



The Local Media & Advertising Experts

U.S. Local Media Forecast 2015

Spring Update

National Overview: Specific Local Media Estimates & Analyses

April 2015



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- Specific Media Forecasts *(in order of largest to smallest contribution to local media pie in 2015):*
 1. Direct Mail (27%)
 2. Local Video* (21%)
 - a) Local Over-the-Air Television (14%)
 - b) Out-of-Home/OOH Video (6%)
 - c) Local Cable Television (5%)
 3. Newspaper (14%)
 4. Online (13%)
 5. Radio (11%)
 6. Mobile (5%)
 7. Directories (4%)
 8. Social* (2%)
 9. Local Magazines (1%)

Note: Media groupings with asterisks contain components that overlap with mobile section.

About This Forecast

- BIA/Kelsey continuously monitors the local media marketplace. Twice annually we build a forecast that brings together these media for a holistic view of the U.S. local advertising picture (definitions are provided).
 - Our main yearly forecast is produced in September to support the budgeting and planning activities of our clients.
 - The update is published the following spring (April).
- The slides that follow present an overall assessment of the local media market, including forecasts and explanations, followed by a drilldown of various segments (beginning on slide 19).
- **For more information on the various segments that constitute the overall local media market, please contact Mark Fratrik, chief economist and SVP, at mfratrik@biakelsey.com.**

Objectives

Our forecast objectives include:

- Present an overall assessment of the local media market.
- Provide a 360-degree view of the market for “local” advertising — defined as some form of targeted messaging to specific geographic markets — spent by national, regional and SMB advertisers.
- Offer an independent, objective and credible five-year forecast of the market situation.
- Give clients a view into the key drivers and assumptions behind the top-line forecasts.

Methodology

- BIA/Kelsey gathers as much proprietary and secondary information as available by segment.
- We then generate preliminary forecasts by segment, which are discussed with leaders within our key media segments — online, mobile, Yellow Pages, TV, radio, etc.
- Our process includes using third-party and public company reports to adjust and fine-tune forecasts.
- We tie a bottom-up approach with a top-down approach.
- Our forecast utilizes long-standing industry expertise and knowledge to adjust drivers and key assumptions.

Executive Summary

Overall Local Media Advertising

Definition

BIA/Kelsey defines the **local media advertising marketplace** as all media generating revenues by selling access to local audiences to all types of advertisers. "Local" audience advertising sales include buys specifying local and regional markets.

- The U.S. economy overall in 2014 showed continued slow growth.
 - GDP declined in the first quarter but showed tepid growth in the remaining quarters.
 - The employment situation continues to improve but a significant number of discouraged workers limit wage gains (and ultimately consumption).
- Due to some stronger political advertising and other factors, we slightly increased our total advertising estimate for 2014 to \$137.9 billion.
- For 2015 we expect a slight increase to \$139.4 billion, reflecting a slightly stronger U.S. economy, no noticeable political advertisers and continued apprehension on the part of some advertisers.

Total Local Media Advertising

Grew slightly faster in 2014 than expected, but growth will be more muted in following years, even trailing the growth of GDP.

Overall Local Media Advertising

- Based on changes in the overall local media marketplace, we estimate the total local media market will grow at a slightly slower rate than previously estimated over the next five years (at a 2.7 percent compound annual growth rate), with spending reaching a total of approximately \$157.7 billion by 2019.
- Growth in overall online/digital advertising revenues will remain strong, with a 2014-2019 CAGR of 11.7 percent.
- That compares with a 2014-2019 CAGR of -0.7 percent for traditional advertising revenues.
- By 2019 local online/interactive/digital advertising revenues will be \$55.8 billion, growing to 35.4 percent of the total local media advertising revenues from 23.2 percent share in 2014.
- *The following table highlights our updates from our U.S. Local Media Forecast 2015 published in September 2014.*

Forecast Update and Adjustment Summary

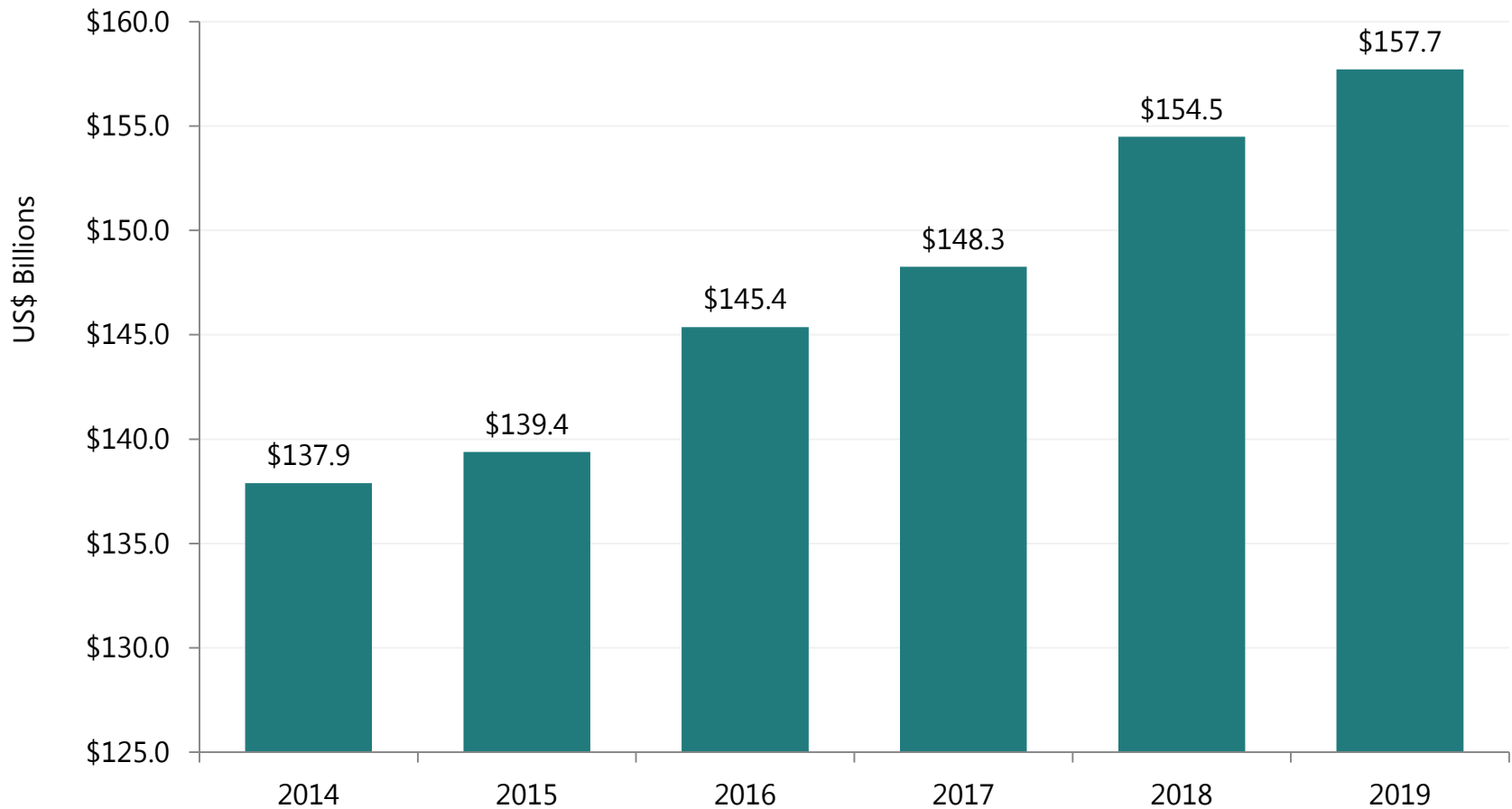
Media	2014 Update	2019 Update	CAGR Update		2014 Adjust.	2019 Adjust.	CAGR Adjust.
Cable	7.1	7.6	1.3%		0.2	0.2	0.0%
Direct Mail	37.5	37.3	-0.1%		-0.6	-1.1	-0.3%
Email	2.2	2.7	4.4%		0.2	0.0	-1.9%
Magazine	2.1	1.8	-3.5%		0.0	-0.2	-1.3%
Mobile	4.3	18.2	33.5%		0.0	0.3	0.4%
Newspapers	20.3	16.9	-3.6%		0.0	0.0	0.0%
Online / Interactive	15.0	20.4	6.3%		1.0	0.6	-0.8%
OOH	7.7	8.7	2.4%		-0.1	-0.5	-0.9%
Radio	15.2	17.0	2.3%		0.0	-0.2	-0.1%
TV	20.7	23.1	2.2%		0.3	-0.2	-0.5%
Yellow Pages	5.7	4.2	-6.0%		-0.1	0.1	0.6%
Online/Digital Split	32.1	55.8	11.7%		1.1	0.7	-0.5%
Traditional Split	105.8	101.9	-0.7%		-0.2	-1.5	-0.3%
Total Local	137.9	157.7	2.7%		0.8	-0.8	-0.2%



National and Specific Media Overview

Total U.S. Spending in Local Markets

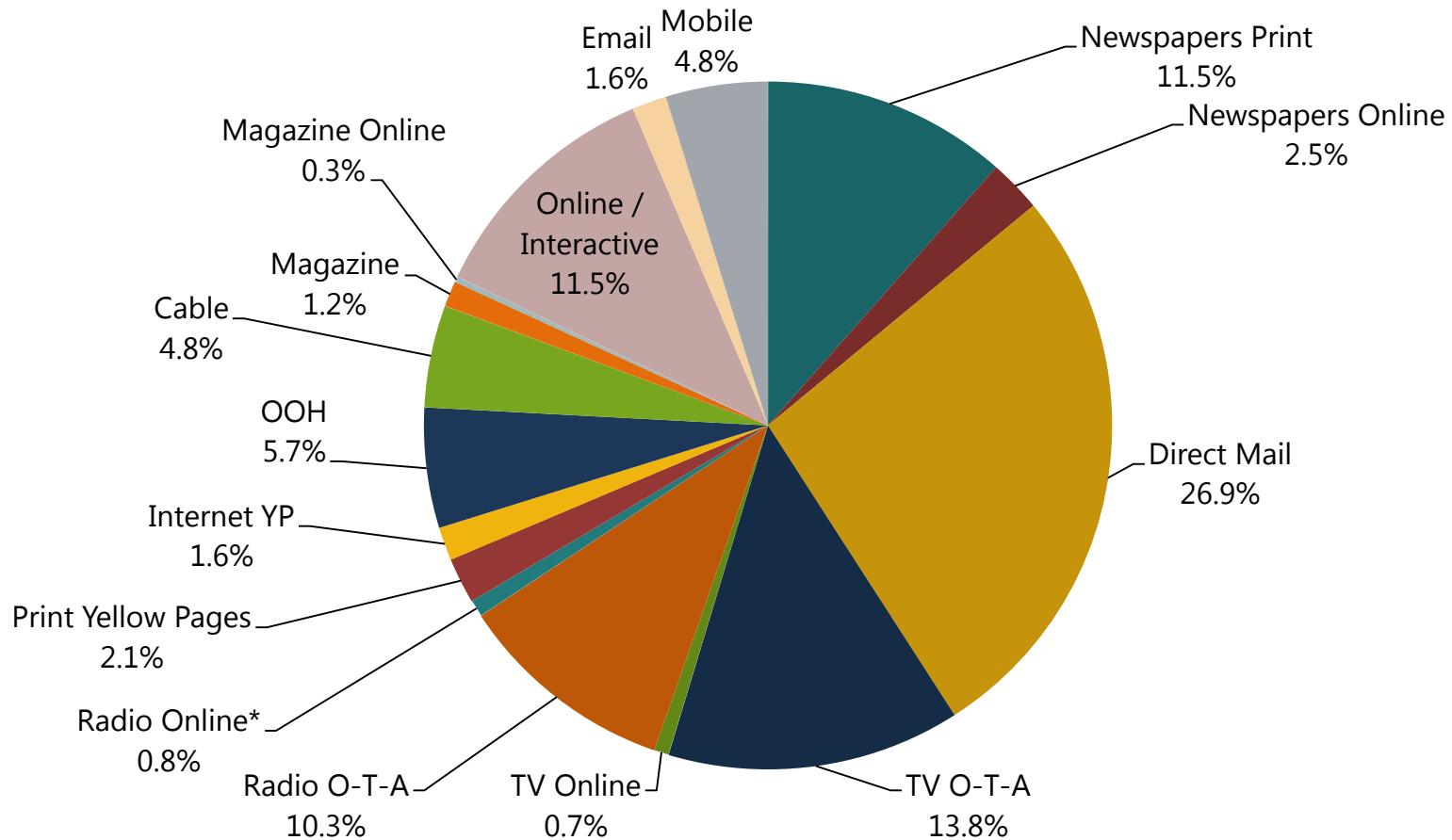
Local Media: Five-Year Forecast



Note: Numbers are rounded.

