.html>

Thanks to an abysmal March and April, industry experts like J.D. Power are downgrading their projections for total U.S. new vehicle sales in 2020 by 33%, from 16.8 million new vehicles to 11.3 million.<sup>41</sup>

## But aren't dealers and OEMs embracing online sales? — Yes, they are

But the effort to move car and truck sales online is—in reality—a desperate attempt to salvage sales, not replace them. While consumers are warming up to the idea of car buying online, the majority still prefer to do physical test drives and handle financial matters (e.g. signing loan paperwork) at an actual dealership.<sup>42</sup>

### In summary...

- Industry experts project 11.3 million new vehicle sales in 2020—a 33% drop from their original forecast of 16.8 million.
- There are unique components to the new-car sales process that are impossible to replicate online at this time, specifically, the test drive.
- Consumers are showing expanded interest in online automotive sales, but not in great enough numbers to make a meaningful impact in the short term.

### What Zeta Recommends...

- Deliver data-driven, personalized messaging to individuals across every channel to capitalize on their need state and increase conversion.
- Digitize as much of the car-buying process as possible (e.g. financing applications) so consumers can simply walk onto the showroom floor ready to test drive and buy.
  - Identify the most engaged consumers based on
  - behavioral signals, and target those consumers with marketing that promotes at-home test drives.
- Push creative through programmatic and social channels to encourage consumers to visit their nearest dealer as soon as shelter-in-place mandates are lifted.
- Focus on using high-quality, intent-filled consumer data, and relaying any relevant interest- or behavior-based insights to the dealers who interact with end-users on a daily basis.

<sup>41</sup> <https://www.cnbc.com/2020/04/22/us-auto-sales-recovering-amid-pandemic-but-still-significantly-down.html>

<sup>42</sup> <https://www.wsj.com/articles/car-dealers-push-online-sales-to-make-up-for-coronavirus-losses-11585229103>

# Production shutdowns produce long-lasting effects

COVID-19 forced the world's leading auto manufacturers (including Ford, General Motors, and Fiat Chrysler Automotive) to shut down their assembly lines.

**Although this is a painful disruption for major car makers — It's a disruption they're well positioned to survive.**

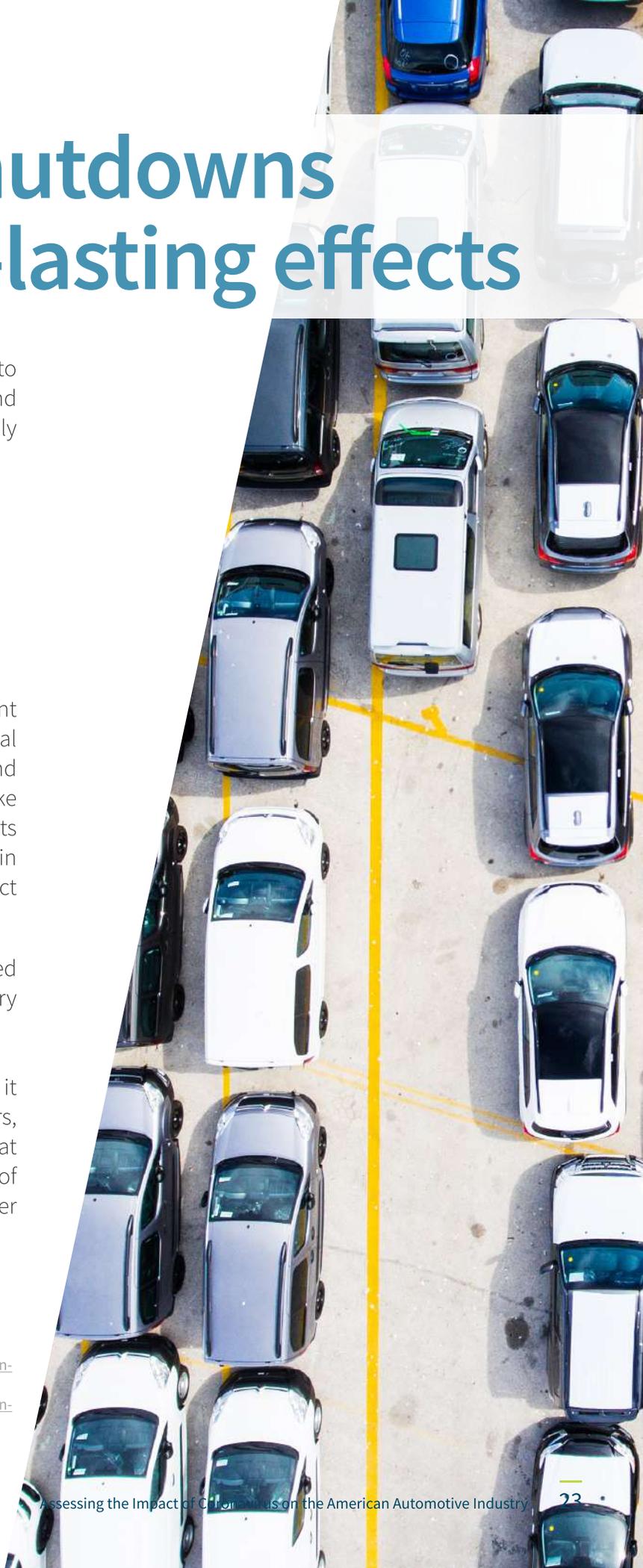
The same can't be said of the smaller, independent manufacturers responsible for producing essential components like aluminum alloy wheels, mufflers, and brake pads. Whereas large car manufacturers like Honda are "well-capitalized, the thousands of parts firms that feed the industry's global supply chain operate...with less of a cash cushion and contract orders that need to be filled."<sup>43</sup>

The reality is, pressing pause on a carefully balanced supply chain like the one the automotive industry relies on can be calamitous.

The longer the shutdown lasts the more likely it becomes that part manufacturers, material suppliers, and logistics providers will go under (remember that during the Great Recession there was a "wave of bankruptcies... that ultimately thinned out the number of auto-parts firms operating in the US"<sup>44</sup>).

<sup>43</sup> <https://www.wsj.com/articles/auto-parts-suppliers-teeter-as-car-production-halts-11585828803>

<sup>44</sup> <https://www.wsj.com/articles/auto-parts-suppliers-teeter-as-car-production-halts-11585828803>



If too many of these auxiliary businesses are forced to close their doors, it will make it all the more difficult for the automotive supply chain to restart, ramp-up, and resume full scale production. This, of course, will extend the timeline for the industry's overall economic recovery.

As former Ford Chief Executive, Mark Fields, explained to *The Wall Street Journal*, if the industry is shut down beyond a certain date, "it will be a problem for the supply base, which means it will be a problem for the [major carmakers]."<sup>45</sup>

Remember that the typical sedan has tens of thousands of parts<sup>46</sup>—which means there are thousands upon thousands of ways to disrupt the supply chain. "A disruption at even one firm could have a cascading effect, ultimately having an impact on production at multiple assembly factories,"<sup>47</sup> like the Volkswagen assembly plant in Chattanooga, Tennessee that employs 2,000 people.<sup>48</sup>

Even when factories do come back online it will still be some time before they return to pre-COVID-19 production, as sluggish new car sales and increasing workplace safety regulations will slow output.<sup>49</sup>

<sup>45</sup> <https://www.wsj.com/articles/auto-parts-suppliers-teeter-as-car-production-halts-11585828803>

<sup>46</sup> <https://www.toyota.co.jp/en/kids/faq/d/01/04/>

<sup>47</sup> <https://www.wsj.com/articles/auto-parts-suppliers-teeter-as-car-production-halts-11585828803>

<sup>48</sup> [https://en.wikipedia.org/wiki/Volkswagen\\_Chattanooga\\_Assembly\\_Plant](https://en.wikipedia.org/wiki/Volkswagen_Chattanooga_Assembly_Plant)

<sup>49</sup> <https://www.forbes.com/sites/sarwantsingh/2020/04/16/the-automotive-industry-gears-up-to-navigate-the-new-normal>

## Dealers need new inventory

For the dealers who've managed to remain open, the vehicles are still trickling off the lot.

### **The problem is, no new vehicles are finding their way onto the lot.**

Without replacement vehicles for sold inventory, dealers are between a rock and hard place:

- Stay open, risk running out of the vehicles consumers are most interested in and hurting brand recognition in the community, jeopardizing future sales.
- Close for the time being, preserve existing inventory, and wait for the supply chain to reactivate.

