U.S. ad spending cuts as Japan automakers recover
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* Japanese automakers trimming network ad spend -sources
* Auto sector spent $13.1 bln on US advertising last year
* Dealers with Japanese cars cutting back on ad spend

By Ben Klayman

DETROIT, April 29 (Reuters) - Japanese automakers and related retailers are trimming their advertising budgets as the supply of cars and trucks dwindle on dealer lots, auto industry executives and broadcast network sources said.

The pullback in marketing represents a partial reversal for a recovering industry that started the year with a return to heavy spending on advertising, including such high-profile events as the NFL's Super Bowl and the Academy Awards. [ID:nN12143758]

Toyota Motor Corp (7203.T) said it won't have production back at normal levels until year end and U.S. dealers have cautioned they could face months with little or no inventory of vehicles from Japanese automakers because of the parts shortages caused by the March 11 earthquake and tsunami.

"There's a phenomenon at work, worthy of mentioning perhaps," said one source familiar with the situation at one of the broadcast networks. "The shrinkage I'm describing away from Japan (automakers) is there, but it's not that great."

The spending cuts by Japanese automakers are "very much on the fringes," said a second person familiar with the situation at another broadcast network.

The auto industry, including manufacturers and dealers, was the largest advertiser in the United States last year at $13.1 billion, up 20 percent from 2009 and more than $4 billion more than the telecommunications sector, according to Kantar Media. Of that total, automakers spent $8.4 billion and local dealers and dealer groups spent the rest.

Data for this year is not yet available, but ad executives suggested cutbacks could take place more heavily on the local level at radio stations and newspapers.

Dealers who rely heavily on Japanese vehicles to drive sales, including AutoNation Inc (AN.N) and Group 1 Automotive (GPI.N), also said they are cutting their ad spending.

"It will bring our ad spending down some," said Mike Maroone, AutoNation's (AN.N) chief operating officer.
The largest U.S. auto dealership group will shift some of the spending normally allocated to Japanese brands, led by Toyota, to other areas of its business, he added. AutoNation depends on import brands for more than half of its sales with Toyota being the largest at almost 20 percent.

Group 1 Chief Executive Earl Hesterberg echoed those plans: "We are already taking the necessary action such as adjusting advertising, staffing and other expense levels at the dealerships that have the most probability of feeling the affect of near-term production slowdowns."

Cutbacks in the face of fewer available cars only makes sense, advertising executives said.

"They can't hold onto the media commitments they have if they are not going to have the product," said an ad executive who spoke on the condition of anonymity because of the sensitivity of negotiations. "It would be throwing money out the window.

"If you're the CEO of a Japanese car company, are you really going to let your marketing guys plunk down $300 million of long-term television money that's committed without knowing for sure if you're going to be back on track by December?" said the executive, who added that affected automakers could seek relief from some third- and fourth-quarter commitments.

Japanese automakers declined to discuss plans for their ad budgets, other than to say they would spend what was necessary to support vehicle launches and respond to competitors.

Toyota acknowledged the earthquake's impact, but said it is focused on maintaining its brand presence.

"Due to production disruptions, we are currently reviewing our advertising needs," Toyota spokeswoman Sona Iliffe-Moon said, adding the company does not disclose its plans. "We are reviewing our needs on a near-term basis and currently reviewing our efforts through June. Further actions have yet to be determined."

Officials with Honda Motor Co Ltd (7267.T), Nissan Motor Co Ltd (7201.T) and Mazda Motor Corp (7261.T) also declined to discuss ad spending plans.

However, Japanese automakers can't cut back too much, or they risk ceding consumer awareness to such rivals as General Motors Co (GM.N), Ford Motor Co (F.N) and Hyundai Motor Co (005380.KS), advertising executives said.

"They might trim it a little bit because they don't want to be pushing too many people to dealers that don't have enough cars, but if I was going to put on my chief marketing officer hat I would want to make sure I am still keeping awareness up," said Alan Pafenbach, creative director with SapientNitro, which does marketing work for Chrysler Group LLC (FIA.MI).

"In six months, your pipeline could be fixed and therefore you wouldn't want to have gone dark in that period," he added. (Additional reporting by Kevin Krolicki and Deepa Seetharaman in Detroit and Paul Thomasch in New York; Editing by Gary Hill)