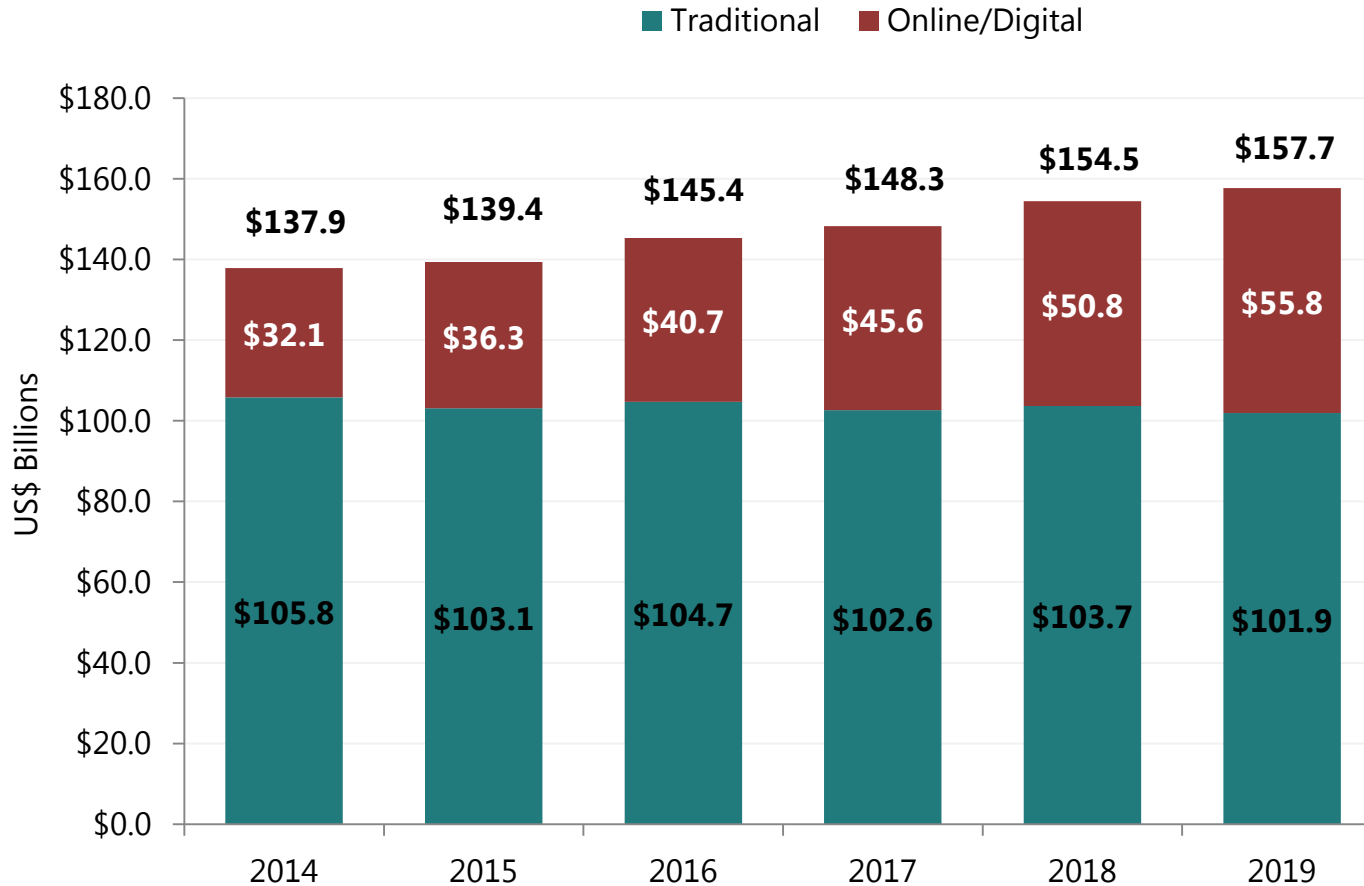
Local Ad Market Currently Dominated by Traditional Media

2015 U.S. Local Media Revenues — \$139.4 Billion



*Note: Radio online revenues include online revenue from terrestrial and online streaming services.

Steady Shift Toward Digital Media – Ad Revenues



Note: Numbers are rounded.