As automotive experts at J.D. Power explained to reporters at CNBC, “dealers are really starting to burn through their inventory they have on the ground...if US vehicle production doesn't restart [soon], the industry could [face] a new vehicle supply problem in certain markets and high-demand segments.”<sup>50</sup>

### In summary...

- When major automotive brands shutdown manufacturing operations, it creates a domino effect across the supply chain.
- Smaller, independent equipment manufacturers with poorer access to liquidity are at greatest risk.
- If smaller manufacturers fold it will lengthen the recovery timeline for the entire auto industry.
- Vehicles are still being sold, but new vehicles aren't rolling off the assembly line to replace lost inventory.

### What Zeta Recommends...

- Pushing the available inventory and targeting based on segment of interest using intent signals and custom data audiences. Making the connection between available inventory and the customers intent across channels is key.
- Automotive marketers should use data based on real-time consumer signals to determine what types of vehicles will be in greatest demand when the crisis ends.

Using this information, marketers should also help automotive manufacturers prioritize their production of new vehicles to align with expected consumer buying intent.

<sup>50</sup> <https://www.cnbc.com/2020/04/22/us-auto-sales-recovering-amid-pandemic-but-still-significantly-down.html>

# The used-car market is cratering

Tanking used-car prices will further harm an already battered industry.

The “Manheim Used Vehicle Value Index—a key benchmark for industry pricing—declined about 11%” in the month of April, and is down approximately 10% in 2020.<sup>52</sup>

Falling prices have a number of ramifications for the automotive industry as a whole, especially considering the used-market has a far larger supply of vehicles than the new-car market.

As used-car prices slip, it creates downward pressure on new-car prices, forcing manufacturers to make financial concessions to incentivize consumers to spend the extra cash it takes to purchase a new vehicle versus a previously owned one.<sup>53</sup>

Additionally, the in-house lending units of many automakers will have to write down the value of “contracts that had assumed vehicles would retain greater value.”<sup>54</sup> Concessions and write downs hurt profitability, and lower profitability will extend the timetable for returning to pre-coronavirus earnings.

But it’s not just new-car makers who’ll hurt due to the used-car price depression.

Large dealers like AutoNation and Sonic Automotive, rental companies like Hertz, financiers like Ally Financial, and auction providers like Copart will suffer too, as their operations rely heavily on revenue generated from the used-car market.<sup>55</sup>

<sup>52</sup> <https://www.cnbc.com/2020/04/17/ford-warns-of-2-billion-loss-in-first-quarter-due-to-coronavirus.html>

<sup>53</sup> <https://www.barrons.com/articles/used-car-prices-cratered-heres-what-that-means-for-ford-gm-51587396560>

<sup>54</sup> <https://www.bloomberg.com/news/articles/2020-04-13/fear-of-an-impending-car-price-collapse-grips-the-auto-industry>

<sup>55</sup> <https://www.barrons.com/articles/used-car-prices-cratered-heres-what-that-means-for-ford-gm-51587396560>

### In summary...

- Direct more traffic to your website based on cars in stock. Zeta's AI can predict product interest based on digital signals and link the visitors to the best possible car in stock.
- Plunging used-car prices will make it more difficult for major automotive brands to reignite new car sales.
- Dropping used-car prices will force the makers of new cars to either slash prices or offer generous financial incentives shrinking already-slim profits.
- Lower used-car prices will hurt the nation's used-car dealers, rental companies, and auction providers.

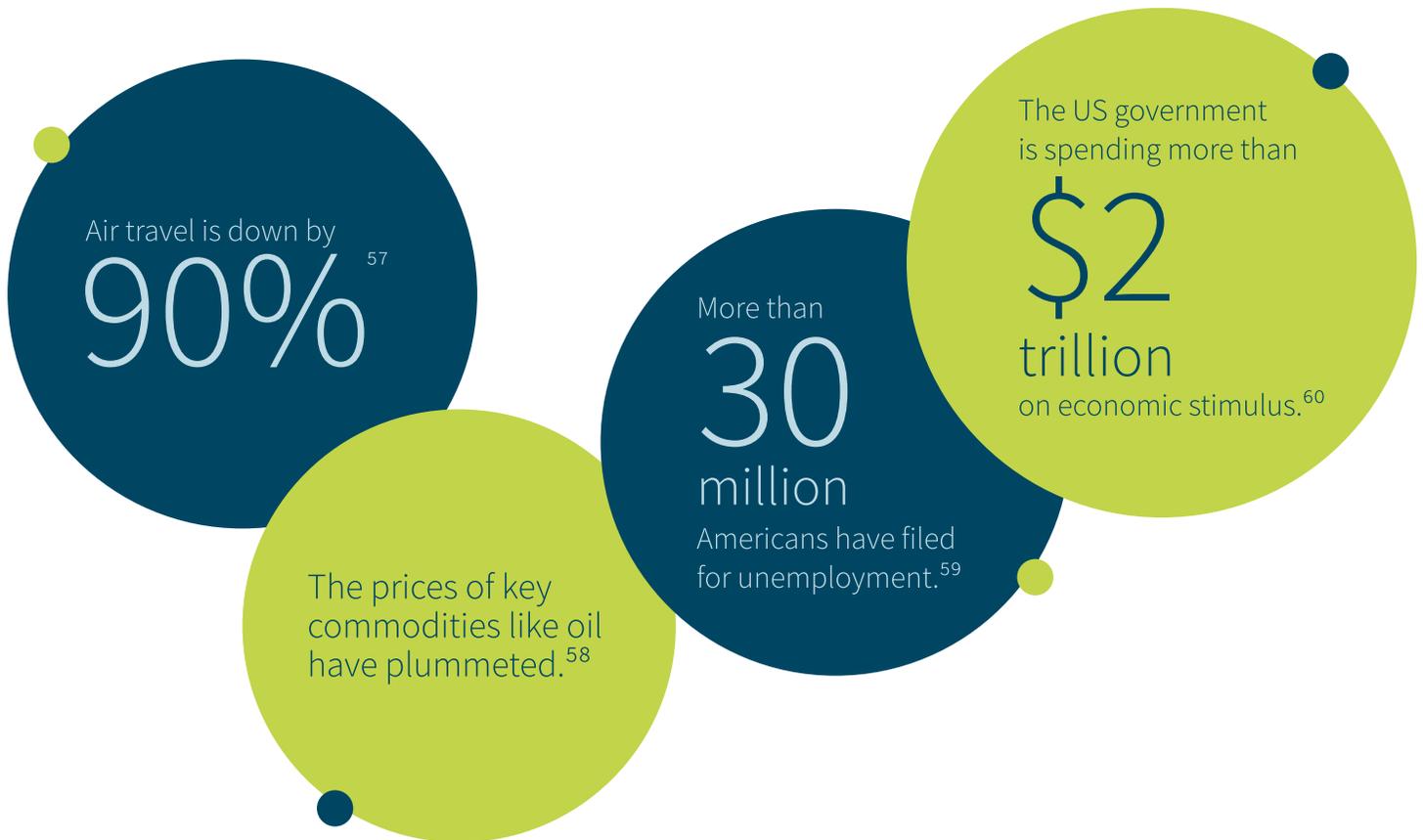
### What Zeta recommends...

- Analyze your financial lease portfolio and identify opportunities based on current versus contracted interest rate, residual value and cars on stock.
- Package offers to push used-cars off lots (e.g. Get a 2-year warranty extension and 0% financing for 12-months).
- Go heavy with promotional offers and marketing campaigns designed to push overstocked vehicle models off the lot and into the consumer's driveway.

# The US economy is headed for a recession...if it isn't in one already

According to International Monetary Fund chief Kristalina Georgieva, the global economy is already in a recession—not a good sign for those holding out hope for the American economy.<sup>56</sup>

## As of this writing...



<sup>56</sup> <https://www.cnbc.com/2020/03/27/imf-chief-georgieva-says-the-world-is-in-a-recession-containment-will-dictate-strength-of-recovery.html>

<sup>57</sup> <https://www.latimes.com/california/story/2020-04-22/passenger-air-travel-down-more-than-90-leaving-lax-as-a-ghost-town>

<sup>58</sup> <https://www.nytimes.com/2020/04/21/upshot/negative-oil-price.html>

<sup>59</sup> <https://www.cnn.com/2020/04/30/economy/unemployment-benefits-coronavirus/index.html>

<sup>60</sup> <https://www.forbes.com/sites/leonlabrecque/2020/03/29/the-cares-act-has-passed-here-are-the-highlights/#66a7943768cd>

Predicting what kind of recession this will be is difficult because it's unprecedented in its nature—no fundamental “arm of the economy” broke.

