



Paid Search: A Digital Marketing Tactic on the Rise for UK Dealers

£1.75B

Auto industry
spending on digital ads¹

Connecting with today's car shoppers through paid search

Reaching car buyers online isn't easy, but it can be extremely effective. This white paper will demonstrate how a managed paid search program can pay off for car dealers.

1-eMarketer, UK Digital Ad Spending by Industry 2018, August 2018



Reaching today's digital car shoppers

44%

Growth in digital ad spend since 2016

40%

Percentage of dealers' ad budgets spent on paid search

The car industry has seen substantial growth of digital ad spend in the last few years, and the growth isn't predicted to slow down. The auto industry as a whole grew online ad spend by 44% since 2016, and is projected to grow another 10% in 2019.¹

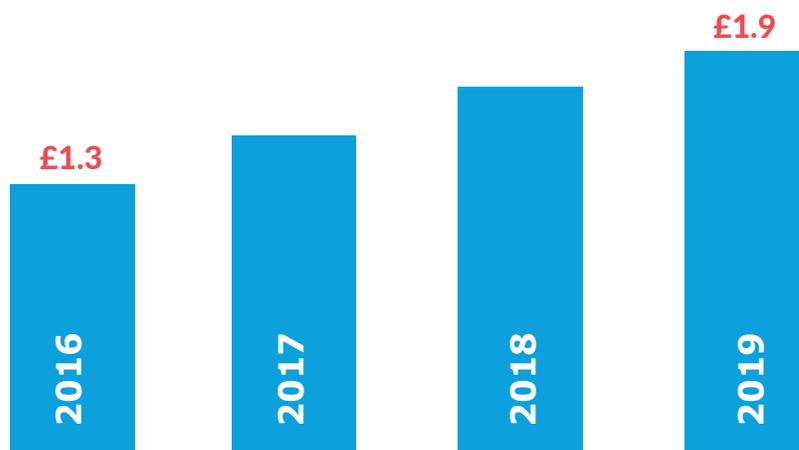
Dealers spend nearly 66% of their ad budgets on digital ads,² which makes the internet the largest advertising channel for dealers. Auto industry is also the second fastest growing industry after retail when it comes to digital spend.

Of the industry's digital spend, almost 40% is in paid search.³ The combination of spend per dealer and the large number of dealerships means that only the retail industry spends more on search ads than automotive.

The reason for this spend is simple: digital ads drive more sales and cost less. According to DealerSocket, the average profit margin for sold vehicles in the US that were advertised on digital channels exceeds that of sales driven by conventional media by over \$800.⁴

To succeed in today's increasingly digital world, dealers must let go of certain traditions and embrace what works. For UK dealers, it doesn't matter if you're late – you still need to make the switch and at least try tactics like paid search.

Automotive Industry Digital Ad Spending (Billions)⁵



1-eMarketer, UK Digital Ad Spending by Industry 2018, August 2018

2-ibid

3-eMarketer, UK Automotive Industry Digital Ad Spending, by Format, 2018, June 2018

4-DealerSocket, February 2016

5-eMarketer, UK Digital Ad Spending by Industry, 2016-2017 and eMarketer, UK Digital Ad Spending by Industry, 2017-2019

Where paid search fits in today's customer journey

The typical shopper journey now looks something like this:

- Initial research happens through broad Google searches and visits to manufacturers' sites, sometimes including informational sites like Consumer Reports or car magazines. This is when paid search has the greatest opportunity to reach shoppers.
- As a shopper narrows their search, they rely on third-party sites like CarGurus to find vehicles in their price range.
- When they have zeroed in on a few vehicles, they reach out to dealers by finding the dealer contact information from an internet search, or submitting an email lead.
- At the very end of the process, when they are almost ready to buy, they visit dealerships.

Notice that the first half of this funnel is outside of your control: it happens through Google, OEMs, and third-party sites. Additionally, that last step of dealership visits now only happens after the purchase decision has been almost finalised.

Just a few years ago, the average car buyer visited five dealerships. Today, they visit fewer than two dealerships.⁵

To get car buyers on your forecourt, you have to stand out earlier in their buying process. And since car shoppers are using the internet to conduct their research more and more, that means having a more aggressive approach to paid search.



Did you know?

According to Google, businesses generally see an average ROI of 100% from their Adwords spend.⁶

Getting started with paid search

So we know the path to purchase is changing and paid search is becoming more and more important. Let's take a quick look at what the components of a paid search campaign really are.

- 1. Pick the keywords**—Determine the search terms shoppers enter that you want your ads to appear on. As we'll cover, this is one of the most important aspects of running an effective campaign.
- 2. Create the ads and landing pages**—You need a headline and body text, as well as a link to a page on your site where you want users to arrive when they click.

3. Set targeting—Whether you want to target a 10-kilometre radius around your dealership or a larger city region, adding geotargeting helps you catch exactly the right buyers.