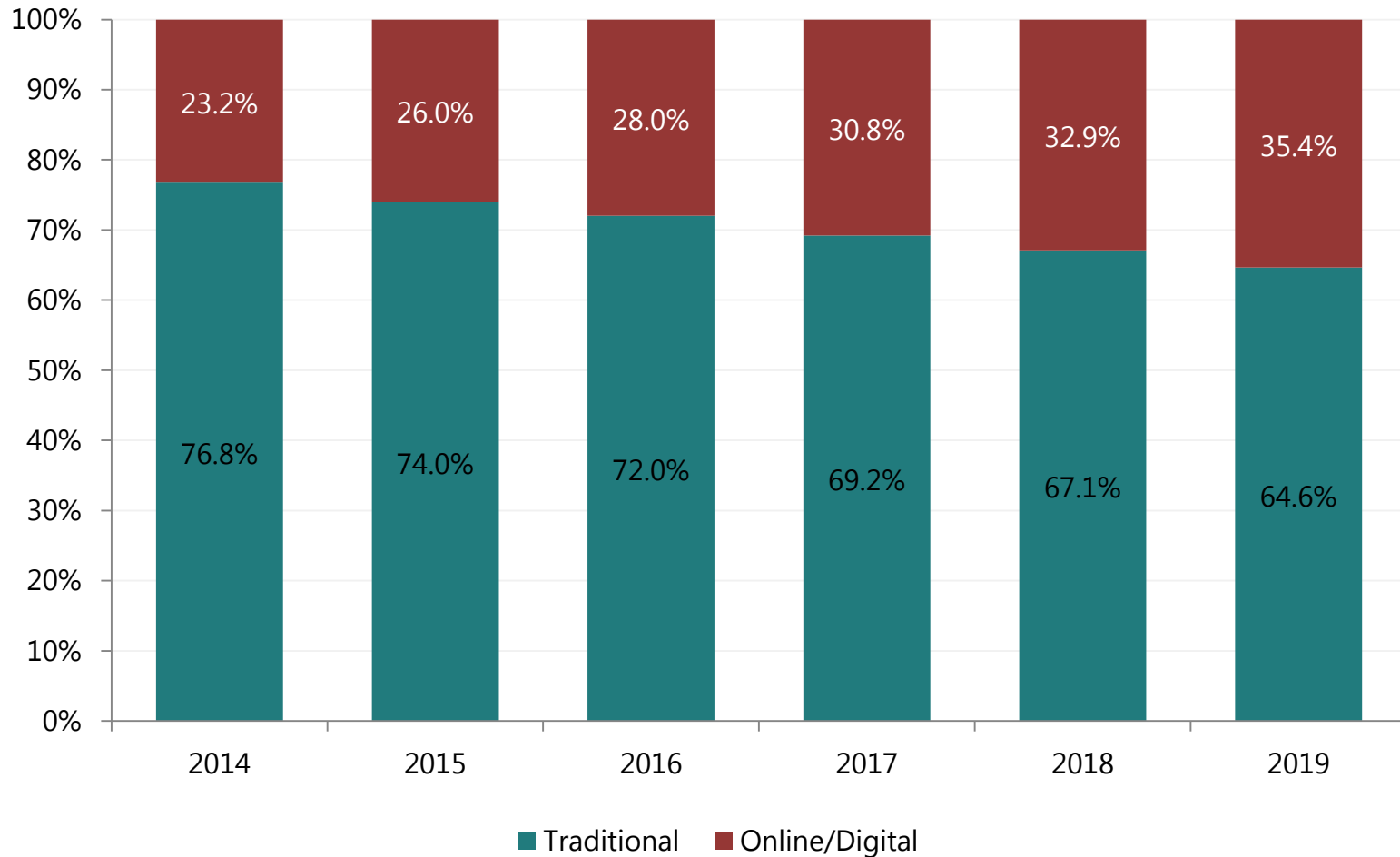
**2014-2019
CAGRs:**

**Total Media
CAGR 2.7%**

**Online/Digital
Media
CAGR 11.7%**

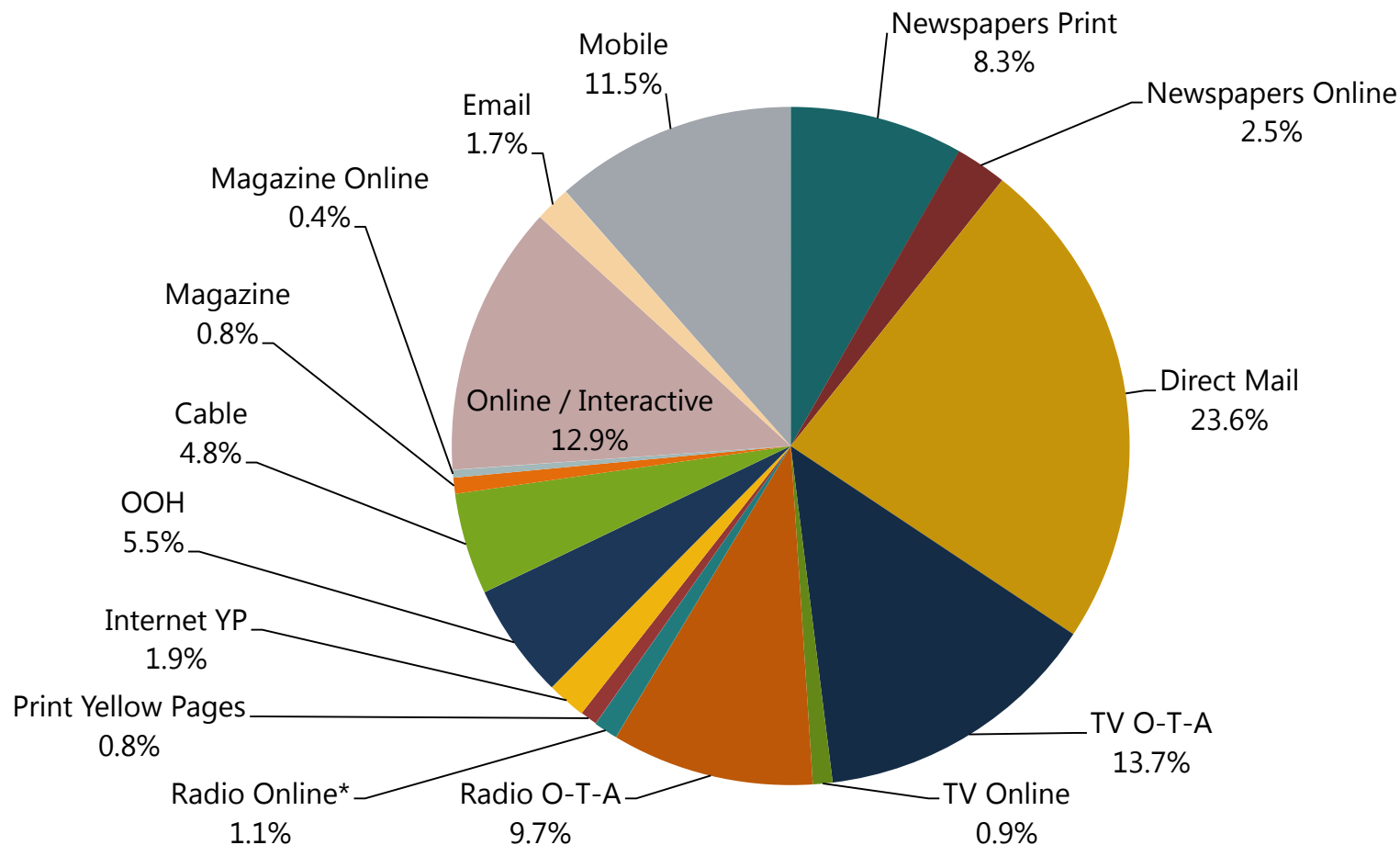
**Traditional
Media
CAGR -0.7%**

Steady Shift Toward Digital Media – Percentage



Local Ad Market Less Dominated by Traditional Media in 2019

2019 U.S. Local Media Revenues — \$157.7 Billion



Specific Media : Revenues & Share

Highlights (in order of largest to smallest contribution to local media pie in 2015):

Media



Direct Mail - \$37.5B (27% share)

In addition to direct solicitation and couponing, catalogs are still an important advertising medium for national and local retail advertisers to provide information to consumers.



Local Video* - \$29.5B (21% share)

Online and out-of-home video options showing strongest growth, increasing their share in this segment.



Local Over-the-Air Television - \$20.2B (14% share)

Even-numbered years still showing growth due to strong political and Olympic advertising, and online advertising efforts showing some strength.



Out-of-Home - \$7.9B (6% share)

Digital cinema advertising continues to grow, and other new digital options (e.g., video in taxi cabs, elevators, etc.) are showing strong growth.



Local Cable Television - \$6.7B (5% share)

Increases in political advertising and other stronger selling efforts will continue to lead to strong local advertising revenues.



Newspapers - \$19.5B (14% share)

Print advertising revenues still continue to decrease, with the prospect of further decreases if more newspapers cut back on the number of days printed.

Specific Media : Revenues & Share

Highlights (in order of largest to smallest contribution to local media pie in 2015):

Media



Online - \$18.3B (13% share)

Overall market continues to increase with both search and display efforts, though at slightly lower rates in the single digits.



Radio - \$15.5 (11% share)

Remains a part of advertising mix for national and local companies, but over-the-air advertising revenue growth remains slow, while online is showing strength.



Mobile - \$6.7B (5% share)

Growth continues to accelerate as new options become available and as social apps innovate with new ad formats such as Facebook's news feed ads.



Directories - \$5.2B (4% share)

Online growth not sufficient to offset print revenue declines.



Social - \$2.6B (2% share)

Mobile social advertising continues to drive this area of advertising revenue, exceeding expectations every quarter.



Local Magazines - \$2.0B (1% share)

Print advertising revenues continue to decrease while online revenues are only beginning to show strong increases.

Definitions

Media	Description
Direct Mail	All revenues spent by national and local advertisers in promoting their products/services through mailings and catalogs.
Newspapers	All revenues generated by local daily and weekly newspapers from national and local advertisers. Includes all online advertising revenues generated by these local newspapers.
Cable Television	All revenues generated by local cable systems for sale of time to either national or local advertisers on all their aired networks. Does not include any advertising sold by national cable networks.
Email	All revenues spent by national and local advertisers in email solicitation.
Internet Yellow Pages (IYP)	All revenues generated by local directory companies for their digital/online listing services. Also includes revenues from other digital products sold by directory companies, including websites, video, SEM and mobile display networks.
Print Yellow Pages (PYP)	All revenues generated by local directory companies for their print listings.
Magazines	All revenues generated by local market magazines from either national or local advertisers. Does not include any advertising generated by magazines with a national subscriber base.

Definitions

Media	Description
Mobile	All revenues generated from advertising on mobile devices. This includes search, display, mobile video, SMS and native social ads.
Online	All revenues generated by online companies selling locally targeted advertisements. These advertisements could be sold by local pure-play online companies or national companies selling geo-targeted advertising. Includes display, search and classified/vertical advertising.
Out-of-Home (OOH)	All revenues generated from sale of advertising in locations outside homes. Includes traditional billboards, digital billboards, digital signage, taxicabs and digital cinema.
Radio	All revenues generated by local radio stations for sale of time to either national or local advertisers. Does not include any advertising sold by national radio networks.
Television	All revenues generated by local television stations for sale of time to either national or local advertisers. Does not include any advertising sold by over-the-air national networks, nor any retransmission consent revenues generated by these local television stations.
Social	Money spent on ad formats across social networks. Currently the predominant ad format is display, though native advertising formats are quickly emerging as display alternatives that can generate higher engagement and command premium rates.
Video	Local video advertising includes all advertising revenue generated by video advertising shown by local over-the-air television stations, local cable systems, mobile devices, online sites and out-of-home displays.

Key Forecast Takeaways

“Online spending is growing on ads viewed through desktops, but general online ad unit pricing faces headwinds as the attention of audiences and advertisers alike drifts more toward mobile. Online will gain just a few points of local advertising market share, as mobile nearly triples its share by 2019.”

Mark Fratrik, Chief Economist and SVP, BIA/Kelsey

Key Take-Aways

- **Mobile** is driving most of the change in the digital space, gaining traction with advertisers, and jumping to an 11.5 percent share of the media pie by 2019 from 3.1 percent a year ago.
- **Online** spending is growing on ads viewed through desktops, but general online ad unit pricing faces headwinds as the attention of audiences and advertisers alike drifts more toward mobile. Online will gain just a few points of advertising market share.
- **Social** local spending across platforms is growing at a 31 percent CAGR, far outpacing general display growth and making social an increasingly important component of online spending as a whole.
- **Local Video** spending on all platforms (Mobile/Online/TV Over-the-Air/Cable/OOH) will grow, along with local video's slice of the local advertising pie.

Key Take-Aways

- **Radio** revenues are expected to grow, but slower than the growth of the total local advertising market, resulting in a slightly smaller market share in future years.
- **Direct Mail** spending will decline a bit, but the medium continues to hold a large share of the local advertising pie given its effectiveness at accessing addressable audiences.
- **Newspapers/Directories/Local Magazines** are all slowly losing their advertising market share as their print operations and revenues slide, with the growth in their respective online segments only partially offsetting declines in their core print businesses.

Direct Mail

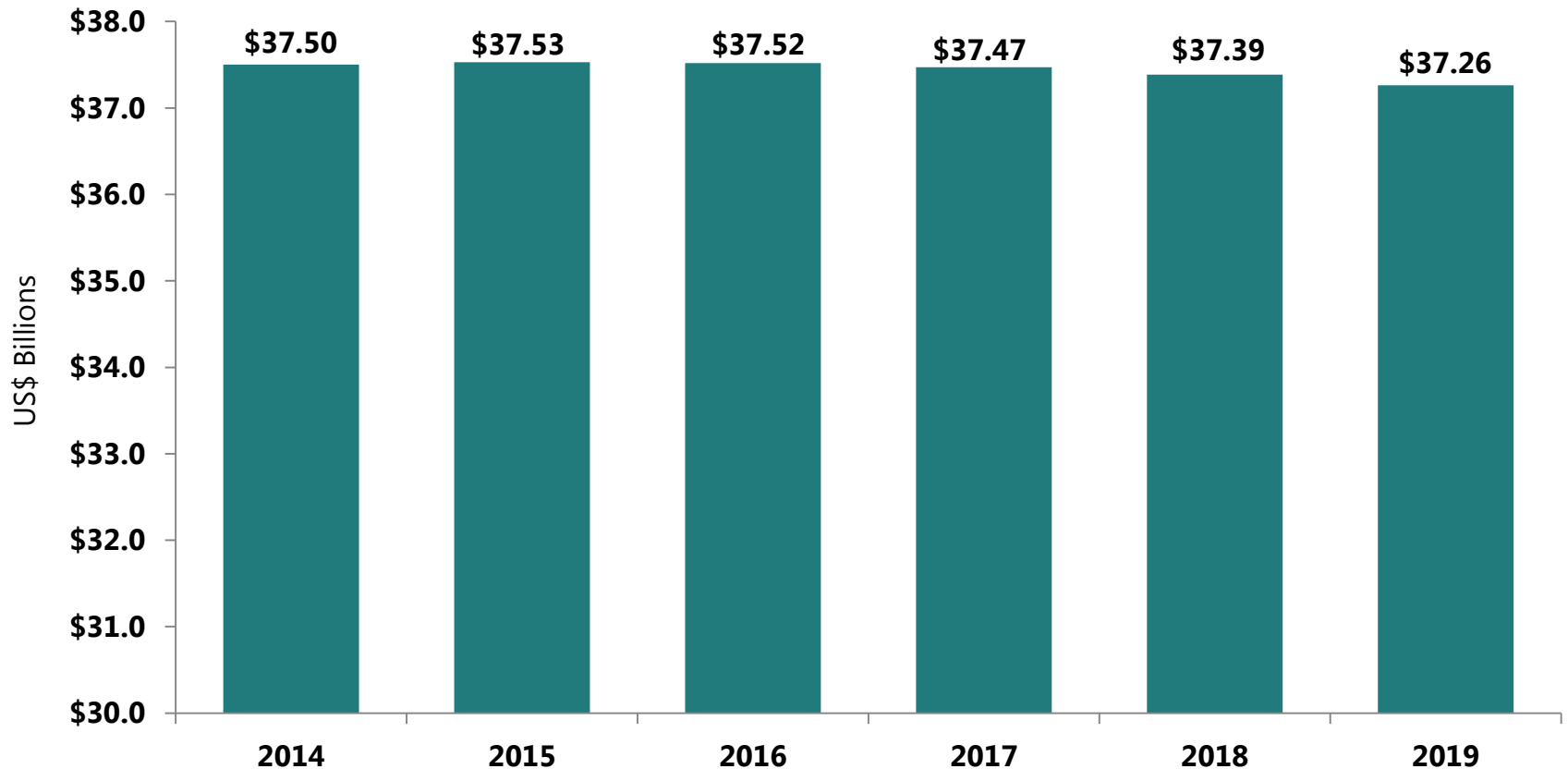


Direct Mail



- Direct mail continues to be important to both national and local businesses given the effectiveness of the medium at reaching an addressable audience.
- National advertisers, especially major retailers, rely on direct mail campaigns to distribute catalogs.
- Local advertisers on the other hand use direct mail campaigns more so to distribute coupons.
- Direct mail is expected to mostly hold its ground despite the growing usage of targeted digital alternatives in coming years.
- Even some online retailers use direct mail at times to reach their desired audience.