There was no housing bubble, oil embargo, or contractionary monetary policy trigger this economic downturn.

In the weeks preceding the declaration of a pandemic, consumer confidence was riding high, and unemployment was at an all-time low.

Put another way, there was (and is) nothing fundamentally wrong with the economy. In theory, this should make it easier to recover quickly from a recession, but—again—that's just in theory. If history has proven anything, it's that economic theories and economic realities don't always align.

Because a recession like this has never happened before, it creates even greater uncertainty, and uncertainty makes investors and consumers (two groups of people fundamental to the success of the auto industry) tighten their purse strings.

### In summary...

- The economy is in—or on the cusp of being in—a recession.
- Unlike most recessions, the trigger for this recession is a non-economic event (a pandemic).
- The uniqueness of the current economic climate is making investors as well as consumers tighten their pursestrings.

### What Zeta Recommends...

- Push positive, future-focused marketing creative that can infuse investors and consumers with optimism.
- Do not pull back on the incentives—financial or otherwise—that are keeping consumers spending money on new cars.
- Use low-cost, underutilized marketing channels like email to drive new customer acquisition and maximize short-term ROI.
- With most consumers stuck at home and increasing their device time, now is the perfect opportunity to monitor signals and obtain additional insights that can be used to create more effective marketing campaigns down the road.

03

# What Lies Ahead for the Automotive Industry and Where the Opportunities Are

# Consumers will come back, but slowly

As restrictions on social distancing ease, businesses reopen, and the unemployed start returning to work, consumers will come back—but they won't come back as quickly as they've done at the end of other recessions.

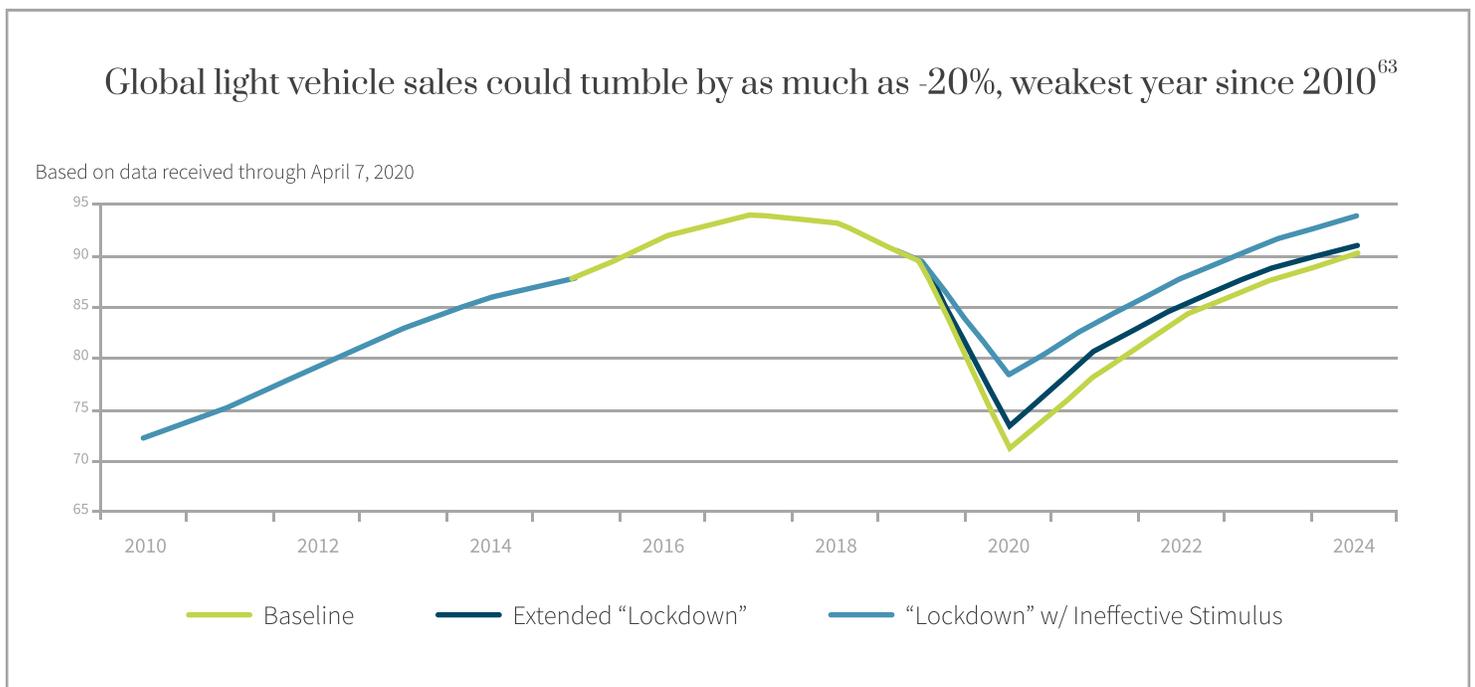
Fears surrounding a second wave of COVID-19 outbreaks, the lack of an FDA-approved vaccine, and the innate desire to hoard cash following exposure to extreme financial uncertainty will make many consumers slow to resume their old spending habits.

Even with the continuation (or expansion) of financial incentives like 0% interest, job-loss protection, and cash-for-clunker programs, consumers will likely take a wait-and-see approach to car shopping.

For car makers and dealers, this reality means sustaining incentivization programs bolstered by aggressive advertising and marketing campaigns will likely be the best way to maximize sales in 2020.

If a second COVID-19 outbreak does happen, risk assessors like Fitch Solutions Country Risk & Industry Research expect it to push the auto industry's recovery timeline into 2021 (as opposed to the second half of 2020)<sup>62</sup>.

In this worst-case scenario, global automotive demand will contract by as much as 25% in 2020, as opposed to the 10% currently forecast.<sup>63</sup>



<sup>61,62</sup> <https://www.forbes.com/sites/neilwinton/2020/04/08/second-coronavirus-wave-would-finish-v-shaped-auto-sales-recovery-hopes/#660e13741761>

<sup>63</sup> <https://cdn.ihsmarket.com/www/pdf/0420/IHS-Markit-Automotive-Rapid-Response-Vol-3-07APR2020.pdf>

## Consider the emerging needs of SMBs

With no clear end in sight for shelter-in-place orders or social distancing, small businesses (particularly brick-and-mortar retail) can no longer rely on traditional foot traffic to move products off the shelves.

In addition to offering curbside pick up, many brick-and-mortar retailers view local home delivery as a reality of doing business going forward.

For automakers this is a unique opportunity—a chance to sell and lease vehicles already produced for the B2C marketplace to B2B customers in need of transportation for their own fulfillment strategies.

### In summary...

- Car shoppers will come back, but they'll come back slower than in the past.
- Extended consumer sluggishness means the automotive industry will need to maintain aggressive marketing campaigns promoting financial incentives for new car buyers for an extended period of time.
- If a second COVID-19 outbreak happens in the United States, it will have dire consequences for the automotive industry.

### What Zeta Recommends...

- Focus on generating email subscribers to extend building brand engagement and identify known visitors that are in-market.
- Link dealerships and web visitors together via mobile chat and other messenger technology.
- Work hard to stay relevant and top of mind with consumers using social and programmatic channels to target key audiences.
- Capitalize on high-intent audiences ASAP by targeting them with focused marketing campaigns.
- Do whatever it takes to maximize car sales right now in case there's a second COVID-19 outbreak later this year.

