Google™

Friend or Foe to Auto Dealers?

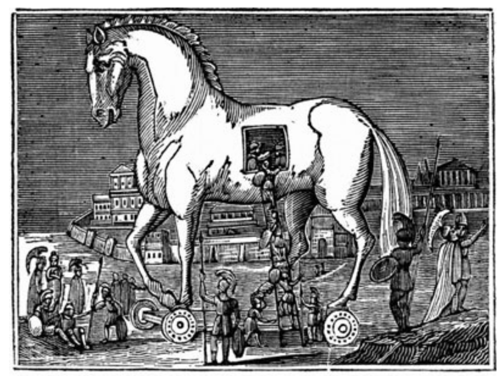
Produced by Chuck Barker | Impact Marketing & Consulting Group LLC | Fall 2012 Version 1.0

Google: Friend or Foe to Auto Dealers?

We all know that Google is the dominant search engine on the Internet with over 66% of the market. Consumers look to Google for a myriad of reasons and Google with its voracious growth appetite continues to expand into various markets and businesses.

In the automotive retailing arena, marketers, consultants and vendors constantly push out articles and advice on how auto dealers should be using Google to boost traffic and activities on their websites. By doing this social media companies, consultants, and SEO experts might be putting dealers on the path to destruction by advising them to focus their marketing efforts, pay per click and AdWords on a platform that could quickly become a major competitor to local dealers. **We have to ask the question, “Are these experts looking to help auto dealers for the long term or looking to make a quick buck based on a dealer’s social media naiveté?”**

This report takes a close look at Google’s business practices and may reveal some vulnerability of dealers who choose to use the Google services and platform to boost their business. After you review the report you can decide if the threat is real or imagined. It’s like hearing that a hurricane is coming your way. It may or may not hit your area, but smart people prepare for the worst and pray for the best outcome.



Let’s not forget the story of the Trojan Horse and how this “gift” brought about the conquest of Troy.

Is this possible? How could this happen? The reality is, it has already started and the Google “Trojan Horse” tactics have lured in gullible marketers who think Google is giving them something for nothing. Recently, Automotive News reported that Google removed hundreds of consumer reviews for dealerships. Dealers worked hard to obtain those reviews and had virtually no recourse to restore them.

For auto dealers and social media consultants who think Google has no intentions of getting into the auto business consider this:

- ***Sony Ericsson , HTC, Samsung, LG and other smart phone manufactures never thought Google would get into the business of making phone hardware until they did by buying Motorola and then producing the Google Nexus phones and tablets***
- ***Comcast, TimeWarner and Cox Cable systems never thought Google would get into the cable TV and Internet business until they did by establishing a cable company in Kansas City.***
- ***Mapquest and MSN Virtual Earth never thought Google would get into the satellite image and mapping business until they did.***
- ***Microsoft never thought Google would get into the document and spreadsheet business until they did using Google Docs.***

Are you starting to see a pattern here?

To venture into the future of how Google could enter the auto business, you just have to look at Google's activities over the last few years. They have displayed a pattern of aggressive tactics, privacy hacks, security breaches, and occasionally a cavalier disrespect for playing by the rules.

After reviewing this report, auto retailers might want to re-evaluate their current behavior, make an accurate assessment of the potential threats to their livelihood, and then decide if they want to continue paying Google hundreds of millions in revenue every year. They also need to question the motives of consultants, trainers and social media experts that fiercely encourage money and resources to be spent on building the "Google Machine."

I invite you to read this full report to better understand the seriousness of this situation and the need for dealers to explore all their available options for online marketing. *A portion of the text in this report is taken from published articles which are linked to throughout this document.*

Q. What does a company with a market valuation of $222 billion do?

A. Anything it wants!

How does Google treat their partners?

Google backed the Linux based software developer Android, Inc. who created an operating system for mobile devices, and in 2005 bought the company. The evolving software was developed by the Open Handset Alliance which was led by Google. Google released the code as open-source and it has been adopted by virtually every cell phone and tablet manufacturer except Apple and Blackberry.

