

***Dealer Internet spending is on the rise.....***

***How do you know if your Internet Operations are making money?***

According to 2006 NADA DATA for Dealer Advertising Expenditures by medium there was a statistically insignificant amount of money spent by dealers on Internet advertising in 1995. In fact, the spending for all Internet advertising in 1995 was less than 1 % of the average dealer's overall ads spend. In the past 10 years the growth has been dramatic and 2005 figures show the average dealer spends 10 % of their overall advertising budget on Internet marketing. When you consider the collective dealer body spent \$7.75 billion on advertising in 2005 10 % spent on the Internet would mean dealers spent \$775,000,000 for Internet marketing in 2005. According to the same report Internet spending by dealers increased 3.2 % from 2004 to 2005. As of this writing the NADA has not published figures for 2006 but industry experts suggest that we should expect to see another substantial increase.

One could assume that the increase is being driven by the fact that most dealers are finding they can increase sales and profits and lower overall marketing costs with Internet marketing. However, my experience has convinced me that most dealer principals are not really certain if their Internet Department is making money. Dealers who do not have tracking metrics in place to measure whether their Internet Department is making money are in the same category with their Internet Marketing as they are with traditional media. We have all heard the old saying "I know my half my advertising is working I just don't know which half" and the Internet does not have to be described in this manner.

There are several methods available for a dealer to find out if their Internet Operation is making money and I will explain them below – This example will deal with the vehicle sales side of your Internet marketing only.

### **Determine how much you are spending for Internet marketing each month**

What costs should you consider part of a single location, single franchise Internet Ad spends?

- ✓ Dealership website or websites – Dealers could have more than one website if they maintain a site or sites independent of their manufacturers. If part of a dealer group then you could have several websites that you are paying for. Check your dealer parts statement to determine the costs of any manufacturer sites.
- ✓ Manufacturer leads – Several manufacturers provide leads from 3<sup>rd</sup> party sources and charge for these on a per lead basis or a subscription basis. These are typically charged on the dealer parts statement.
- ✓ 3<sup>rd</sup> party lead sources – Dealix, AutoUSA, Autobytel, etc.
- ✓ Online classified sources – Cars.com, AutoTrader.com, etc.
- ✓ Inventory uploads – A lot of dealerships use companies to take their vehicle photos and upload them to all the sites where they list their inventory.
- ✓ Lead management tool or a portion of your CRM tool – Any costs associated with this tool should be considered part of your Internet marketing costs.



- ✓ Call tracking tools – Factor the costs of any call tracking lines attached to your Internet listings.
- ✓ Internet operation personnel costs and/or the cost of any BDC personnel that handle Internet activities.

### **Determine which sales are generated from your Internet marketing each month**

The question of what constitutes an Internet sale is debatable but I have found the following to be a fair and practical method to determine an Internet sale.

- ✓ Any lead that comes into your Lead Management Tool/CRM Tool that purchases a new or used vehicle within 180 days of the original lead date. It does not matter whether the sale is made by the Internet sales team because the dealership wins either way. I would recommend differentiating between Internet Department sales and Internet sales by the Floor sales team so you can assign credit properly.
- ✓ Any phone call generated from your Internet marketing and “track-able” using call tracking technology and then entered into your Lead Management Tool/CRM Tool. The same timeline and variables outlined above should factor into these leads too.

### **Determine the gross profit**

- ✓ Once you have decided which sales to credit to your Internet marketing activities you simply calculate the front and back end gross and total it up.

### **Calculate your Return on your Internet marketing investment**

- ✓ Now that you have all the variables it is a simple calculation to determine whether your Internet operations are profitable. Take your Internet generated gross less your Internet operational costs and the derivative is your return on investment. Obviously there are other factors that can be added or subtracted depending on your general operational methodology but this should let you know in general terms if your Internet operation is making money.

Your Internet operation should increase your overall dealership sales and make consistent profits month in and month out. The complete promise of the Internet is increased sales at lower costs and leading dealers take advantage of this to grow their market share each year. Make sure you get the advantage of leading Internet dealerships by knowing the score and making the choices to increase your Internet sales and profits in 2007.

Best to you,

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