Direct Mail: Five-Year Forecast



Direct Mail: Annual Revenue Changes



Media	2014	2015	2016	2017	2018	2019	CAGR (2014-2019)
Direct Mail	0.8%	0.1%	0.0%	-0.1%	-0.2%	-0.3%	-0.1%
Total Local Adv.	3.8%	1.1%	4.3%	2.0%	4.2%	2.1%	2.7%
GDP	3.6%	4.0%	4.5%	4.5%	5.0%	5.0%	4.6%

Local Video





Local Video Marketplace

Online cutting into share of local over-the-air and cable TV



Local Video Advertising Definition

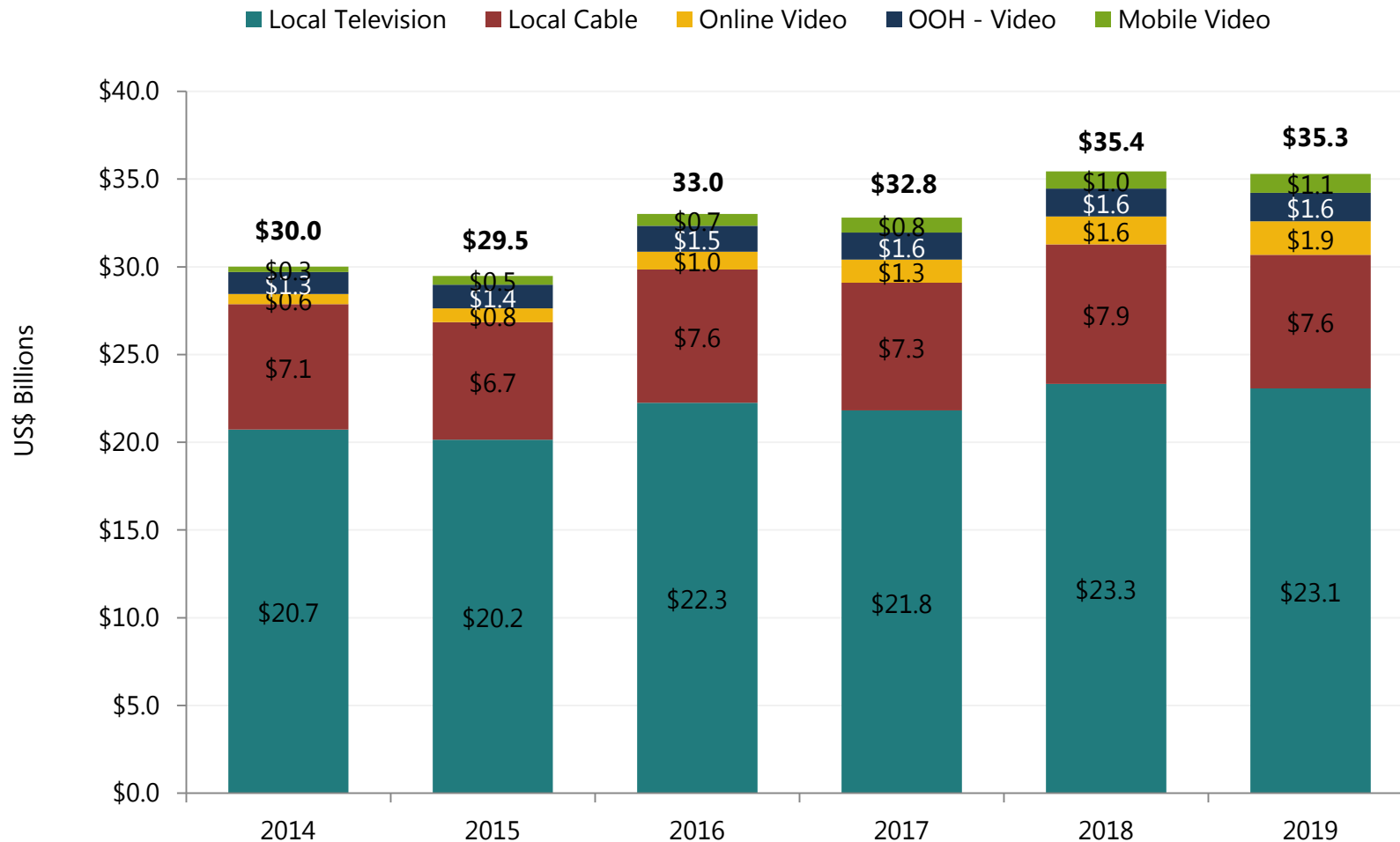
- This estimate involves combining the advertising revenues from several media:
 - Local Television – all its core over-the-air advertising revenues (excludes digital revenues and retransmission consent fees).
 - Local Cable – all its local cable systems' advertising revenues.
 - Out-of-Home – digital cinema advertising revenues and advertising revenues from out-of-home video delivery (e.g., taxi cab video).
 - Online – portion of local online revenues that are generated by video advertising by pure-play online companies and online sites of other local media (newspapers, television, radio and directories).
 - Mobile – revenue generated from selling advertising related to mobile video services.



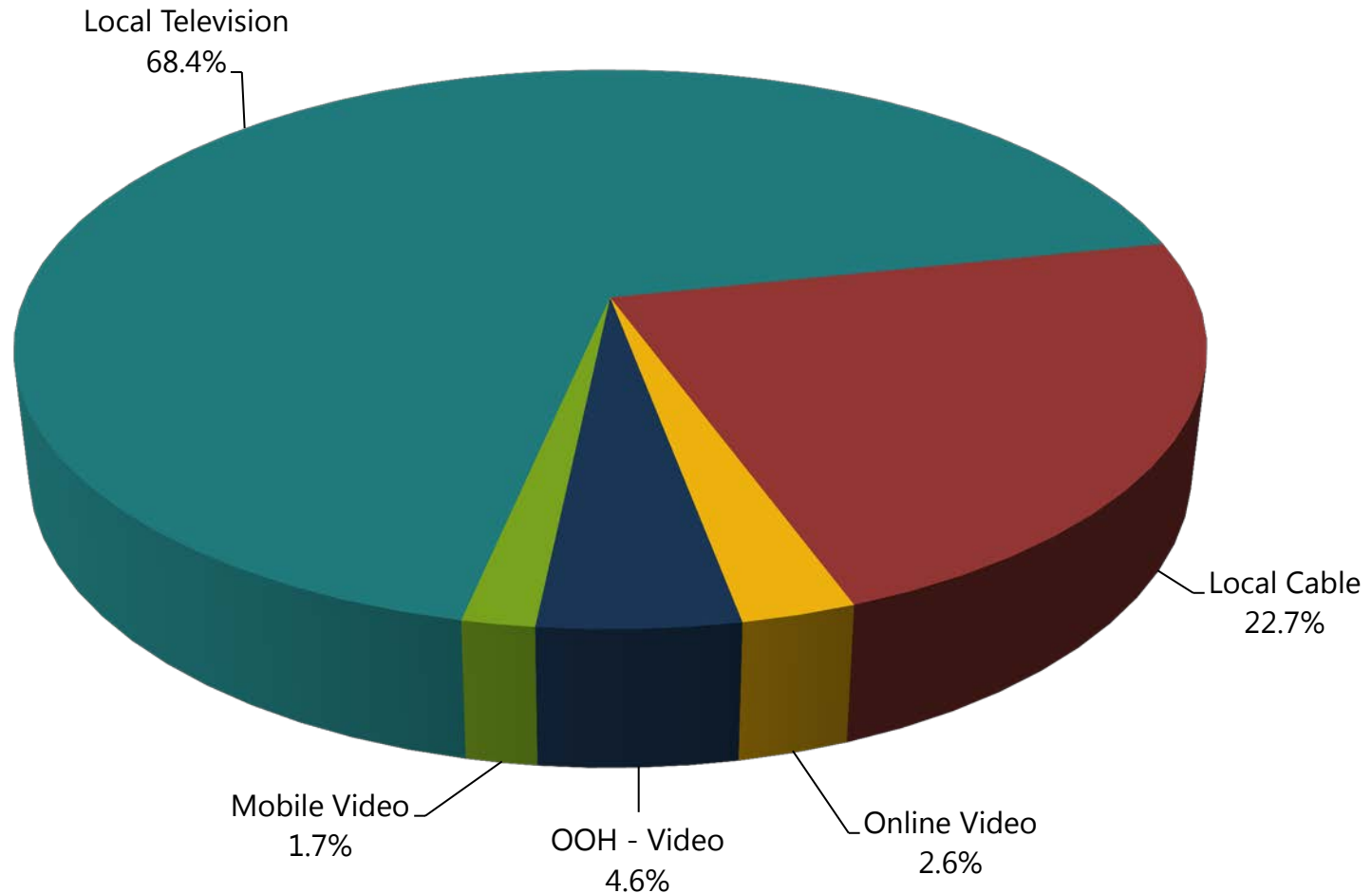
Local Video Advertising Trends

- Local television stations realized a stronger than expected 8.4 percent increase in 2014 due to strong political advertising and a sluggish, though growing, economy. Political advertising will continue to bolster local television stations in future years with even stronger gains in both 2016 (+10.4 percent) and 2018 (+6.9 percent).
- Local cable systems also realized a stronger year, with significant political advertising revenues in 2014, resulting in 12.0 percent increases. Political advertising in even-numbered years will continue to bolster advertising revenues.
- Online video (CAGR +27.5 percent) will continue to grow strongly and experience noticeable annual growth rates over the next five years as more people use streaming video services.
- Out-of-home video is expected to grow at a slower rate than previously estimated (CAGR +5.4 percent) – more venues providing access.
- Mobile video (CAGR +27.5 percent) is expected to see rapid growth especially in the next few years as average download speeds significantly improve.