4. Set bids and budgets—You need to decide exactly how much you're willing to bid on each search as well as a monthly spending target.

5. Measure results—You can use the Google Adwords interface or another dashboard to measure the performance of each ad over time.

⁵McKinsey study, Nov. 2016
⁶Google, Economic Impact Report, US, 2017

The long tail and the challenges it creates

The concept of the “long tail” dominates search, both organic and paid. At the head of the search results, a very small number of keywords—the top 100 or 500—have monthly search volumes in the tens or hundreds of thousands. Those are searches like “Volkswagen Golf” or “Ford Focus.” They’re very high volume, they’re easy to identify, and they’re fairly short: 1 or 2 words, generally.

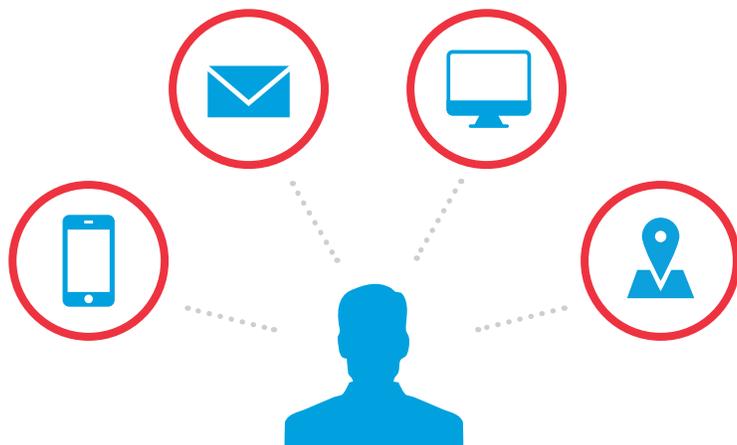
In contrast, long tail keywords are searched much less frequently: single digits per month, in many cases. However, instead of a few hundred terms, you’re looking at millions of different keywords, mostly longer, more complex searches. Those long tail keywords make up over 70% of search traffic.⁷

The long tail isn’t just about volume, either: it’s about value. What you find in the long tail are buyers who know what they want and are closer to taking action.

The challenge of keyword volume

Targeting very specific keywords is a path to success, but the challenge is that also means you need to target a huge number of keywords — probably far beyond what you’re currently doing.

Based on our own informal research, dealers running their own programs typically target around 150 keywords, and those using paid search vendors target around 500 keywords. At CarGurus, where we use the infrastructure we’ve developed for ourselves and applied it to running campaigns for individual dealers, we run an average of one million keywords per dealer, just to cover the cars they have in inventory, in their sales region.



Measuring paid search

Default AdWords reporting is great for basic campaign performance stats: clicks, cost, time on site for those visitors, etc. Even more important is tying those results to your CRM, so you can measure the ROI of your campaigns.

It’s also important to measure other benefits of paid search: increased site visits and phone calls, for example. By including your website and phone number in your ads, even shoppers who don’t click your ads can still get in touch.

There’s also value just in brand awareness. Being visible in search results is a great way to add to your dealership’s brand recognition.

⁷SEOMoz, December 2016

Scale impacts everything

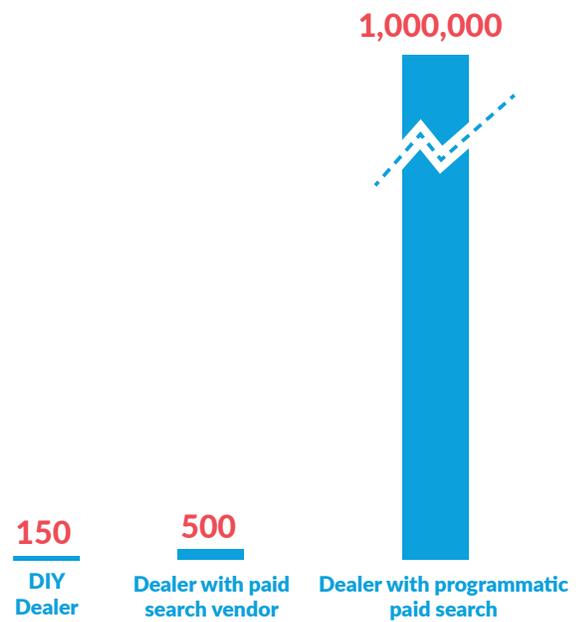
Of course, having that many keywords also creates a large number of associated pieces to manage.

It's a proven aspect of paid search that ads work best when keywords are precisely aligned with the ad copy and the copy on the landing page. If the consumer searches for an orange Ford Fiesta, your ads will perform better if they say "orange Ford Fiesta" in them.

Same for landing pages. So even for very similar keywords, there's a time investment required to get things created. Then you need to manage the bids for each variation.

It's an ongoing challenge, too: these keywords are only worth anything while you have a matching car on the forecourt. As soon as you sell your last Ford Fiesta, you better pause those keywords or you're wasting money.