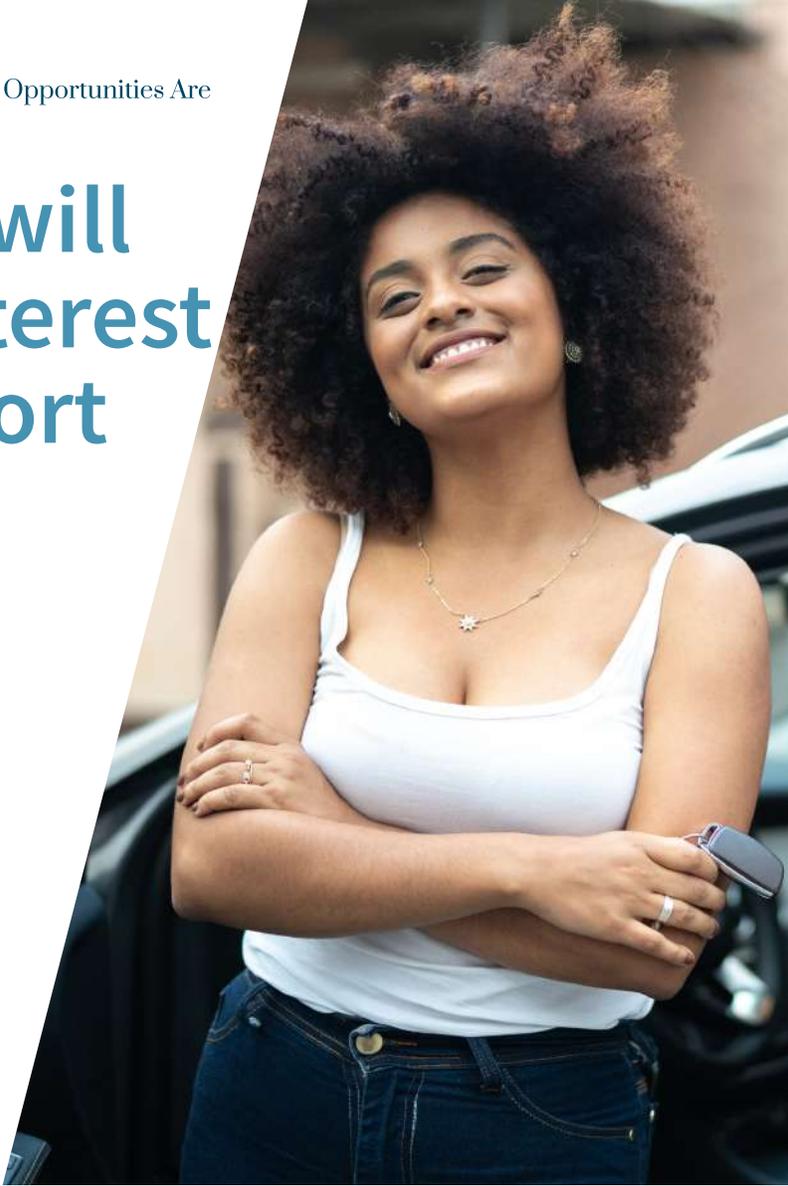
# Coronavirus fears will grow consumer interest in personal transport

Fear of exposure to coronavirus will create new consumer interest in personal transport.

According to research, more than 60% of consumers considering purchasing a new vehicle in the near future consider personal hygiene and safety to be primary motivators.<sup>64</sup>

People will be leery about using mass transit (busses, trains, airplanes, carpooling, etc.) where large groups travel for extended periods of time in close proximity to each other.<sup>65</sup>

Also, the anticipation of less dine-in opportunities and the anticipated boom from the gig economy with Shipt, DoorDash, GrubHub and others will result in a different type of driver on the road.



Leeriness will be especially high amongst commuters in their prime working years (those between the ages of 25 and 50), who have to spend a large portion of their day traveling to and from their place of work.<sup>66</sup>

That means more cars on the road, more miles logged every day, and an upsurge in need for all the things the automotive industry provides—new cars, used cars, spare parts, repair services, etc.

Of course, this doesn't mean consumers will be sprinting to car lots the moment shelter-in-place orders are lifted. But, in the long term, it means the auto industry might actually get out of 2020 in pretty good shape considering how the year started.

<sup>64</sup> Capgemini Research Institute, Consumer Behavior Survey, April 4–8, 2020

<sup>65</sup> <https://www.marketwatch.com/story/low-oil-prices-are-good-news-for-american-drivers-if-they-can-take-advantage-of-them-2020-03-10>

<sup>66</sup> <https://www.cnet.com/roadshow/news/car-sales-coronavirus-incentives-deals-data/>

### In summary...

- Fears surrounding COVID-19—coupled with an unprecedented cultural emphasis on social distancing and sanitization—will diminish consumer interest in mass transit.
- As such, there will be an increased emphasis on personal transport, especially amongst those in their prime working years.
- For as much damage as coronavirus has done to the automotive industry, it could spark a renewed interest in car ownership and attract a whole new segment of car buyers.

### What Zeta Recommends...

- Focus media campaigns on consumers in their prime working years, and use behavioral signals to target those individuals who've shown an increased interest in health and safety.
- Craft marketing messaging that emphasizes the safety, sterility, and security of personal transit, as opposed to mass transit.

# Capitalizing on low fuel prices

Oil prices—and therefore, gas prices—are as low as they’ve been in more than 20 years, and that’s good news for car manufacturers.<sup>67</sup>

Lower fuel expenses make driving less of a financial burden for consumers, and as the cost of driving decreases, the incentive for getting behind the wheel increases for everything from a short trip to the grocery store to a weekend getaway with the family.

Lower fuel costs also lower consumer apprehension towards buying certain types of “gas-guzzling” vehicles—trucks, SUVs, sports cars, etc.—the sales of which give automakers better per-vehicle profitability.

## Having said that, there are two important things to note about lower fuel prices:

1. They will not reverse the momentum of the “green” movement—consumer interest in low-emission and zero-emission vehicles will continue to rise despite paying less per gallon at the pump, so manufacturers must still invest in the development of green-tech.
2. They won’t last forever—as the economy returns to normal, oil prices and fuel prices will start climbing in relation to increased demand, which means the window for taking advantage of these unique market conditions will be short lived for dealers.

<sup>67</sup> <https://www.macrotrends.net/1369/crude-oil-price-history-chart>

<sup>68</sup> <https://www.wsj.com/articles/gm-aims-to-convince-wall-street-skeptics-its-future-is-electric-11583343344>



### In summary...

- Lower fuel prices make driving more affordable and appealing.
- Fuel price volatility means there's only a short window for carmakers to use the low cost of gas as a marketing incentive.

### What Zeta Recommends...

- Create and distribute messaging that plays up the low price of fuel, against other more expensive forms of travel (e.g. air travel).
- Use fuel-focused messaging as part of an initiative to boost new car sales in the near term.
- Do not make the mistake of thinking a return to “cheap gas” will stymie the “green” movement—consumers will continue to demand vehicles that are fuel efficient and emission neutral.
- Run marketing campaigns that pushes “green car” messaging towards high-intent individuals within audiences holding a strong interest in ecology and the environment.

# Expanding interest in road travel and the outdoors

As spring turns to summer and restrictions on movement are lifted by state governments, consumers will be itching to travel—they just won't be itching to travel in close proximity to strangers.