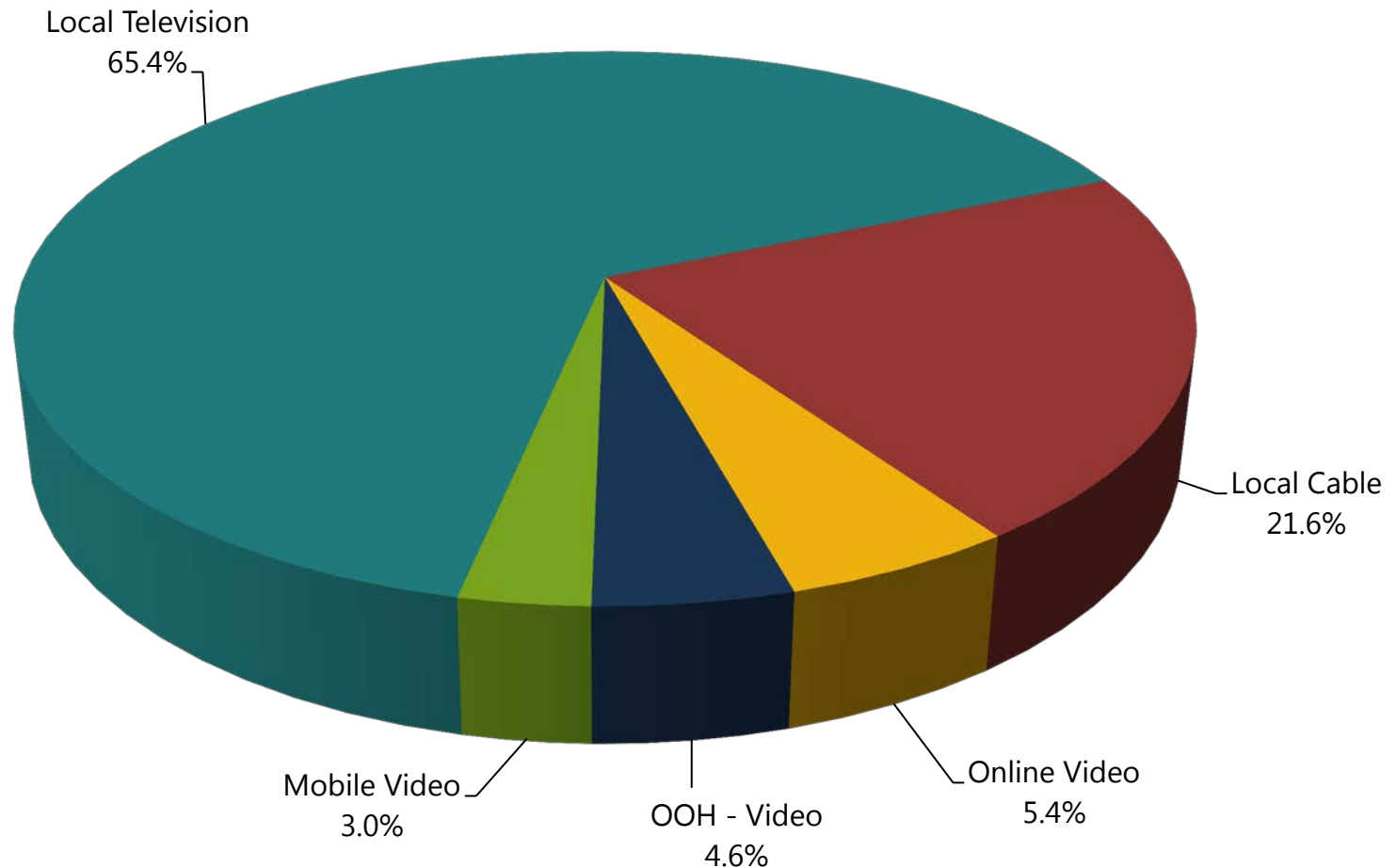
Local Video Advertising Revenues



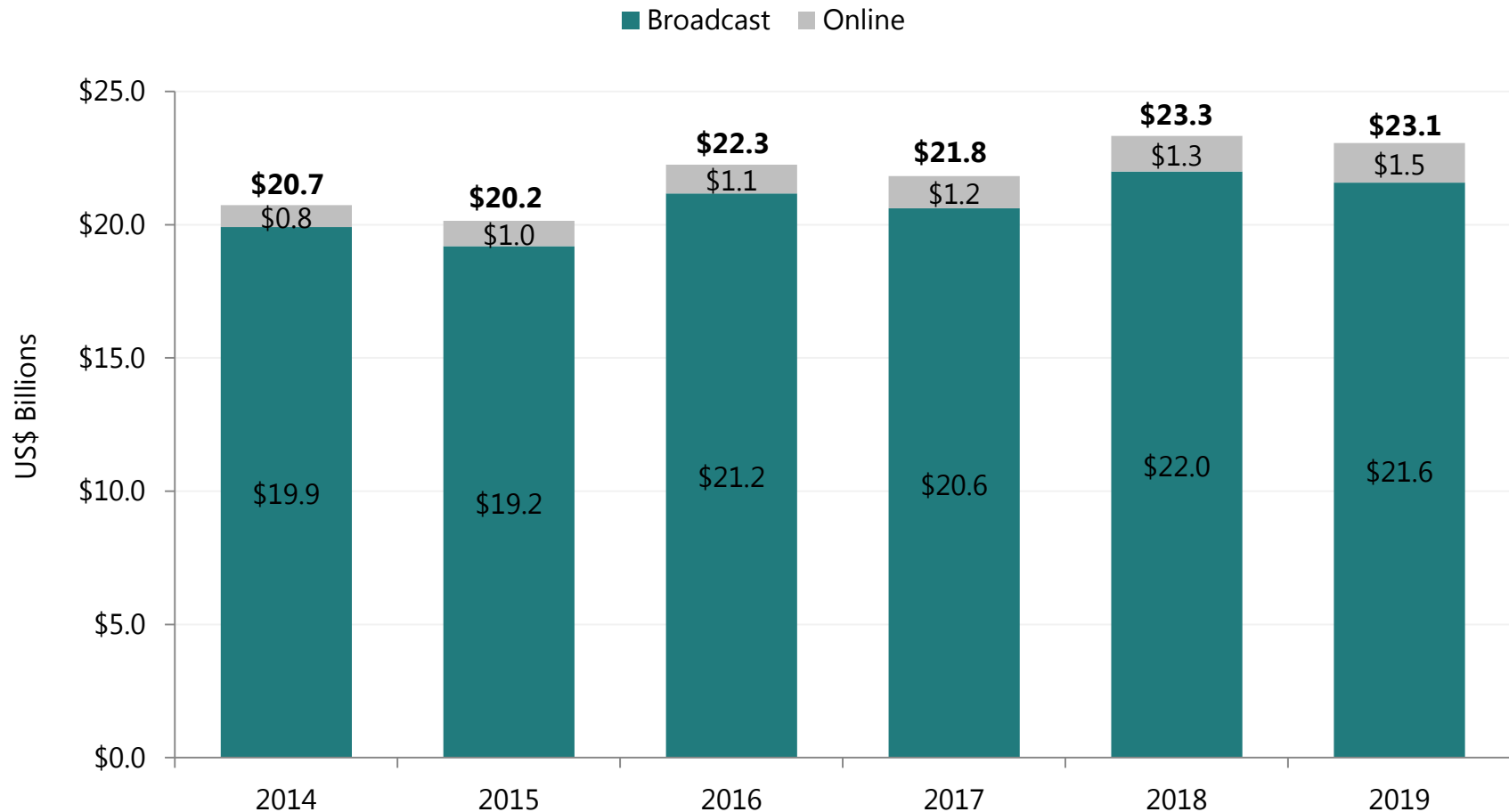
2015 Local Video Advertising Revenues – Distribution Across Media