Number of Keywords



The value of the long tail in action

A search for the head term "Mercedes-Benz A-Class" might come from a user interested in buying a luxury sedan—but it's so general, it could also come from someone looking to sell that vehicle, or for service, or all kinds of other intents.

As the user adds more information to the query, transforming it into a long tail keyword, the value increases. A keyword like "Blue Mercedes-Benz

A-Class A200 Sport near London," for example, is a much better indication that this user is in the market for this vehicle right now.

There's also value in knowing what very specific searches are not worthwhile, like "Blue Mercedes-Benz A-Class toy." Having keywords set up to find and deprioritise those kinds of searches can help with the overall efficiency of the campaign.

Keyword combinations add up quickly

8
colors

x 220
make/model combinations

x 5
trim levels

x 10
model years

x 200
major metros

=

17.6M
potential keywords

Solving the challenges—using smart decision-making and extensive data

Today's programmatic paid search tools solve these problems through a combination of smart decision-making and extensive data.

At this scale, you can't choose keywords one by one. Instead, a programmatic approach teaches keyword generation software that in a search like "Blue Mercedes-Benz A-Class A200 Sport near London," you could swap out any color for the first word and still have a good keyword. And you could use any logical make and model combination, and any matching trim level.

Programmatic keyword generation also solves the problem of keeping keywords in sync with available stock. An automated paid search solution can pull from a dealer's existing inventory feed to continually update keywords and make sure they're in sync with what the dealer has on the forecourt. That inventory feed also provides a landing page for each keyword: the VDP for the car that

best matches the search keyword.

Relative bidding

Another problem with large-scale campaigns is how to set and adjust bids for that many keywords. The algorithmic solution is to use relative bidding.

It's fairly simple, given enough data. The system uses performance data to set relative values for each keyword: a very specific search with a location might be worth five times what a generic search for the same vehicle is.

Once the relative values are established, spending for the entire campaign can be increased or decreased as needed to meet monthly budgets. The relative bids ensure you're still spending more on those valuable, end-of-the-funnel keywords.

Choosing a partner

There are basically three main ways you can get your paid search done.

1. In-house digital marketer. Depending on the size of your dealership, this may or may not be at all feasible, but it does give you the most direct control over your campaigns.

2. A dedicated paid search vendor. Specialists bring expertise to the table—hopefully have data and experience in the auto world. This will add to your costs, but in most cases lets you scale your campaigns beyond what an in-house person or team would be able to do.

3. Dealer management vendors. Some digital dealership providers also offer paid search

as part of a comprehensive package of services, like inventory management, website management, CRM, or other software. That route is often an easy venue for getting started, as you've already got a relationship and a technical integration with them. On the other hand, paid search might not be a core skill, so you might want to look to a dedicated vendor with a rich background in paid search capabilities.

To do programmatic paid search at scale, you'll need to take on a technology partner. Needless to say, you need to be picky when choosing a partner to run a program like this.

Here are some of the key questions to ask.

- **Can they scale?** Can they programmatically generate keywords in the tens or hundreds of thousands? Can they handle bidding changes at that volume? And ad copy generation? And can they automatically react to changes in your inventory?
- **Can they optimise to different goals?** Whether it's price, or days on forecourt, or new vs. used, you should look for a partner who can hit the goals that matter to you.
- **Is paid search a primary skill set?** You probably don't want to choose a website provider who's bolted paid search on to the side of their core product.
- **Do they have performance data to start from?** Learning what keywords perform is time and resource intensive. It takes millions of pounds of paid search spend to generate that kind of data.
- **Are they auto-industry knowledgeable?** Some paid search vendors have lots of

expertise and data from marketing in other industries. The data they have isn't going to be directly relevant – and neither is their expertise.

The bottom line

Paid search is central to digital marketing for car dealers. We know that's not a revelation, but it's important to understand. Most UK dealers are not leveraging this important tool.

Within paid search, the long tail is where you're going to find the most volume and the best results. Competing for the obvious terms at the top of the volume curve isn't going to give you the results you want.

To tackle that long tail, you're going to need a programmatic approach: doing it by hand with spreadsheets would take an army of digital marketers.

Finally, to put all this together, you need to find a partner who can provide the expertise, the technology, and the data to succeed.

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It takes millions of pounds of paid search spend to generate enough performance data for a truly programmatic campaign.
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About CarGurus Paid Search

CarGurus Paid Search helps attract car buyers to dealers' own websites through powerful machine learning that eliminates guesswork and improves results from Google using search engine marketing.

Early adopters of the new solution, who have taken part in beta tests, have seen as much as a 32% percent lift in traffic driven to their own websites. These clients include some leading UK dealerships, such as Sasron Car Supermarket.

To learn more about a managed paid search solution for your dealership, please call **0800 196 1036** or visit products.cargurus.com/paidsearch.