The Open Handset Alliance is a consortium of several companies including Broadcom Corporation, Google, HTC, Intel, LG, Marvell Technology Group, Motorola, Qualcomm, Samsung Electronics, Sprint Nextel, T-Mobile, Texas Instruments, Asustek Computer Inc., Garmin Ltd, Sony Ericsson, Toshiba Corp, and Vodafone Group PLC.

By getting all the hardware manufacturers in the alliance to use this software on their smart phones they made the Android operating system the leading smart phone platform in the world by the end of 2010.

And once Google's Android software became the dominant operating system for smartphones how did Google reward all their "partners?" They decided to then compete with them for the hardware being developed. Google developed the Nexus One manufactured by HTC Corporation in January 2010. Selling it online and without retail support the phone flopped and their store closed in July 2010.

Recognizing there were opportunities to make billions on cell phone and tablet sales, Google in August 2011 announced that it would purchase Motorola Mobility for about $12.5 billion. On November 17, 2011, Motorola Mobility stockholders "voted overwhelmingly to approve the proposed merger with Google Inc.". **They now not only compete with their "partners" but by acquiring Motorola patents, the potential for Google to restrict technology from competitors or levy strong license fees now exists.**

The Bottom Line: Google, the benevolent "open-source" partner of companies in the Open Handset Alliance, was now one of their biggest competitors. It's clear they will be a major player in producing mobile hardware and software with patents to back them up. Could this be a classic Trojan Horse maneuver?

Mapping out the World & Stealing Personal Information

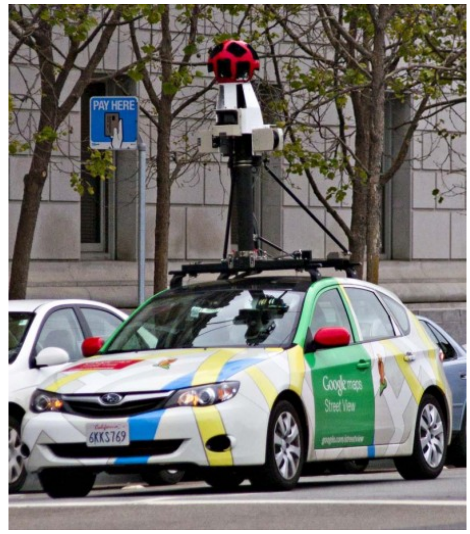
In 2004 Google acquired Where 2 Technologies, the company that developed the first version of the mapping technology that Google Maps is based on.

In May 2007, Street View was released and it provided a 360 degree panoramic view of various locations. Now available in 46 countries it has become a ubiquitous part of many websites offering directions and locations of homes and businesses.

While the Google camera vehicle roamed the streets of various countries in Europe and the United States taking photos, it was revealed they also tapped into unsecure personal wireless networks and pulled that data into their servers.

When this data mining/theft was revealed the governments involved pursued the matter and after levying and paying fines, Google agreed to delete all the data they collected.

Here is an excerpt from firstpost.com



It (Google) was ordered to hand the data over. But, Britain's Information Commissioner's Office said it had received a letter from Google Inc. saying the Internet search company still possessed some of the data collected prior to May 2010. It said the data should have been deleted by December 2010. Google's failure to delete the data appears to breach an agreement signed by the company in 2010, the ICO said in a statement.

"The ICO is clear that this information should never have been collected in the first place and the company's failure to secure its deletion as promised is cause for concern."

The Bottom Line: They collected private data without any authorization, were asked and agreed to delete that info and then did not act on deleting the data. It was not clear what data they possessed, what they did with it while in their possession and how they may use that data to advance their corporate agenda. It seems they violated their own code of conduct.

Google Competing with Cable Companies

Cable television and high speed internet service represent about $97.6 billion in annual revenue and advertising revenue is about $30.5 billion. These were certainly figures that got the attention of Google. As high speed internet service grows, so does streaming of television shows, movies and other content. And who has tons of video content? YouTube does, and it's owned by Google. If they have the content and produce new content, and they own the cable company that delivers that high speed content, guess who makes billions in new advertising revenue? Yep, you are spot on, it's Google.

So it comes as no surprise that Google is now in the high speed cable TV and internet business. In July of this year, Google unveiled its ultra-high speed Google Fiber service in Kansas City, Missouri. Installations could begin this September. And since Google owns the pipeline, they get to determine what content and other programming you get to view. Don't like that? Too bad!

