

ADVERTISING IN A *Low Inventory* ENVIRONMENT

SHIFTING YOUR DEALERSHIP MARKETING STRATEGY TO ALIGN WITH INVENTORY SHORTAGES.

The pandemic caused shifts in production that created ongoing inventory shortages in the automotive industry. With lean-inventory conditions likely to persist, dealerships could waste a lot of money by sticking with the status quo when it comes to advertising. But that doesn't mean that turning off the tap is a good idea. Even with inventory down, consumers are still car shopping, and companies that halt their advertising during periods of economic upheaval often lose ground, miss opportunities, and have a hard time ramping back up. Instead, dealers need to develop a comprehensive, cross-department strategy for evolving their marketing to cover topics that will stay relevant for as long as inventory stays low.

THE IMPACT OF ADVERTISING

While it's tempting to cut costs by canceling digital advertising when inventory is down, the reality is that going without advertising can hurt revenue in the long run. Canceling advertising directly impacts both website traffic and lead volume. In a recent period of economic uncertainty, dealers that kept their current advertising saw significantly better performance than those that stopped advertising.

ADJUSTED NEW-INVENTORY CAMPAIGNS

In a low-inventory environment, a dealership's first step should be to adjust its new-inventory advertising to focus on vehicles with more availability. Dealerships may also want to begin promoting in-transit inventory and vehicles coming in. Low-inventory environments open the door to higher prices so dealers may want to consider removing bargain pages and raising all prices to match demand. Finally, it may be wise to add urgency messages that help customers understand availability limits.

USED CAR ADVERTISING CAMPAIGNS

As long as used car inventory is ahead of new car inventory, dealers should shift advertising dollars toward pre-owned campaigns targeted at shoppers more likely to buy used. Dealerships that do a good job of sourcing used inventory will be able to sustain their operations until manufacturers increase supply.

ADVERTISING EFFECTIVENESS

(March to April 2020)

9% MORE SALES LEADS

- Stopped Advertising *-7%*
- Continued Advertising *+2%*

22% MORE NEW CAR VDP VIEWS

- Stopped Advertising *-12%*
- Continued Advertising *+10%*

19% MORE WEBSITE VISITS

- Stopped Advertising *-16%*
- Continued Advertising *+3%*

ANALYSTS PREDICT

1.5 million FEWER
VEHICLES WILL BE PRODUCED
IN NORTH AMERICA THIS YEAR.

“WE’LL BUY YOUR VEHICLE” CAMPAIGNS

When inventory is low, dealers can reverse the relationship by becoming the buyer and making the consumer the seller. Dealerships can source inventory by advertising their eagerness to accept trade-ins and to buy used cars. As a bonus, used-car sellers are also likely to become a customer by making a replacement purchase.

USED CAR PRICES ARE UP
18% YEAR OVER YEAR,
MAKING IT A GREAT TIME
FOR CONSUMERS TO SELL
THEIR CARS.

PRE-ORDER PURCHASE CAMPAIGNS

A car doesn't have to be physically on the lot for a dealership to sell it. Dealerships may want to advertise the opportunity to pre-order a car—an attractive option for many customers that wish to custom build cars and hand select features.

BRAND AWARENESS CAMPAIGNS

Even in the absence of inventory, many shoppers will be researching cars and gathering information for their upcoming purchases. Brand awareness campaigns keep dealerships top of mind with those shoppers and reinforce the reasons to buy from one dealer over another. Just as importantly, they prevent competitors from stealing market share by filling an advertising void.

SERVICE CAMPAIGNS

When dealerships can't sell, they may want to shift some of their advertising efforts and budget toward service. In doing so, dealers shouldn't forget about lesser-known services like wash bay and auto detailing.

WIDEN YOUR GEOGRAPHIC REACH

With inventory tight, shoppers are willing to travel further to buy the cars they want. Campaigns covering a wider geography achieve extra reach and can help find buyers for any slow-moving inventory that might exist.

Sources:

Kelley Blue Book Data, 2021.

Matt Newsom, Chip, Inventory Shortages Impact Dealer Advertising. Ward's Auto, 2021.

Talk to your performance manager to see how your dealership can shift your digital advertising strategy and take advantage of current market trends.