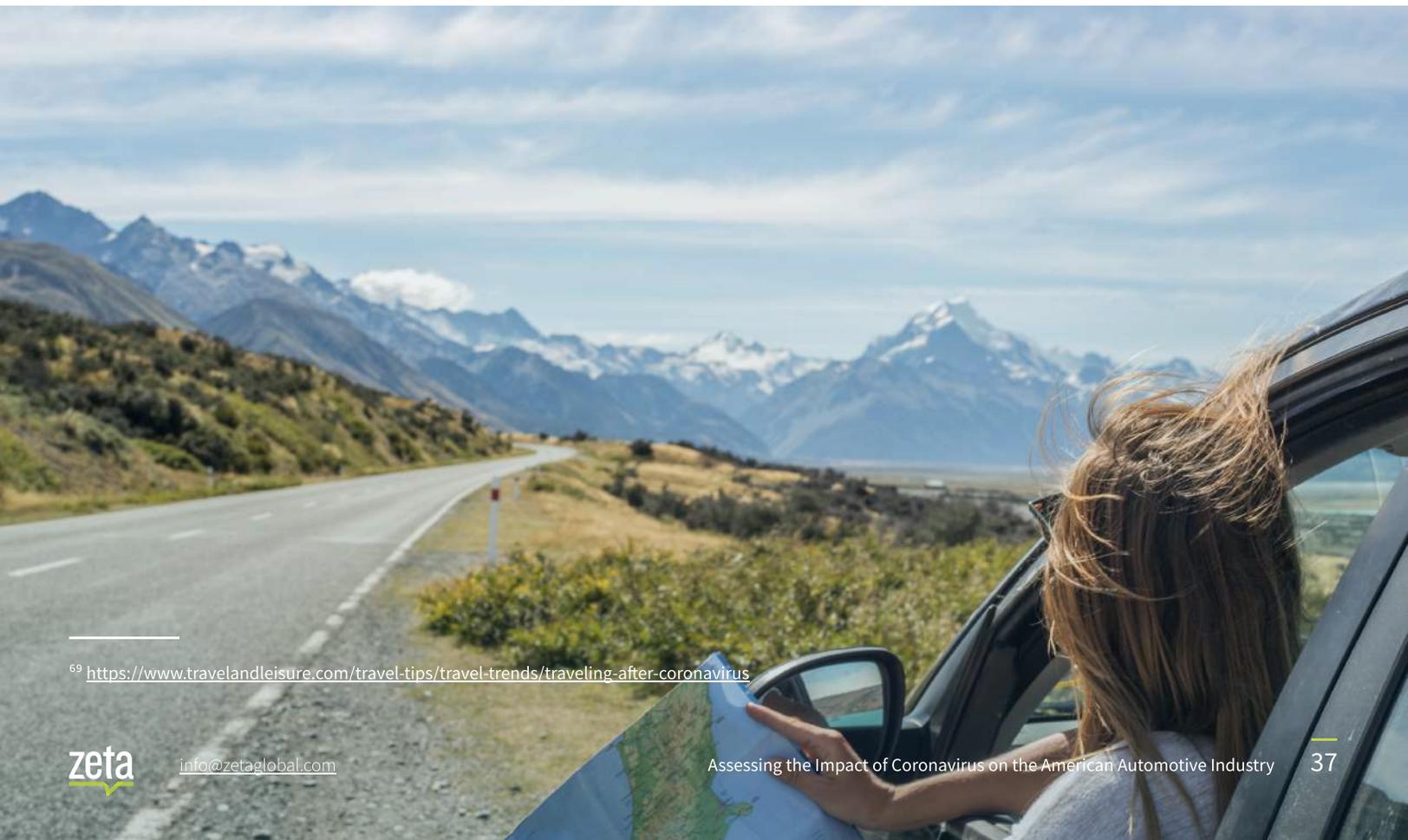
Consumers will look for travel options that offer space, sterility, privacy, and autonomy for the next year or two.<sup>69</sup> No form of travel or vacation ticks all of those boxes quite like the road trip.

## Factor in the reality that...

- Gas prices are at 20+-year lows
- Many airlines will operate on reduced schedules
- Certain international borders will remain closed to American tourists
- Other popular, crowd-heavy vacation options (cruises, theme parks, all-inclusives resorts, etc.) won't be viable

**...And a major upswing in road-based travel in 2020 and 2021 is all but guaranteed.**

<sup>69</sup> <https://www.travelandleisure.com/travel-tips/travel-trends/traveling-after-coronavirus>



For automakers, marketing that emphasizes the versatility and privacy of automotive travel is a must in the months ahead.

Especially marketing that convinces consumers that a new car is a conduit to fun, family-friendly adventures in the great outdoors as nature-based experiences like camping will see a surge in popularity.

But the time to strike with this type of messaging is now. Automakers and dealers will be in a position of strength when it comes to travel-based messaging for the next few months for sure, but by autumn the tide could change.



## In summary...

- Consumers are itching to travel, but they're not itching to fly or take trains.
- Travelers and vacationers want space, sterility, and autonomy more than anything else.
- Only car-based travel can give consumers everything they want, including on-demand access to the great outdoors.

## What Zeta Recommends...

- Create marketing messages that promote the versatility, privacy, and safety of automotive travel—especially for young families.
- Create marketing campaigns that present automotive travel as the solution to closed borders and restricted air travel due to COVID-19.
- Make it increasingly easy for consumers to buy and customize new vehicles online.

<sup>70,71</sup> <https://www.usatoday.com/story/travel/advice/2020/05/01/corona-virus-why-everyone-want-travel-soon/3058753001/>

# Marketing will play a BIG role in the recovery

In times of economic turmoil, consumers look to marketing and advertising to stay abreast of deals and special offers so they can get the most bang for their buck.

Therefore, companies should **not** massacre their marketing budgets in times of economic turmoil. Rather, they should view marketing as a much-needed investment rather than an expendable financial burden.

Granted, OEMs and dealers shouldn't start putting money towards every marketing opportunity that comes their way—they need to be smart and strategic with every investment. That means investing in marketing campaigns built on sound data and refined audience targeting to maximize ROI.

It takes guts to keep putting money into marketing when a recession hits, but history shows it's the right move—companies willing to stay the course see compelling returns in the form of expanded market share and improved long-term profitability.<sup>72</sup>

<sup>72</sup> <http://avekon.org/papers/1141.pdf>



When the economy does this...

Marketing and advertising should go...

## A clear history

According to the National Bureau of Economic Research,<sup>73</sup> the last four American recessions occurred at roughly 10-year intervals:

- July 1981 to November 1982
- July 1991 to March 1991
- March 2001 to November 2001
- December 2007 to June 2009

In each of these recessions, the businesses that maintained (or expanded) their marketing and advertising enjoyed a windfall from their efforts.

During the recession of 1981-82, those businesses that maintained or increased their marketing spend grew by 275% over those that slashed their advertising efforts.<sup>74</sup>

During the recession of 1991, businesses that increased their marketing spending saw as much as a 70% increase in sales.<sup>75</sup>

And during the Great Recession of 2008? The worst economic crisis since the Great Depression, where advertising spend declined by a gargantuan 13% nationwide? Research suggests the brands and industries that spent significantly more on marketing and advertising saw 35% higher net profits.<sup>76</sup>

And during the Great Recession of 2007? The worst economic crisis since the Great Depression, where advertising spend declined by a gargantuan 13% nationwide?<sup>77</sup> Research suggests the brands and industries that spent significantly more on marketing saw 35% higher net profits.<sup>78</sup>

The point in all of this is simply that OEMs and dealers don't have the luxury of time when it comes to marketing.

The brands that invest the most right now will be the brands best positioned to capitalize on consumer interest and intent when the economy returns to normal. This will be especially true if the current recession only lasts one or two quarters.

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<sup>74,75</sup> [https://www.asicentral.com/html/open/ProductsAndServices/supp/pdfs/Advertising\\_in\\_a\\_recession.pdf](https://www.asicentral.com/html/open/ProductsAndServices/supp/pdfs/Advertising_in_a_recession.pdf)

<sup>76</sup> <https://www.fi-magazine.com/309174/the-history-of-advertising-during-a-recession>

<sup>77</sup> <https://www.forbes.com/sites/bradadgate/2019/09/05/when-a-recession-comes-dont-stop-advertising/>

<sup>78</sup> <https://scholarship.sha.cornell.edu/cgi/viewcontent.cgi?article=1795&context=articles>

## Evolving tools, technologies, and channels

### Website Personalization

As automotive consumers come to expect more of the car-buying process to be completed online, OEMs and dealers need to improve the digital customer experience.

That improvement process will start with website personalization.

By embracing site personalization, the automotive industry will gain the ability to deliver personalized content and creative that adapts in real time to the interests (as well as the lifecycle stage) of the individual customer.

At Zeta, this is achieved using an AI-powered personalization engine that ties anonymous website visitors with known consumer IDs pulled from the Zeta Data Cloud to increase conversions via in-page and site overlay personalization.

In creating a curated digital customer experience, retaining and growing a customer base becomes easier—it gives automotive consumers a reason to engage in the short-term and keep engaging in the long term.

### Connected TV

Zeta's internal research shows 60% of American adults no longer have access to cable television, and 76% between the ages of 18 and 54 watch video through a CTV device (e.g. Roku, Apple TV, Chromecast, etc.) every day.

The best way for the automotive industry to reach those potential car buyers is through premium, addressable TV content.

Addressable TV content makes it possible for OEMs and dealers to not only place personalized ads directly in front of targeted viewers, but it also allows for the mitigation of media waste and the maximization of ROI.

At Zeta, this is made possible through the use of a proprietary, deterministic data set blended with real-time insights and analytics.



## Programmatic

All automotive marketing professionals are familiar with programmatic, but they may not be familiar with how programmatic is changing or what separates one programmatic platform from another.

The key to expanding programmatic reach, connecting with higher-quality audiences, and achieving superior performance lies in access to deterministic identities and intent-based audiences.