They have already indicated their programming will exclude several major TV names, such as News Corp's Fox cable channels; Time Warner networks like CNN, TNT and TBS, as well as Walt Disney Co cable channels like ESPN and Disney children networks.

Bottom Line: Google tracks what you search for online, monitors email content, tracks who is visiting your website, and now they will know what people are watching on television, when they are watching, what they're recording, and perhaps use that data to further their agenda of greater profits, competing with local businesses, and helping more powerful companies (ones with deep pockets) reach customers that used to be yours.

Google Product Search

Google Product Search is getting a new name, Google Shopping, and a new business model where only merchants that pay will be listed. It's the first time Google will decommission a search product that previously listed companies for free. The company says the change will improve the searcher experience, but it will also likely raise new worries that Google may further cut free listings elsewhere.

"This is about delivering the best answers for people searching for products and helping connect merchants with the right customers," said Sameer Samat, vice president of product management for Google Shopping, when explaining that by moving to an all-paid model, Google believes it will have better and more trustworthy data that will improve the shopping search experience for its users.

Perhaps this will be so; perhaps not. We'll only have a better idea when the transformation is complete. By the fall of this year the migration should be complete and Google Product Search will morph into Google Shopping.

Next year, the change to paid inclusion will happen outside the US, Google says. In some countries, Google Product Search has already been called Google Shopping but without the paid listings model.

Read more: http://searchengineland.com/google-product-search-to-become-google-shopping-use-pay-to-play-model-122959

Bottom Line: Google provided a free venue for merchants to post items they were selling to the public. They boosted traffic to Google for consumers looking to purchase electronics, household goods and other items. Once Google had a critical mass of merchants and traffic they lowered the boom on merchants and said, "Now if you want to be on our shopping platform, you have to pay." Might they do the same for their automotive listings?

The Lesson of Google's Safari Hack

As you may or may not know 96 percent of Google's revenue in 2011 came from advertising dollars. They sell premium placement on search results pages, Google AdWords, and they are an ad publishing network for other sites through their AdSense program. In 2007, they spent $3.1 billion to acquire DoubleClick which serves banner ads on thousands of sites around the Internet. They also acquired AdMob, a mobile ad company in 2009 for $750 million to focus on serving ads across mobile.

With virtually all the revenue coming from online ads they need to find ways to track the effectiveness of their ads and use behavioral targeting to push the right ads to web users. When Apple brought out a way for users of Safari web browsers to block tracking cookies to maintain their privacy, this diminished a source of information for Google and their advertisers.

Not to be stopped, Google developed a "hack" to fool Safari. Ads served by Google's Doubleclick unit would make Safari think that the users were intentionally interacting with the ads. This allowed Google to drop temporary cookies on the users' computers, which then allowed Google to follow the users around the web. This Safari hack helped Google by allowing Google to recognize Safari users who were logged into Google, which Google would otherwise not have been able to do.

Read more: http://articles.businessinsider.com/2012-02-17/tech/31069936_1_google-decision-google-s-response-read-google

Bottom Line: Google tampered with the individual's privacy settings on their browsers to promote their ad network, proving once again they will bend the rules to suit their needs and will not let ethical business practices get in their way of developing competitive advantages.

Google Leads

Dealers have been pushing their content, customer information and other data via emails that Google has been analyzing for years, and now they are taking that information, identifying consumers who are likely in the market for vehicle purchases and selling those leads back to the dealers that provided the information initially. And this is only the tip of the iceberg.

By promoting Google's own lead generation sources over those of auto dealers buying paid search positioning or utilizing organic search placement, Google will be able to skim off consumers looking to buy new or used vehicles in various markets around the country.

This could be a game changer for the automotive advertising industry. If Google starts to become a middle-man in automotive price advertising and comparisons, a whole new strategy will need to be considered. It remains to be seen if this increases clicks on paid ads.

So no matter how many AdWords or premium placement ads a dealer buys on Google properties they will continually be at a disadvantage as Google's strategy will always one up them.

