



The Inventory-Level Video Decision

There is no doubt that inventory-level video¹ helps drive more ready-to-buy traffic to the store. The question holding most dealers back is whether or not it is cost effective for them. The answer is yes for some stores and no for others. In many cases the mathematics needed to determine the difference are not all that difficult.

The objective of inventory-level video is to produce more contacts from a given number of vehicle exposures. Most of the benefit comes from more Vehicle Details Page views (VDPs) to contact the store by phone, email, chat or walking in. Secondly, shoppers with a strong preference for video may choose to view vehicle listings on third-party sites that include video over those that do not, raising the number of VDPs. Regardless of the increase from one benefit as compared to the other, the end result is a higher quantity of ready-to-buy shoppers contacting the store.

This benefit is very measurable. How many contacts is the store receiving from its listed vehicles and how much does it need to go up in order to cover the cost of producing the video. To establish the value of a contact, one need look no further than the marginal cost per contact from the poorest performing source used or the expected cost per contact from the next best service being considered.

Example²

| | Contacts | Cost Per Month | Cost Per Contact |
|-------------------|----------|----------------|------------------|
| Dealer's Site | 150 | \$ 2,000 | \$ 13.33 |
| Listing Service A | 100 | \$ 1,400 | \$ 14.00 |
| Listing Service B | 80 | \$ 1,400 | \$ 17.50 |

| | Total Increase in Contacts for Break Even | Cost Per Month | Cost Per Contact Target |
|----------------|---|----------------|----------------------------|
| Stitched Video | 11.4 | \$ 200 | \$ 17.50 |
| Actual Video | 114.3 | \$ 2,000 | \$ 17.50 |

In the example above, the dealer can quickly see that a 3.5% increase in total contacts per month, from 330 to 341.4 will yield the same level of cost effectiveness from stitched video that is being received from Listing Service

¹ The subject of inventory-level video is a single vehicle, new or used. The objective is far different from dealer level video, which is all about the benefits of buying from the store - the store's unique selling proposition - and not focused on any particular vehicle.

² All numbers are for illustration purposes only. Any resemblance to actual experiences is strictly coincidental.

B. Actual video will almost always yield better results than stitched video. However, the increase in contacts would need to be 34.6%. The opportunity cost to produce actual video varies a great deal from one dealership to another.

For the marketing purist looking to eliminate the noise caused by changes in inventory and pricing, additional calculations are necessary. One can start with how many contacts the store is receiving per 1000 Search Results Pages (SRPs) after video is added and how that compares to the same number before video was added. This will eliminate much of the fluctuation caused by changes in inventory. Sometimes, it is also useful to look at how many contacts the store is receiving per 1000 VDPs. This eliminates the benefit derived from having the video presence advertised on the listing within the SRP on third-party sites, but it also eliminates some of the noise associated with pricing differences from period to period. Contacts per VDP should always be used by dealers considering video on their websites but not using third-party listing sites.

Some will argue that branding media, like television or radio, should be cut to fund online merchandising, making the comparison of marginal costs irrelevant. Others will argue that many dealers underfund their advertising to the point that marginal costs are substantially less than marginal benefits. For some dealers that is the case. If questions remain regarding the value of branding vs. traffic-now advertising, one source of immediate store traffic vs. another, or proper budget allocation then an expert should be consulted for a thorough evaluation. For the purpose of this article, it was assumed that the dealer's budget was already optimized other than the decision to add video. This leaves us with the simple task of comparing the marginal cost per contact.

It is important to recognize that video can potentially make shoppers more ready to buy, enhancing the quality of store contacts as well as quantity. The calculations above only account for quantity. A look at the change in close ratios from shoppers contact the store about inventory found online can be an indication of how much the quality of contacts has improved. However, there are many other variables impacting close rates that cannot be controlled for, and sample sizes for most dealers are insufficient to base decisions on a single month of data.

A dealer in North Carolina received 3,293 video impressions from a \$189 investment. Some of those shoppers will still not contact the store, and some of them would have contacted the store anyway. However, if just 1% of those impressions lead to a customer contact the store otherwise would not have had, the result is 33 additional contacts at a cost of less than \$6 each.

One quickly begins to see that the more exposure a dealer has to his or her inventory, the more cost effective inventory level video becomes. The same expense necessary to have inventory-level video on the dealer's site will provide inventory-level video on third-party listing sites that allow video to be added at no additional cost.³ In other words, when a dealer adds another listing service the cost per contact from video goes down. When a service is eliminated, video becomes less attractive.

The same is true of seller's notes and photos. Dealers looking for a substantial boost in traffic should consider adding both more listing services and more merchandising services for the most cost-effective blend of traffic-now advertising.

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³ Not all listing services allow inventory-level video to be posted free of charge. This is expected to change over the next year or two.