

Without Sporting Events, Auto Industry's Ad Spend Plummets



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Key insight:

- Brand messages have shifted to focus less on the brands themselves and more on incentives like home delivery and payment options.

Following the mandated shutdowns due to Covid-19, the auto industry's spending on television advertising fell between 55% and 70% in late March and April of this year, according to iSpot, a company that tracks national TV ads and correlates digital responses.

The shutdown is a direct cause of the sudden decrease: Between March 12 and April 30, auto brands spent \$345.1 million on advertising. About \$148.4 million of that was spent in April, according to iSpot's estimated TV spend, meaning that the second half of March accounted for a greater spend than the entire month of April.

It's a stark contrast to 2019, when the industry spent almost

double at \$809.6 million. Year-over-year, automotive advertising spend is down 57.4%, and more than 70% in April alone.

The precarious drop in spending is likely due to the pause of live sports: 35% of 2019's auto ad spend was tied to the NCAA March Madness Tournament, the NBA and the NHL.

As advertising budgets are slashed globally—especially within the travel industry, which saw ad spend in March drop by 90%—carmakers have been left with mostly idle factories. According to J.D. Power, car sales are down 40%, and a recession could curb new purchases on a longer-term basis.

“You have dealer lots with inventory piling up, and people are buying fewer cars because they're quarantined and not going to dealerships,” said Stuart Schwartzapfel, an analyst at iSpot. “Despite the fact that they're spending less money, automakers are using the money they can spend to drive-in market activity.”

That's led to advertisements that are less about the brand and more about regional in-market incentives such as home delivery and low-interest payments.

A Lincoln spot that's been airing during Good Morning America, NBC's Today and CBS This Morning shows a car pulling into someone's driveway while a voiceover says, “More than ever, your home is your sanctuary, which is why Lincoln gives you the ability to purchase your vehicle remotely. ... An effortless transaction.”

In its earnings report, released today, General Motors said the pandemic has cost the manufacturer \$1.4 billion before taxes. Still, the largest U.S. automaker ended the quarter with \$294 million in profits. The second quarter is expected to be less rosy, though GM plans to reopen its plants in the U.S. and Canada on May 18—with extensive safety measures in place.

Despite the profit, GM was not among the biggest ad spenders in the auto industry between March 12 and April 30, according to iSpot. That was Lexus, spending \$32.4 million to reach 2.8 billion impressions, putting it ahead of Subaru, Hyundai, Toyota and Nissan. Most of that was spent on network television, with 11.1% of auto creative appearing on NBC, followed by CBS and ABC.

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