2019 Local Video Advertising Revenues – Distribution Across Media

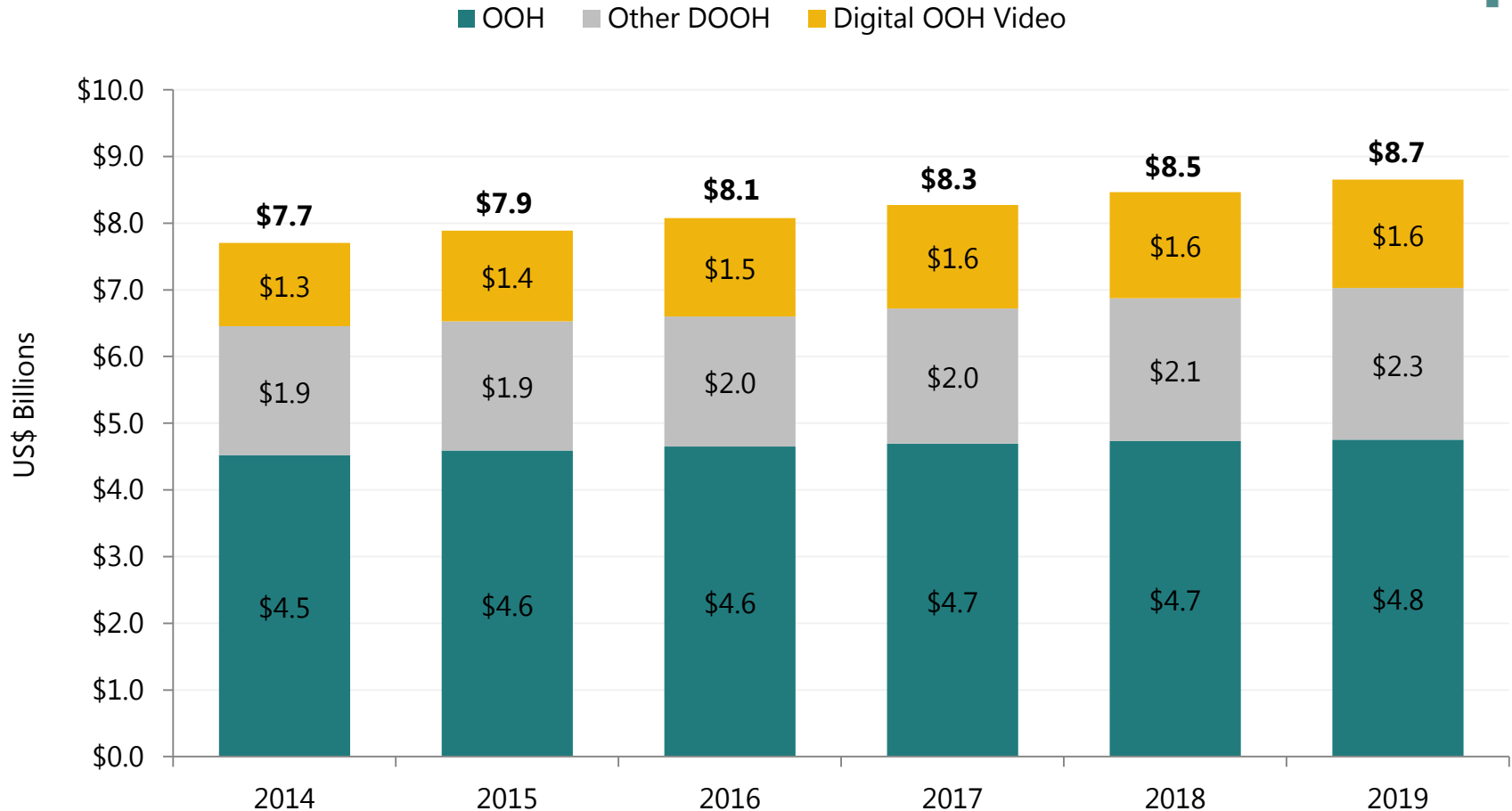


TV: Five-Year Forecast



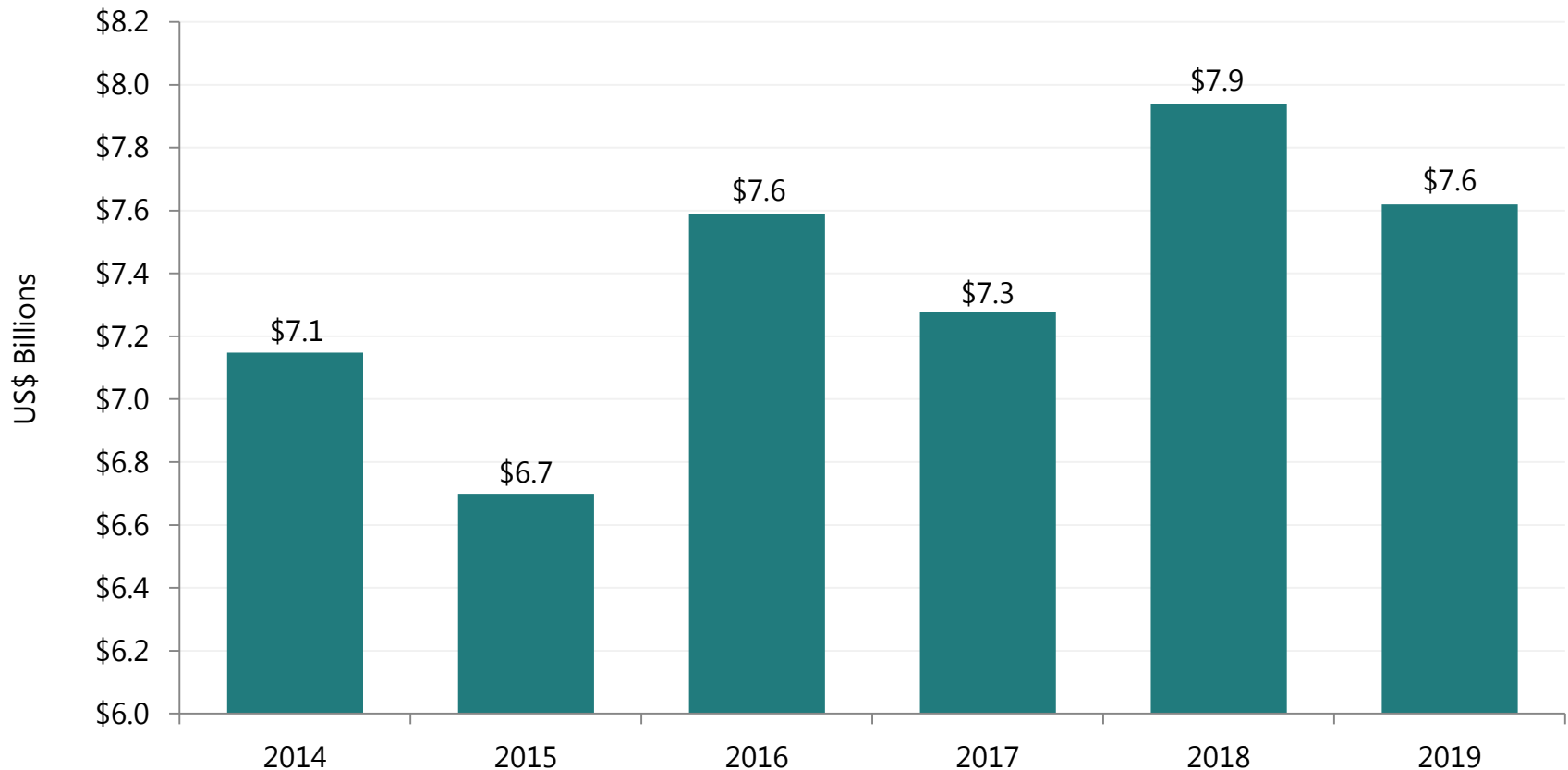
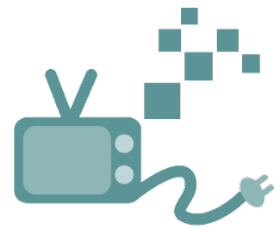
Note: Numbers are rounded.

Out-of-Home: Five-Year Forecast



Note: Numbers are rounded.

Local Cable: Five-Year Forecast



Note: Numbers are rounded.

Local Video: Annual Revenue Changes



Media	2014	2015	2016	2017	2018	2019	CAGR (2014-2019)
Online Video	44.9%	36.7%	31.5%	28.4%	22.3%	19.2%	27.5%
TV	8.4%	-2.8%	10.4%	-1.9%	6.9%	-1.1%	2.2%
Out-of-Home Video	2.4%	8.8%	8.4%	5.3%	2.4%	2.4%	5.4%
Cable TV	12.0%	-6.3%	13.3%	-4.1%	9.1%	-4.0%	1.3%
Mobile Video	93.3%	55.2%	38.7%	23.8%	15.0%	10.0%	27.5%
Total Local Video	10.0%	-1.8%	12.0%	-0.7%	8.0%	-0.4%	3.3%
Total Local Adv.	3.8%	1.1%	4.3%	2.0%	4.2%	2.1%	2.7%
GDP	3.6%	4.0%	4.5%	4.5%	5.0%	5.0%	4.6%

Newspapers

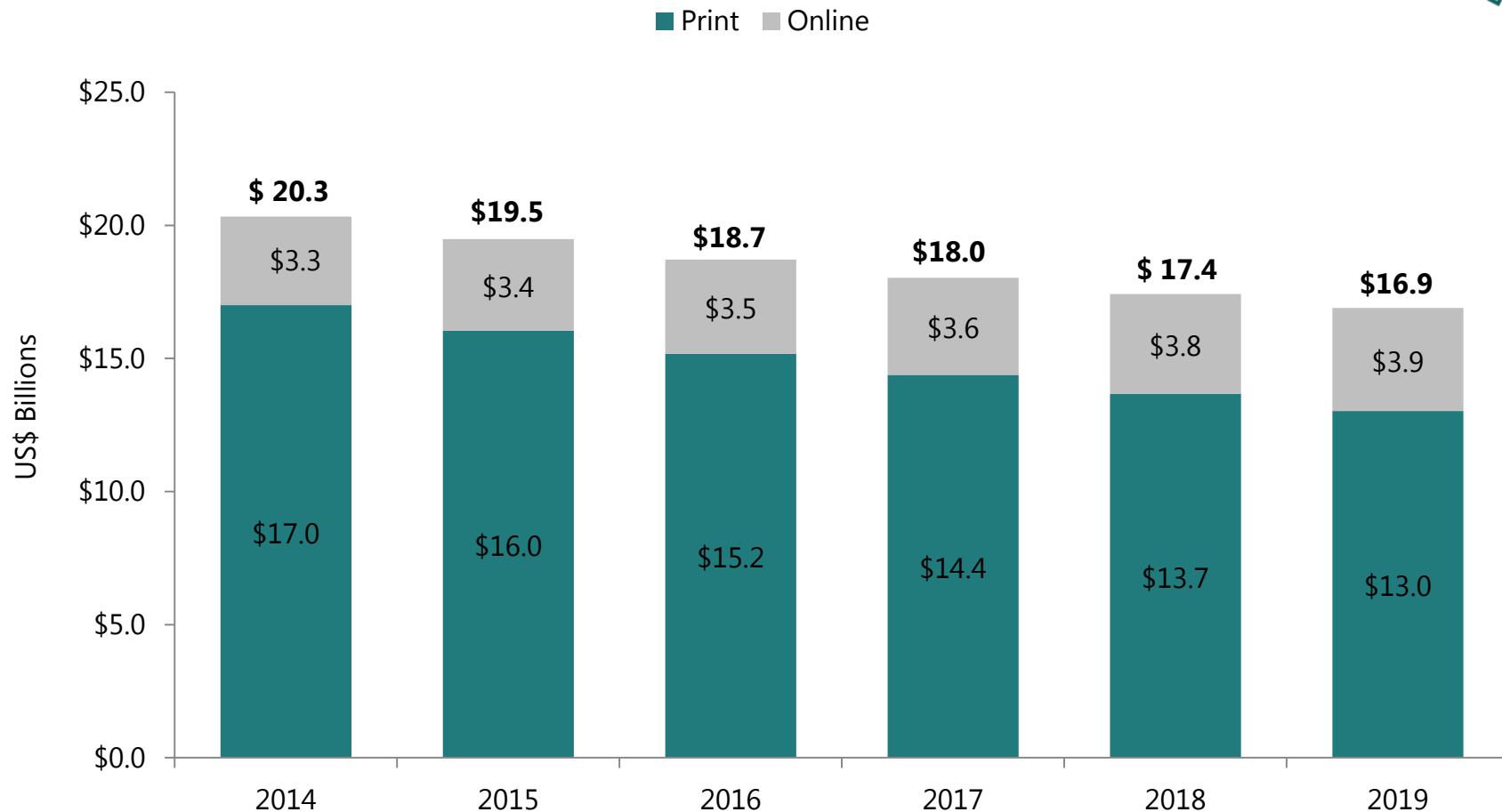


Newspapers



- No significant changes to our print advertising estimates from September 2014, as print advertising continues to decline by more than 5% annually, circulation continues to decrease, and more newspapers cut back on the number of days published.
- Online advertising was slightly stronger in 2014, making up for part of the shortfall in print advertising. Even with the online advertising increases, newspapers overall are expected to continue to lose share of the advertising marketplace through 2019.
- Still, for certain business categories, notably retailers, newspapers remain an important part of the advertising mix. Though even the retail category will lose share to other media over the forecast period.

Newspapers: Five-Year Forecast



Note: Numbers are rounded.

Newspapers: Annual Revenue Changes



Media	2014	2015	2016	2017	2018	2019	CAGR (2014-2019)
Online	3.5%	3.2%	3.0%	3.0%	3.0%	3.1%	3.0%
Print	-5.7%	-5.6%	-5.4%	-5.2%	-5.0%	-4.7%	-5.2%
Total Newspaper	-4.3%	-4.2%	-4.0%	-3.7%	-3.4%	-3.0%	-3.6%
Total Local Adv.	3.8%	1.1%	4.3%	2.0%	4.2%	2.1%	2.7%
GDP	3.6%	4.0%	4.5%	4.5%	5.0%	5.0%	4.6%