Case and point?—Zeta’s programmatic platform, powered by more than 750 million deterministic IDs and intent-based audiences, helps thousands of clients explore new windows of opportunity, and amplify their conversion across every channel.

It is an always-on, closed-loop-AI programmatic platform that creates an integrated, omnichannel customer experience that delivers unparalleled addressability, reach, performance, and cross-channel sequencing.

## Personalized Email

As channels go, email is underutilized to a massive degree—something that will need to change going forward given how impactful personalized emails can be (especially when delivered in real time).

Using AI, emails can easily feature personalized content and product offerings based on known interests, demographic information, and real-time behavioral observations.

That level of personalization incorporated across all email touchpoints (subject line, creative, send time, send frequency, etc.) leads to improved email performance.

Coupled with a top-rated data handling solution that makes it possible for marketers to add, score, and use new data in seconds, and it becomes easy to see why email has such performance potential for the automotive industry.

## Data Management

The future of marketing success is inherently tied to data—the automotive marketers with the best data will, in all likelihood, be the automotive marketers who see the best business outcomes.

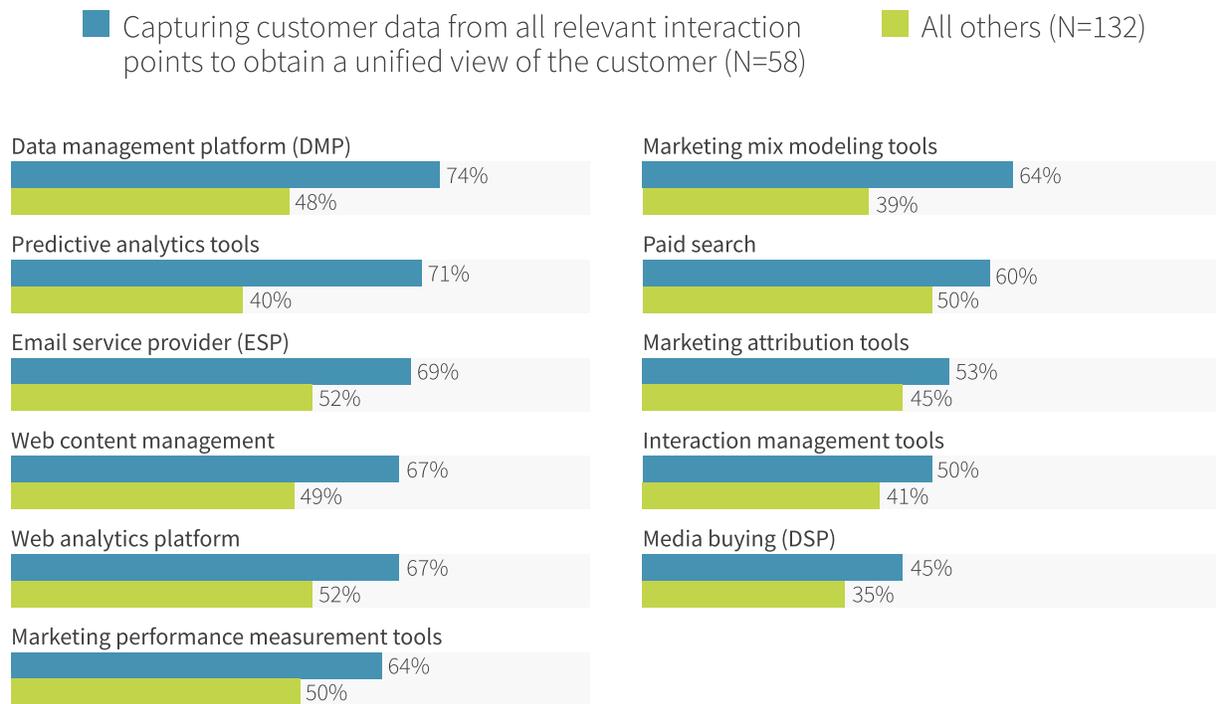
Obtaining the best data will require combining first-party data with third-party interest data, real-time intent signals, real-time purchase signals, and deterministic identity resolution.

Only through that unique blend will it be possible for automotive marketers to capitalize on key audiences and high-value customer lookalikes for maximum growth.

## Capturing Customer Data to Obtain a Unified View of the Customer Correlates With Increased Tool Use

“What are your organization’s plans for the following types of tools?”

(Those selecting “currently using or “expanding current use”)



A commissioned study conducted by Forrester Consulting on behalf of IgnitionOne, April 2015

Base: Cross-channel B2C marketers

### In summary...

- In times of economic turmoil, the brands that continue to invest in marketing and advertising are the brands that win the most long term.
- OEMs and dealers don’t have the luxury of time—the marketing and advertising decisions that are made today will make or break profits for the rest of 2020.

### What Zeta recommends...

- Focus marketing dollars on only the most engaged consumer segments.
- Don’t spend less, just spend smarter—make sure every dollar spent has a specific job where necessary outcomes can be measured for performance evaluation.

04

# To Stay Ahead OEMs and Dealers Must...

# Get better at building brand loyalty

Winning new business is always difficult in the automotive industry, but during an economy like the one created by the coronavirus outbreak, it becomes a monumental chore.

Especially considering almost every brand and dealership is offering eye-popping financial incentives for purchasing a new car.

Such intense competition means automakers and dealers have to get smarter about the way they approach marketing, particularly when it pertains to marketing that builds brand loyalty.

In any kind of business, as little as 15% of customers can be responsible for as much as 70% of annual sales,<sup>79</sup> and the cost of acquiring a new customer can be 5X higher than the cost of retaining an existing one.<sup>80</sup>

In the auto industry specifically, sustaining a relationship with the customer after that customer drives off the lot can boost the likelihood of repurchase by as much as 40%.<sup>81</sup>

That means maintaining a strong relationship with previous customers will be very important for generating new business in the months ahead.

Using things like “loyalty programs, email campaigns, satisfaction surveys to measure Net Promoter Score (NPS), and social media”<sup>82</sup> can have a real impact on customer retention in the auto industry (and boosting retention by as little as 5% can increase profits by 25%<sup>83</sup>).

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<sup>79</sup> <https://www.forbes.com/sites/forbesagencycouncil/2018/06/21/personalization-matters-12-ways-for-brands-to-increase-customer-loyalty/>

<sup>80,82</sup> <https://engieapp.com/customer-retention-in-the-automotive-industry/>

<sup>81</sup> [https://www.informatica.com/content/dam/informatica-com/en/collateral/white-paper/automotive-brand-loyalty\\_white-paper\\_2631.pdf](https://www.informatica.com/content/dam/informatica-com/en/collateral/white-paper/automotive-brand-loyalty_white-paper_2631.pdf)

<sup>83</sup> [http://www2.bain.com/Images/BB\\_Prescription\\_cutting\\_costs.pdf](http://www2.bain.com/Images/BB_Prescription_cutting_costs.pdf)

## Grooming customers into brand advocates

No marketing campaign—no matter how well-researched or executed—will ever usurp the power of word-of-mouth marketing, which is why manufacturers and dealers alike must strive to turn customers into brand advocates.

No matter the gravity of the economic turndown, a business backed by a large, dedicated pool of brand advocates will never need to worry about keeping the lights on.

To help transform customers into loyal brand advocates, automotive marketers should engage with former customers at regular intervals using targeted, intent-driven, and personalized communication.

These marketing messages can be passive (service reminders, holiday greetings, etc.) or they can be as aggressive (custom offers, special promotions, etc.), as long as they're relevant and personalized to the recipient.

Delivering this kind of communication will not only maximize customer satisfaction and the likelihood of retention, but it will also increase the chances of referral-based new car sales (e.g. friends, family, work colleagues, etc. of the original customer).

## The advantage of a dynamic marketing platform

Perhaps nothing can do more for an automotive business looking to boost retention than investing in a dynamic marketing platform that makes use of robust data, Artificial Intelligence, and machine learning to deliver on customer wants, needs, and expectations.

Even the simplest forms of outreach triggered by a marketing platform—from a friendly oil-change-reminder email to a post-sale “thank you” text message—can do a lot in the way of cultivating brand loyalty.<sup>84</sup>

**The right platform powered by the right data can monitor the behavior—especially online—of previous customers’ interest in things like...**

- New vehicles
- Model upgrades
- Lease rates
- Finance offers

Using this kind of intent-based data, OEMs and dealers alike can develop better, more targeted marketing messages that better connect with previous customers depending on where they are in the buyer-cycle.