What can this mean in the future? Google will probably just say to dealers, "Hey, rather than spending 50 cents or a $1 a click for our AdWords, let us identify folks in the market for a vehicle in your area and just pay us $25 or $30 per lead that we send you.

Bottom Line: Google has seen the weakness of many auto dealers' inability to identify prospects in their markets. Since one of Google's strengths is to capitalize on weaknesses in various markets, they are jumping into auto retailing at the dealership level to boost their advertising revenue from this segment, and to learn more about the auto industry for their inevitable entry into a more active role in auto retailing. The lesson again, dealers really need to be cautious about their growing dependence on Google for lead generation.

Learning About the Auto Industry

If you want to learn about auto retailing, just look at auto loan portfolio performance. With easy available credit, just about anyone can buy a car and get financing today. But if your company has aspirations to be heavily involved in auto retailing in the future you want to see how promptly auto loans are paid and better understand the attributes of people paying off those notes. People with auto loans today are auto buyers tomorrow.

The Wall Street Journal reported that Google among others has put hundreds of millions of dollars into asset-backed securities, tied mostly to automobile loans and credit-card payments.

Among Google's recent purchases: triple-A-rated debt from car makers Honda Motor Co. and Hyundai Corp. Google's foray into auto lending, and the current rate environment is evidence that cash-rich U.S. companies are searching for new places to put their money. That shift has been a boon for bond issuers, even if buyers are only trying to squeeze a bit more juice out of their portfolios.

Bottom Line: While this may just be a good strategy to get a better return on their investments, as you have read in this report Google usually has an end-game in mind for everything they do. If you were looking to acquire 5, 6 or 20 dealership groups over the next few years, wouldn't you or your investors want to better understand the landscape consumers are facing to make sure the vehicles you sell can be financed? What better way to accomplish that than to buy-into an auto loan portfolio.

What's next for Google in the Automotive Industry?

If I was an auto dealer reading this report, I would be getting a bit nervous at this point. Google sees that the auto industry is a three trillion dollar business. Automotive advertising globally spends $15 billion a year and you better believe that Google wants to increase their share of that revenue. So what is their next step? The following assumptive predictions are based on opportunities that exist, weaknesses in the auto retailing process and Google's past actions and methods of moving into new markets.

Scenario One: *There are six publicly owned auto dealer groups, which for the most part have shown good growth over the last few years. What would happen if Google acquired 5, 10, or 15 percent of one of those companies? Signs point to them offering their services to the auto dealer group. This could mean assisting them in utilizing cutting edge procedures to become more efficient in their advertising buys, identifying prospects in the market, and in providing hardware and software to improve performance in the showroom. Could those efforts along with other technology improvements possibly give these groups an unfair advantage in the marketplace?*

Scenario Two: *Google could buy a publicly owned dealer group. AutoNation last year had a gross profit of $2.31 billion and $461 million in income before taxes. Google could easily pay ten times earnings and acquire AutoNation. Can you imagine having 258 franchises with the resources of Google behind them? How would your locally owned dealership compete against a juggernaut like that?*

Scenario Three: *Maybe they will start small and acquire one or two privately owned regional dealer groups. They would probably keep the current management team, but work to streamline the advertising and buying process so it is much more of a consistent and friendly process. They would standardize processes, cut down on vendors including consultants, trainers, social media staff etc. and "Google-ize" each department in the dealership.*

With billions in profits from their advertising they could choose to lose $1000 net profit on every new vehicle they sell for the next year, and neighboring dealers would have no way to compete with their market dominant pricing. They could just chalk it up as an advertising cost with little impact on the bottom line. Would the manufacturers stand up for the little dealers in those markets? Or would the OEM see this as a way to streamline the auto retailing process, get rid of poor performing dealerships, and welcome Google as a valued partner who can move more inventory for them?

Scenario Four: *There are a number of manufacturers that are struggling for market share and ones with tremendous growth plans. Could a partner with access to $5 to $20 billion help an OEM achieve some powerful goals? Volkswagen wants to be the largest automotive manufacturer in the world and certainly with a partner like Google they could really ramp up production, implement cutting edge technology and telematics, and have all the resources they need to make a global push.*

What might happen to Mazda if Google came in and acquired 40% of their company. That would be a major game changer. Mazda has quality products but needs a strong media push to make a big splash. Google could certainly help them get there and grab a good chunk of the market.