Online





Local Interactive

Search and display continue
to grow at steady rates

Online/Interactive Forecast Summary



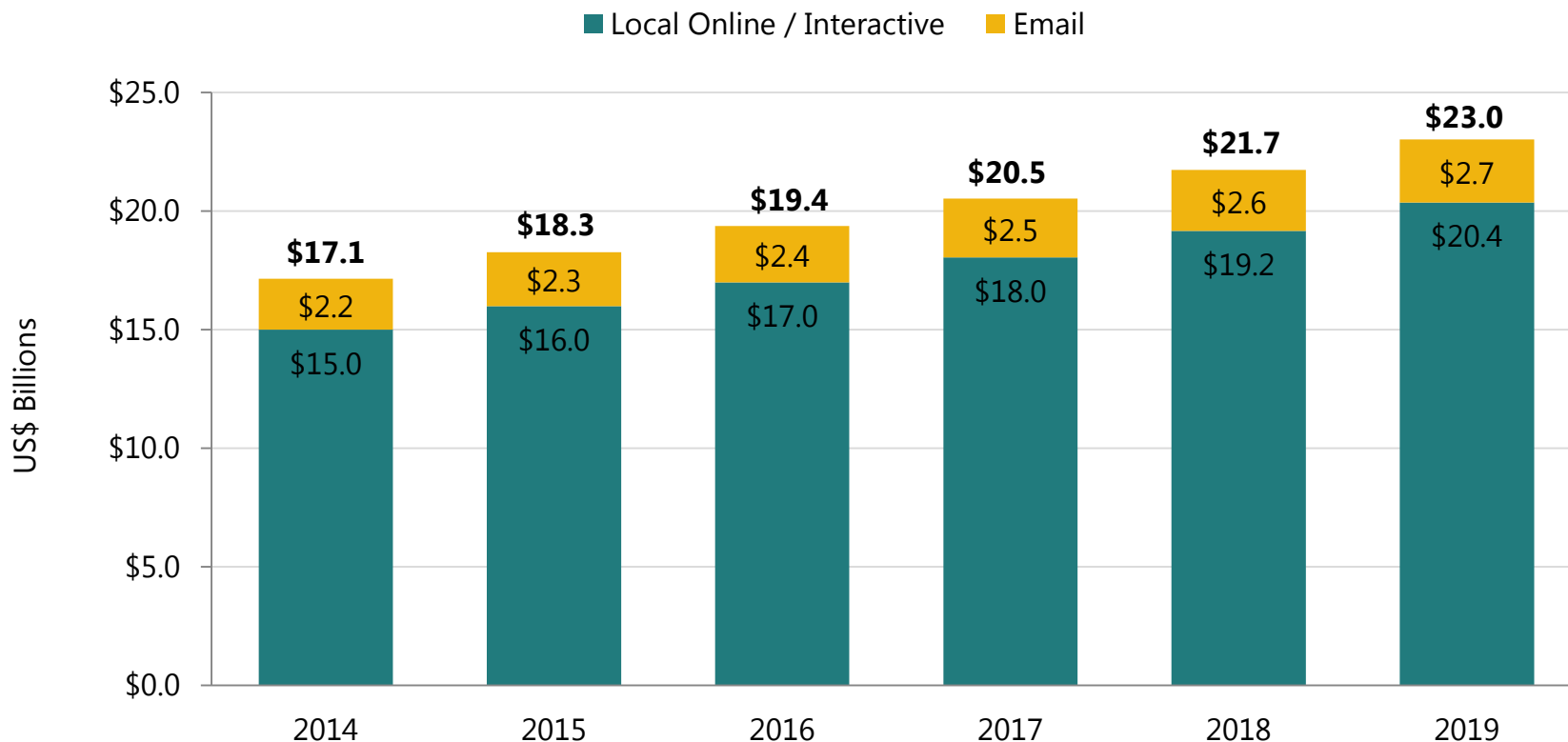
- Local desktop search revenues are expected to grow at a muted 3.3 percent CAGR through 2019.
 - Core search volume from PCs is expected to decrease by 2.5 percent in 2015, as an increasing share of search volume shifts to mobile devices.
 - Ten years ago it was hard to imagine mobile would become so important for accessing the Internet given the small screens, clunky keyboards and slow connections. Yet technology improvements have changed the media landscape noticeably.
 - Smartphones have become a significant disruption force in digital media in recent years, with 73.6% of mobile users now owning smartphones in the U.S., according to comScore, virtually all capable of connecting to the Internet.
 - Growing smartphone usage has affected how advertisers allocate their budgets to reach online consumers. Supply and demand factors have generally put downward pressure on the growth of desktop online CPCs and CPMs compared with past years, as more focus shifts to mobile.

Online/Interactive Forecast Summary



- Local display will maintain growth at a robust clip through 2019, with a CAGR of 9.5 percent, helped in large part by improving CPMs and engagement with video and social display ads.
- With the growth of search and display components, the overall desktop Online/Interactive category will grow at a blended 6.3 percent CAGR through 2019.
- Email is expected to grow at a CAGR of 4.4 percent through 2019, driven largely by a growing interest in specialized email distribution lists, despite average CPMs staying fairly flat.

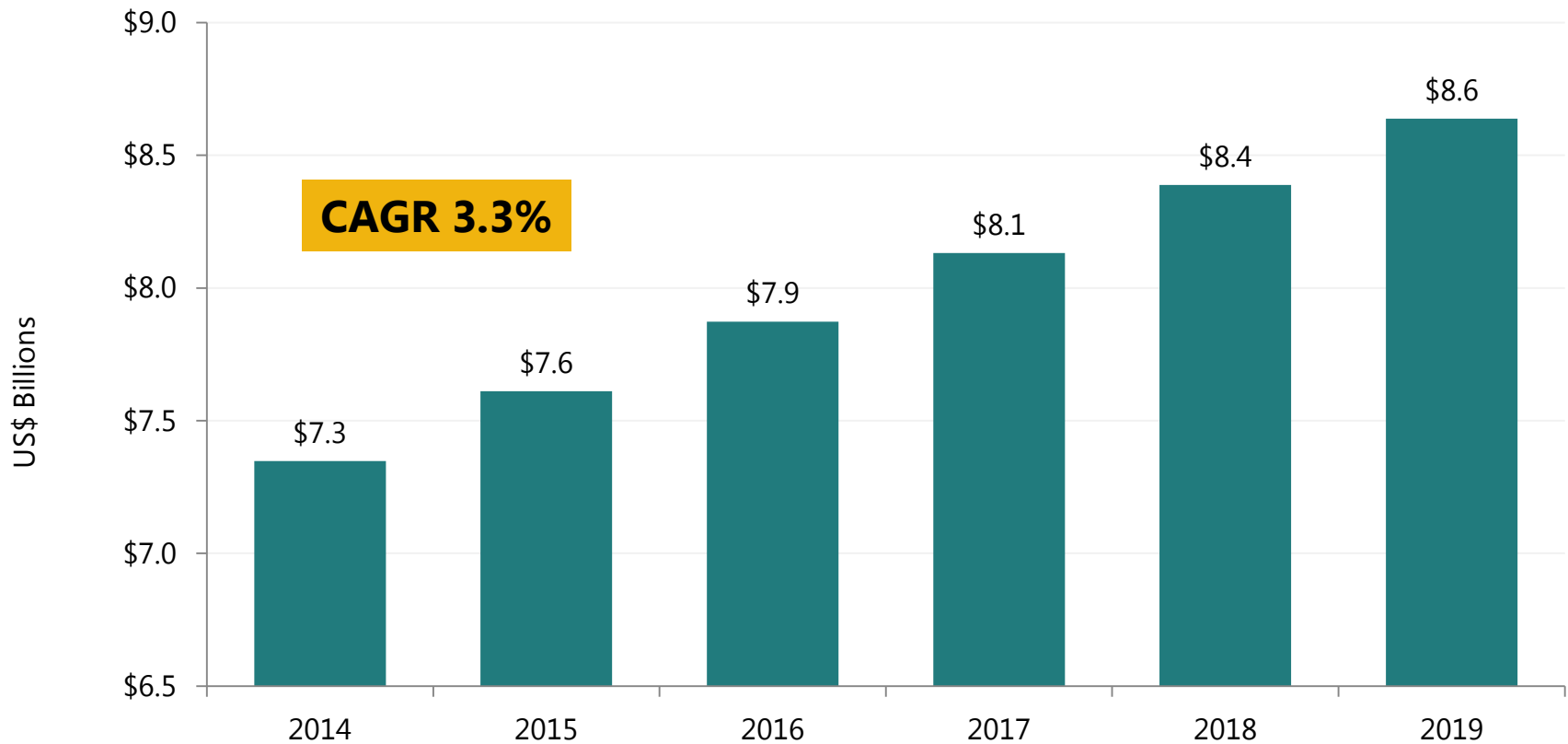
Local Online/Interactive: Five-Year Forecast



Digital revenues associated with traditional media (e.g., websites associated with local TV stations, local radio stations, newspapers and magazines) are included in the revenues for the traditional media, and are not included in Online/Interactive revenues above.

Note: Numbers are rounded.

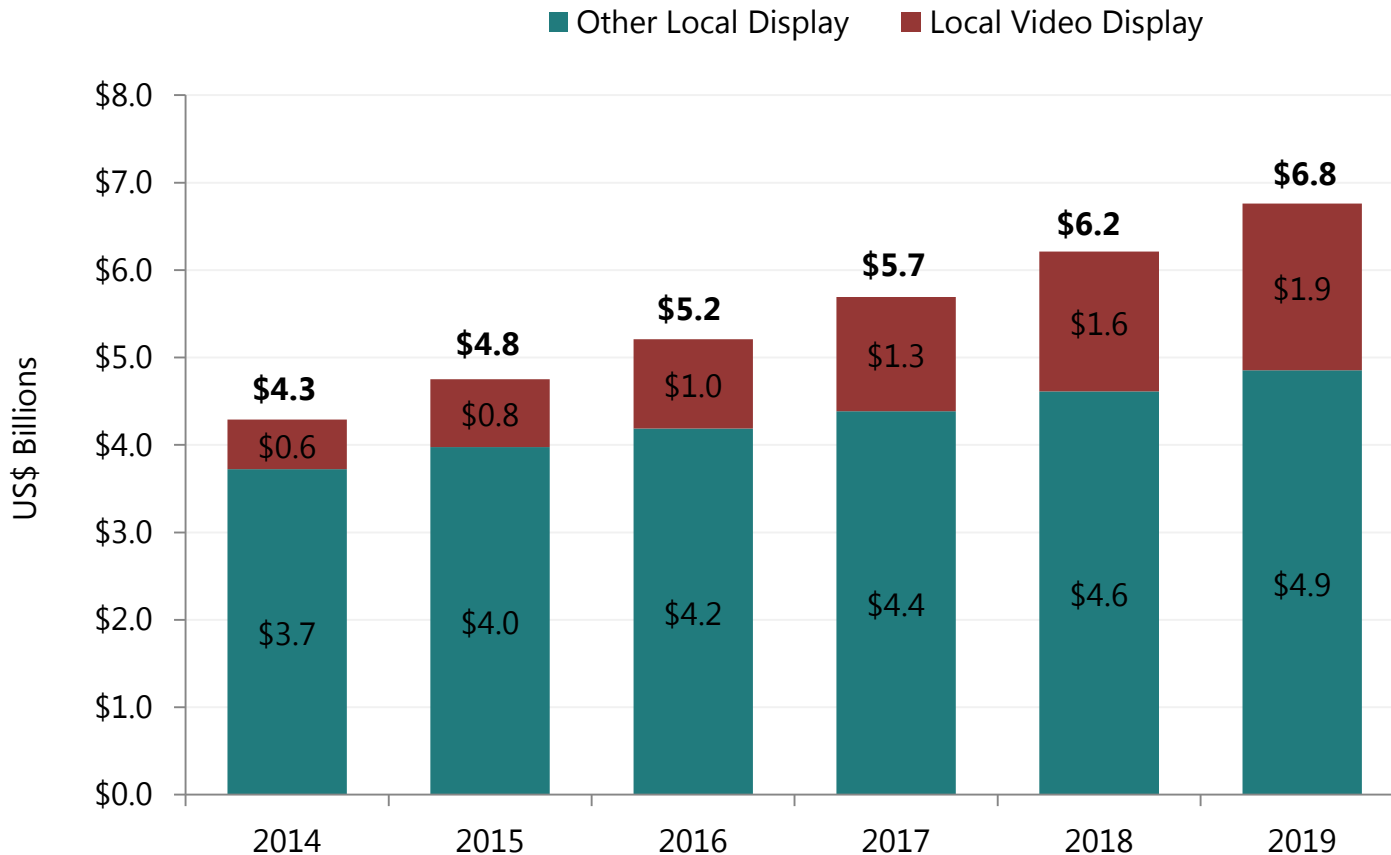
Local Search: Five-Year Forecast



Note: Numbers are rounded.