Deploying data and marketing technology in this way is something that's relatively new to the automotive industry, but it's something that will have profound and positive effects—especially in the wake of COVID-19.

With auto brands forced to optimize their resources and processes in response to the global economic slowdown, capitalizing on intent-based data will make it easier to keep previous customers happy, attract net-new customers, and regain lost revenue.

## In summary...

- Building and maintaining brand loyalty is critical for carmakers looking to survive a prolonged recession.
- 15% of consumers can be responsible for as much as 70% of profits even in big-ticket industries.
- To cultivate brand loyalty, automotive businesses—from manufacturers to dealers—need to invest in a comprehensive marketing platform.

## What Zeta Recommends...

- Only invest in a marketing platform that makes use of robust data, Artificial Intelligence, and machine learning to deliver on customer wants, needs, and expectations.
- Capture and capitalize on intent signals to develop persuasive marketing messages that are targeted to resonate with individuals, not just audiences.
- Consider activating “newsletter” and “handraiser” campaigns that allow customers to stay informed on targeted brand-related updates (vehicle-specific promotions, component upgrades, service discounts, etc.).

# Better identify and market towards the intent of consumers

The automotive industry is no different than any other industry in that marketing dollars are more effective when they're spent on high-intent, sales-qualified leads.

To that end, automakers and dealers will need to get stronger at recognizing the difference between window shoppers, tire kickers, and customers who actually intend to buy a new car in the near term.

Again, this reality stresses the importance of having and deploying a marketing platform bolstered by AI, machine learning, and an industry-leading data cloud.

Only by using such a platform can automakers and dealers expect to differentiate between consumer's who're bored and looking to fill the excess of free time created by COVID-19, and the truly qualified consumers who genuinely want to purchase a new vehicle.

The quicker and more accurately these "true shoppers" are recognized, the easier it will be to keep them "in the buying zone" and nurture them all the way to the point of purchase (unfortunately, less than half of industry marketers feel they have access to the cross-channel, cross-device data required to understand customer behavior).

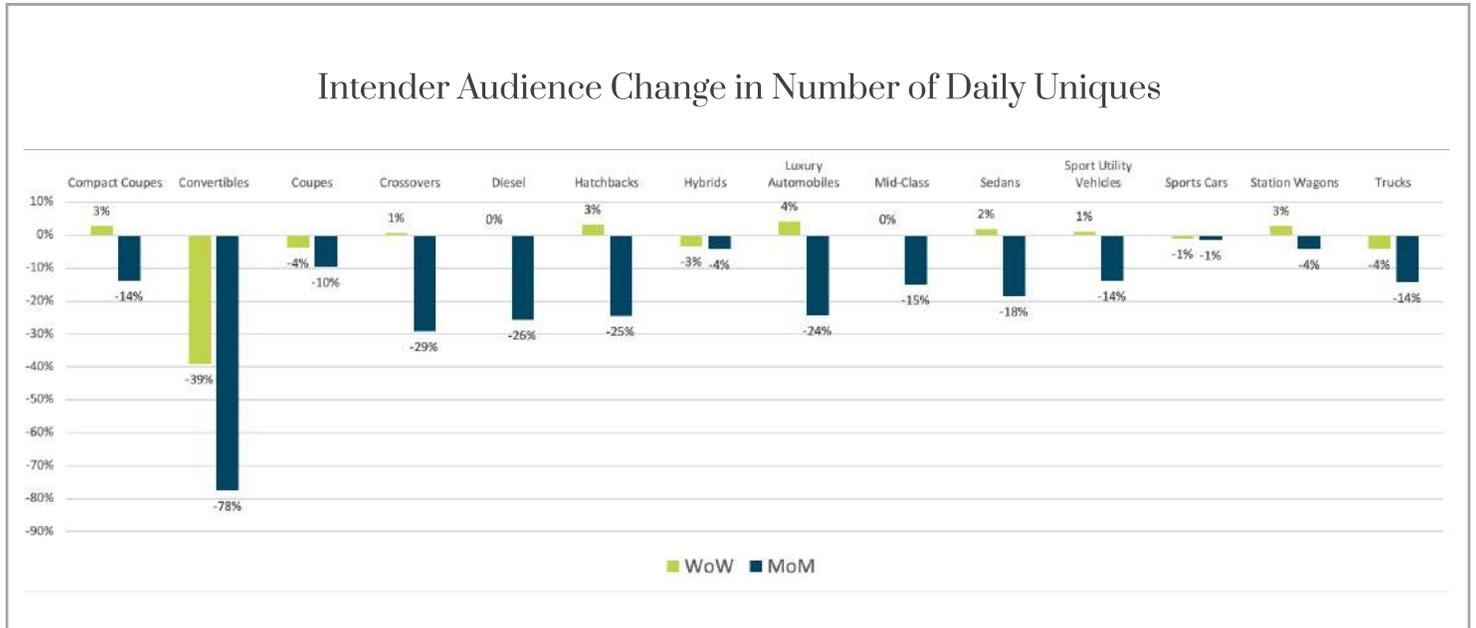
## What might this look like in practice?

Using a combination of intent and financial data for targeting, automotive businesses can deliver customized discounts to specific audiences of carefully identified prospects via media and email campaigns.

Zeta, for example, supports its automotive clients through the provision of an industry-leading marketing platform that mines a data set of more than 70 million auto intenders, to target prospective car buyers with accuracy and precision across the customer journey.

Intenders are scored and segmented based on website behavior, engagement levels and other interests, allowing Zeta's automotive clients to deliver tailored, personalized messages across channels.

Ultimately, this leads to more attention-grabbing marketing, more test drives, more sales, and higher ROI.



## The need for high-quality data management

Automotive marketing is now a data-driven game, and the best players will have access to the best data-management platforms.

When gathered and deployed properly, data cuts a clear path to improved acquisition, conversion, and retention, the result of which is improved efficiency and higher ROI.

However, many automotive marketers struggle with data—managing their own first-party data, and sourcing the most relevant, helpful third-party data. This makes it challenging to measure relevance, establish clear intent-signals, and drive better business outcomes.

An exceptional data cloud equipped with an equally exceptional data-management platform, is the only viable resolution to this challenge—combined they provide the steady stream of “gold nuggets” necessary to executing highly effective campaigns.

## In summary...

- Marketing dollars should be spent on high-intent, sales-ready leads.
- Automakers need to get better at marketing their products and services to ready buyers, rather than tire kickers.
- Auto marketers need access to seamless intent data in order to craft a superior customer experience that permeates the entire life cycle, from awareness and acquisition, to conversion, upsell, and retention.
- Only a marketing platform bolstered by AI, machine learning, and an industry-leading data cloud can identify high-intent, sales-ready leads in real time and at scale.
- Customer data helps automotive marketers generate more leads, maximize response rates, and sell more cars because it makes the development of personalized, memorable messaging that much easier.

## What Zeta Recommends...

- In the short term, stop spending marketing dollars on brand awareness initiatives, and start repurposing budget towards conversion-focused, ROI-driven campaigns.
- Accept that marketing reach is not valuable unless it comes with consistency and relevance across all touchpoints and channels.
- Create more detailed customer personas based on aggregate behavioral, transactional, and geographic signals.
  - Use the updated personas to develop creative and strategies that better “click” with consumers across all phases of the automotive buyer’s journey.
- Personalize marketing content to the individual based on factors like engagement score, and interest in specific makes and models.

# Cater car buying towards shifting consumer preferences

Manufacturers and dealers that aren't customer-obsessed will struggle to survive this economic downturn—in today's market, there's nothing more important than delivering a car-buying experience that delivers on consumer preferences.

Unfortunately, consumer preferences and trends don't stay static.

## Yet the way automakers have sold cars and trucks for the last 80 years remains unchanged:

- Vehicle parts are manufactured and delivered to OEM.
- OEM takes the parts and assembles the new vehicle.
- The vehicle is shipped to an OEM-affiliated dealer.
- Consumers visit the dealer to buy the vehicle.

Which is why a recent KMPG study revealed more than 80% of automotive executives believe a major business model disruption is coming to the auto industry—particularly as it pertains to how vehicles are bought and sold—by 2022.<sup>85</sup>

However, the timetable for that disruption appears to be accelerating by 24 months, as the sudden arrival of the coronavirus has shed new light on the painful inadequateness of being a retail business with a largely offline sales process.