Scenario Five: *Or a simpler way to proceed would be to start charging dealers to appear anywhere on Google other than in organic search. They would have to pay to participate in the reviews section, pay to participate on Google+, be required to use other Google products and pay to subscribe to those services (E.G. a company YouTube channel). Not only is this likely but Google has already initiated this process within some of their channels. It is conceivable that dealers could be paying Google (or one of their affiliates) $3,000 or more a month for a suite of services. This revenue might satisfy Google for a year or two and then maybe they could essentially act on one or more of the scenarios listed above.*

A Dealer's Course of Action

We cannot ignore the actions Google has taken over the years, so it is incumbent on each of us to be wary of "offers that seem too good to be true." At this point you may want to pause and consider all options available to auto dealers in regards to online marketing and your interactions with Google.

Option 1) Continue to support Google, buy their AdWords, put Google+ icons on your website and help Google build more traffic and value so they become more powerful every day.

If you are paying $1,000 or more a month for SEO or Social Media services, be sure what they are selling you will not hasten your demise. I suggest you ask your vendors for new strategies that do not totally involve Google. If they are any good, they will have a number of viable alternative options to share with you.

Option 2) Start to develop more strategic localized marketing and advertising programs that do not involve Google. Remember the majority of your buyers live within 15 to 20 miles of your location, so get back to your community roots. Talk with your ad agency or marketing company to explore the multitude of promotion and advertising options available in your own backyard. Look at local advertising opportunities both online and offline. Check out local TV station and newspaper websites, and don't forget high school and college publications and websites. Local Chamber of Commerce websites are also an inexpensive resource for ads or offers too. Assess your community involvement because people still buy from people.

Option 3) Find more dealer friendly web communities and portals who appreciate and respect the efforts you make. Some to consider are Yahoo (*they are making a comback*), MSN, AOL and AOL's local Patch communities. Explore sharing stories and items on sites like Digg.com, Bebo.com ,Reddit.com and fair and balanced communities like Carfolks.com which builds trust between dealers and consumers.

Over the coming months I will be working with some respected individuals and companies in the automotive space to collaborate on developing a "next generation marketing strategy" for auto dealers. Auto dealers have a long and successful history and I am hopeful that continues for many years to come.

To insure that happens we need to use all the tools and resources available to build relationships, hire, train and retain top quality talent in our stores, and develop a strategic long range plan for success.

I welcome any and all of your suggestions and/or contributions in this area because I know together we have the talent and the brain power to overcome any obstacle that stands in our way. I wish you much success and I stand ready to help and support you now and in the future.

Chuck Barker

Epilogue:

Thanks for taking the time to read this report. In sharing this information my goal was to make our industry aware of various online opportunities, current and potential challenges, and to show that we live in a dynamic and changing environment.

Dealers need to constantly be aware of shifts in the market, ways to improve their performance and retain talent. Competitors and potential competitors are everywhere ready to take advantage of weaknesses in our operations. There is no doubt that Google is a valued resource for both consumers and businesses, but we need to have our eyes open and acknowledge the benefits and risks of every marketing channel and/or partner we choose to utilize.

It is my sincere hope that Google recognizes how vital a good relationship is with auto dealers and continues to seek ways to add value to these automotive relationships.

About the Author: Chuck Barker

This report was prepared by Chuck Barker, consultant, trainer and writer for the automotive retail industry with assistance from research associates.

Chuck is a regular contributor to Dealer and Digital Dealer Magazine. He has recently published the first comprehensive 'in-house' sales training solution program for dealers entitled The Dealership Success Guide.

Chuck Barker has been CEO of his two companies, Impact Marketing & Consulting Group, LLC and Impact Summit, LLC, for the last 24 years, both located in Virginia. His experience ranges from an executive with Harris Corporation (16,000 employees) one of Fortune Magazine's largest companies to the automobile industry where he has performed all executive positions. His companies specialize in growing businesses, dealerships and people. He delivers unparalleled sales & service development programs, management leadership workshop programs and dealer/principal business & profit improvement ideas for automobile dealerships.

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