In other words, the digitization of the car buying experience won't happen in 2022 because it's happening right now.

## Moving the car-buying experience online

Many of the world's leading brands, including General Motors, Fiat Chrysler Automotive, and Ford, are working day and night to rapidly adopt tools and technologies that will move the sales process online.<sup>86</sup>

Nor should it come as a surprise that brands like Tesla and dealers like Carvana that embraced online sales years ago are doing well despite the industry shutdown related to COVID-19. Their success in the midst of such economic turmoil is a clear sign that the market is ready for a new approach to buying and selling motor vehicles.

<sup>85</sup> [https://www.informatica.com/content/dam/informatica-com/en/collateral/white-paper/automotive-brand-loyalty\\_white-paper\\_2631.pdf](https://www.informatica.com/content/dam/informatica-com/en/collateral/white-paper/automotive-brand-loyalty_white-paper_2631.pdf)

<sup>86</sup> <https://www.cnbc.com/2020/04/09/coronavirus-pushes-auto-dealers-to-embrace-online-sales-like-tesla.html>

Consumers might value what a trip to a dealership can provide in the way of a face-to-face relationship and (of course) a test drive, but that doesn't mean consumers don't want the freedom to shop for a new vehicle from the comfort of their own homes.

For dealers and car makers, migrating more of the sales process online (especially things like inventory listings, pricing options, applications for financing, and other forms of paperwork) will improve customer satisfaction and make it more likely that a single trip to the showroom for a test drive results in a sale.

And if the entire sales process—from research to purchase—can be moved online so that no trip to the showroom is required, it will not only improve the customer experience, but it will reduce operating expenses and improve profitability for automotive retailers.

In addition to being a long-term benefit, many industry executives like Mark Stewart, chief operating officer of North America for Fiat Chrysler Automotive, feel the rapid adoption of online selling tools will help reinvigorate the industry and drive a “significant number of sales” in 2020.<sup>87</sup>

As Stewart put it, “there’s absolutely no reason” to believe consumers won’t embrace online shopping for vehicles the same way they embraced online shopping for other forms of retail.<sup>88</sup>

## In summary...

- The time for the automotive industry to adapt to changing consumer buying habits has arrived.
- Automakers need to get better at facilitating direct-to-consumer sales, and the industry as a whole needs to get better at online sales.
- There is no reason to believe car buying won't become an eCommerce business within the next five to ten years.

## What Zeta Recommends...

- Highlight the reward of buying online -- make it a seamless user experience and offer the best financial deals possible.
- Make more use of mobile to move consumers towards a purchase (80% of consumers use a smartphone during the automotive purchase funnel).
- Vehicle manufacturers should start laying the groundwork now for direct-to-consumer online sales.
- Invest in education-focused marketing campaigns that help consumers understand just how easy it is to buy a new car online.

<sup>87,88</sup> <https://www.cnn.com/2020/04/09/coronavirus-pushes-auto-dealers-to-embrace-online-sales-like-tesla.html>

05

# Why Zeta for Automotive Marketing

# Proven experience, proven results

With more than 20 years of vehicle marketing experience and strong relationships with some of the industry's biggest brands, Zeta knows how to achieve outstanding outcomes for its automotive clients.

## The partners Zeta supports — Leading Digital Marketing Solution in Automotive

800+ Activated Websites

1.8M Annual Leads

37 Automotive Brands Globally



Average Uplift in Lead Generation **+40%** | **\$6.3B** in Incremental Revenue Generated For Our Partners



TOYOTA

## Increasing engagement and conversions — from paid social media

+360%

Increase in lead conversion rate.

+87%

Increase in click-through rates.



MAZDA

## Generating more purchase-ready leads — via a manufacturer

+200%

More test drive appointments.

+133%

More brochure requests.



RENAULT  
Passion for life

## Improving open rates, engagement rates and response rates — from CRM

3x

Improvement  
in overall KPIs.

+142%

Increase in open rates.

+52%

Increase in click-through rates.

# Partner not provider

Zeta believes in being “hands-on” when it comes to marketing.

In other words, Zeta believes in being a true marketing partner, rather than a “hands-off” provider of marketing services and technology.

When automotive brands partner with Zeta they get more than campaign execution—they receive end-to-end campaign support, complete with customized guidance to achieve the best possible outcomes (80% of automotive clients choose Zeta’s campaign advice over their own internal best practices).

# The Platform

The Zeta Marketing Platform is easy to implement and capable of delivering results in days as opposed to months. More importantly, the platform is agile which allows campaigns to pivot on a dime if the situation calls for it (as it did following the COVID-19 outbreak).

**“The Zeta Marketing Platform excels because of its data foundation...Its schema-less data structure effectively solves much harder problems, better than competitors.”**

—Shar VanBoskirk, Forrester Email Marketing Providers Wave Report May, 2020

Combined with Zeta’s Data Cloud, the Marketing Platform makes it easy to run campaigns of varying size and scope, from those that need to target large consumer audiences to those that need to target individual buyers.

Put plainly, the Zeta Marketing Platform is more than a way to keep the conversation going with old customers and new prospects—it’s a way to identify high-value, ready-to-buy consumers with the means and the desire to make a purchase in the “next few weeks” instead of the “next few months.”



**Forrester gave the Zeta Marketing Platform the highest possible score in these 10 criteria:**

**Data, Analytics, Client Retention, Creative Services, Commercial Model, Vertical Capabilities, Artificial Intelligence, Campaign Operations, Implementation Services, and Personalization & Optimization.**

## A few of the solutions Zeta offers the automotive industry

### Zeta Site Personalization averages a...

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+20%

Increase in sales via personalized experiences

400%

Increase in email newsletter signups

133%

Increase in quote requests

### Zeta Email delivers...

---

42 Billion

Emails every single year

268%

Lift in revenue from personalized email

300%

Growth in email engagement

### Through Connected TV Zeta drives...

---

+1 Billion

Bid requests per day

+100 Million

Unique CTV identifiers

200%

Increase in engagement

## Zeta's Acquisition Email matters because...

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91%

Of consumers use email daily

37%

Of purchases are influenced by email

400%

More effective than social media marketing

## Using Zeta Programmatic clients see...

---

23%

Higher Engagement

+750 Million

Device IDs every month

11%

Increase in Conversion Rate

## Zeta's Data Cloud includes...

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+1 Trillion

Content signals

+750 Million

Deterministic identities

+650

Intent-based audiences

# A few action items to consider in the coming months...

## Diversifying financial incentives

Hitting consumers with traditional financial incentives (e.g. no money down, 0% financing, etc.) will help jumpstart new vehicle sales.

But given the unprecedented economic consequences of coronavirus, carmakers and dealers will benefit even more by going beyond the traditional with less common incentives like short-term leasing, career-specific promotions (e.g. free service for life for nurses), etc.

## Investing in new marketing resources

Dramatic shifts in the consumer market mean automotive marketers cannot rely on the tools, channels, and big budgets of the past—precision, ROI-obsessed marketing will be the way forward.

To that end, automotive marketers need to look at emerging tools like acquisition email, underutilized channels like connected TV, and identity-focused campaigns that use behavioral, transactional, and contextual signals to reach individual car buyers with the right message at the right time in real time.

## Developing marketing centered on health, safety, and independence

Consumers aren't interested in hearing the automotive industry acknowledge the chaos created by COVID-19, but they are interested in hearing what the automotive industry is doing about it.

That means no more marketing campaigns highlighted by “images of empty streets, voice-overs that invoke ‘these uncertain times,’ and company promises to be there for [customers].”<sup>89</sup>

The industry needs to push action-oriented marketing that highlights tangible, customer-centric changes—more hygienic manufacturing, online buying options, lower prices, etc.

## Creating catered offerings to seniors, commuters, and people with young families

Seniors are most at-risk for COVID-19, commuters are most interested in buying new vehicles, and parents are compelled to protect their children.

These buying audiences will be more receptive to well-planned marketing campaigns than others. For automotive marketers, not only targeting these audiences, but targeting high-intent individuals within these audiences will be of the utmost importance going forward.

<sup>88</sup> <https://www.wsj.com/articles/in-these-uncertain-times-coronavirus-ads-strike-some-repetitive-notes-11587355261?mod=e2twcmo>



# To learn more...

To learn more about Zeta's automotive marketing expertise, or the Zeta Marketing Platform, please contact [info@zetaglobal.com](mailto:info@zetaglobal.com)