Local Display: Five-Year Forecast



Note: Numbers are rounded.

**2014-2019
CAGRs:**

**Local Display
CAGR 9.5%**

**Local Video
Display
CAGR 27.5%**

**Other Local
Display
CAGR 5.5%**

Online: Annual Revenue Changes



Media	2014	2015	2016	2017	2018	2019	CAGR (2014-2019)
Local Online / Interactive	14.6%	6.7%	6.2%	6.2%	6.2%	6.2%	6.3%
Local Desktop Search	3.9%	3.6%	3.4%	3.3%	3.1%	3.0%	3.3%
Local Display	13.1%	10.7%	9.6%	9.3%	9.1%	8.8%	9.5%
Local Video	44.9%	36.7%	31.5%	28.4%	22.3%	19.2%	27.5%
Other Display	9.5%	6.8%	5.4%	4.7%	5.2%	5.3%	5.5%
Classified, IYP & Vertical Markets	18.9%	5.2%	5.6%	5.0%	6.2%	6.7%	5.8%
Email	17.7%	5.5%	4.9%	4.3%	3.7%	3.4%	4.4%
Total Local Adv.	3.8%	1.1%	4.3%	2.0%	4.2%	2.1%	2.7%
GDP	3.6%	4.0%	4.5%	4.5%	5.0%	5.0%	4.6%

Mobile



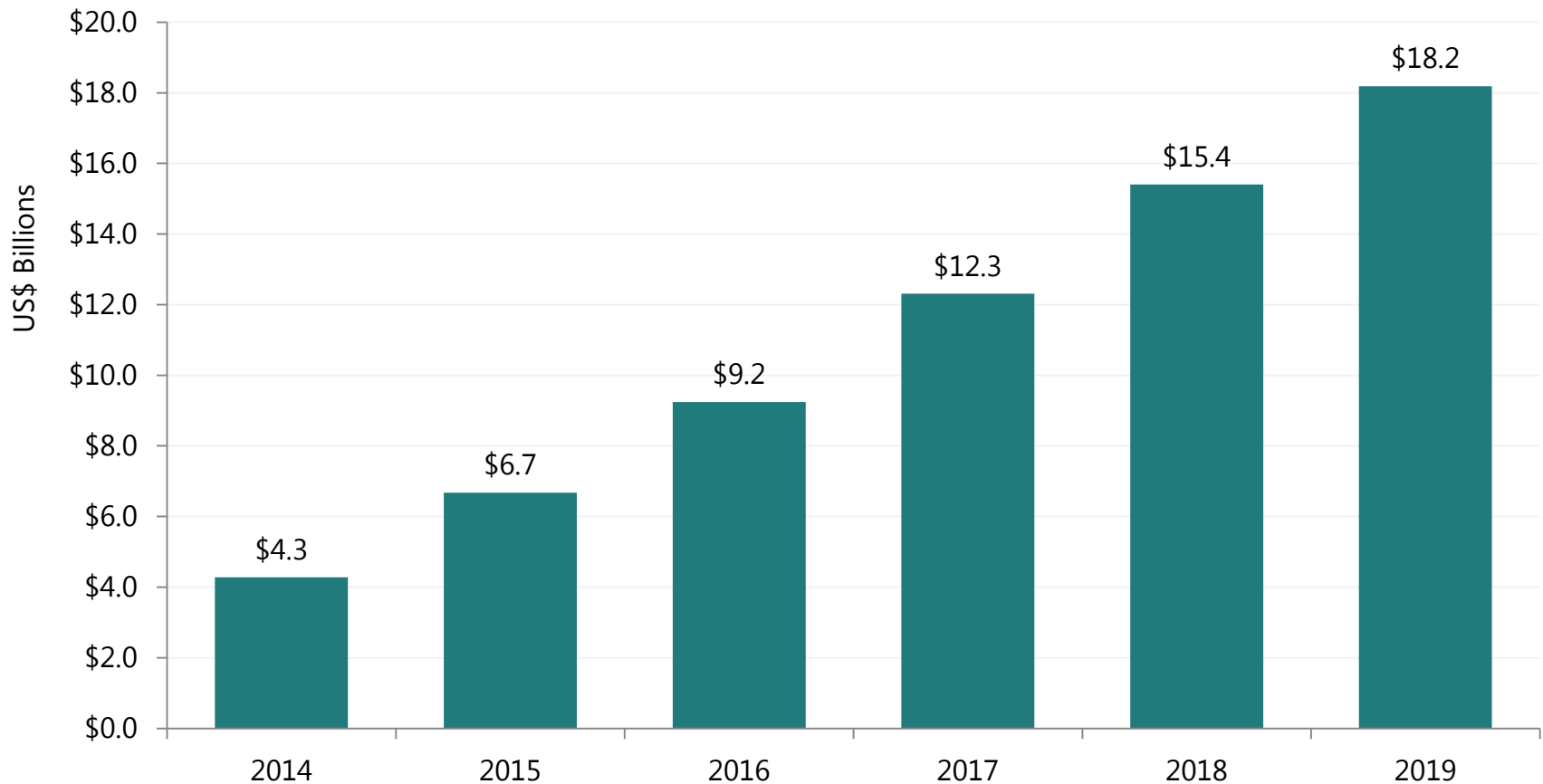
Mobile Advertising

The fourth-largest local medium,
mobile will grow to constitute
11.3% of total local media by 2019

Mobile-Specific Forecast Methodology

- In addition to interviews and company reports, BIA/Kelsey's mobile forecast is based on:
 - Mobile usage trends
 - Evolving mobile content and ad formats
 - Advertiser adoption patterns
 - Ad performance measurements (e.g., clickthrough and cost-per-click rates);
- Data are vetted against aggregate revenues of top players in each mobile advertising segment (e.g., Facebook, Google, mobile ad networks).
- For location-targeted ad revenues, measurement criteria include geographic ad placement, as well as location-specific ad copy and calls to action (e.g., call local store).
- Revenue from advertising that appears on tablets is *not* included in BIA/Kelsey's classification of *mobile*.*

Location-Targeted Mobile Ad Spend: Five-Year Forecast



Note: Numbers are rounded.

Location-Targeted Mobile Ad Revenues:

Key Takeaways

- U.S. location-targeted mobile ad revenues are projected to grow from \$4.3 billion in 2014 to \$18.2 billion in 2019, a 33.5 CAGR.
- This is defined as mobile advertising targeted based on a user's location, or including proximity-relevant content to trigger local offline conversions.
 - It includes large national advertisers and SMBs.
 - Location-specific ad copy or calls to action (e.g., call local store), will classify a given ad as location targeted.

Location-Targeted Mobile Ad Revenues:

Key Takeaways (cont'd)

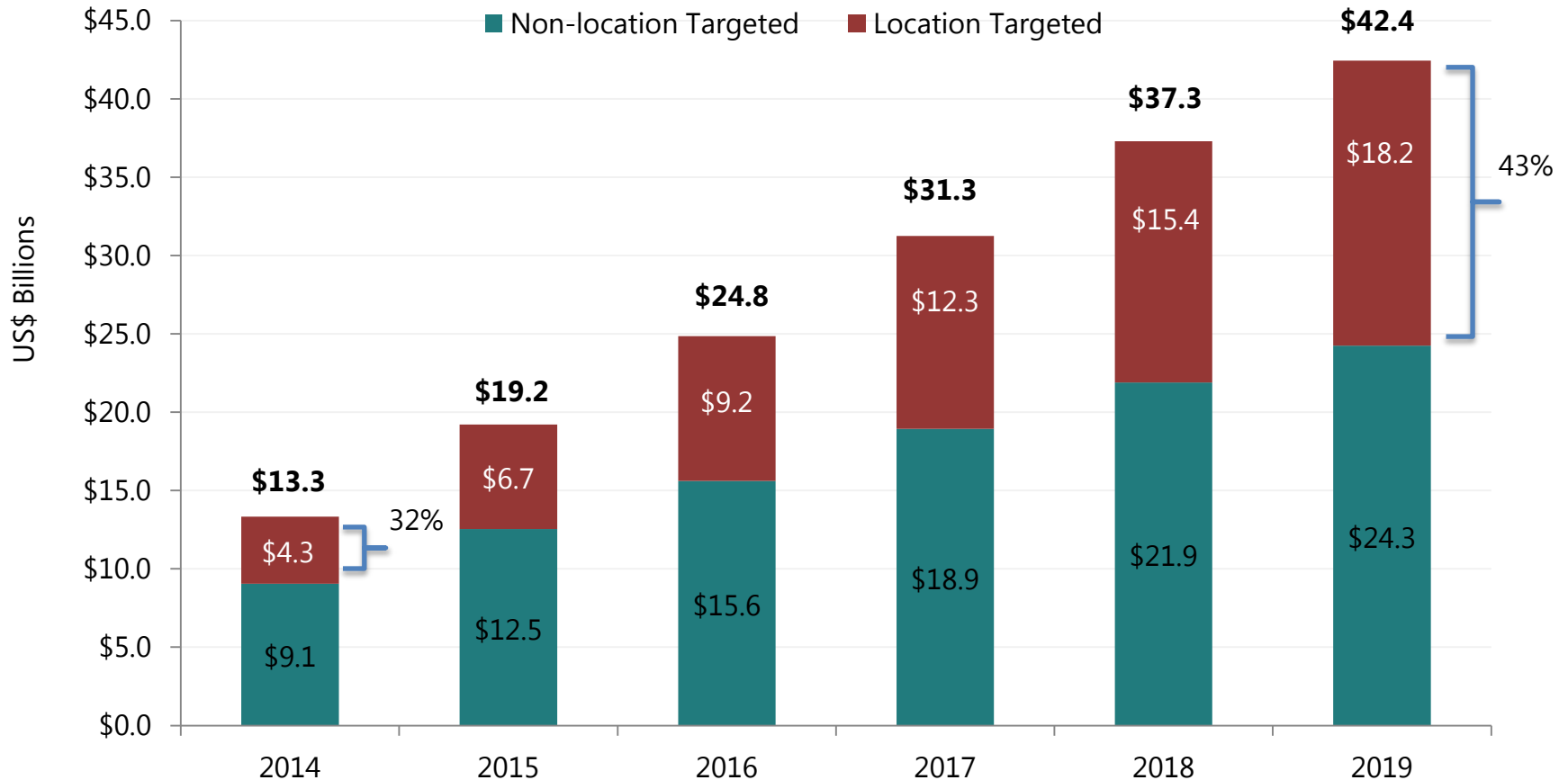
- National advertisers continue to drive the localized share of mobile ad revenues
 - Adoption of mobile local advertising tactics (e.g., geo-fencing, click-to-call, click-to-map) continues to grow among national advertisers.
 - National advertisers continue to gravitate toward effective, increasingly available and currently undervalued mobile local ad inventory.
 - Innovation among ad networks and ad tech providers (e.g., Google, xAd) will accelerate this draw to location-targeted mobile ads.
- SMB adoption – a slow but growing share of localized mobile advertising – will likewise affect revenue.
 - BIA/Kelsey sees evolving SMB savvy and propensity to self serve with offerings like Google AdWords and Facebook (pull).
 - Local media companies will also accelerate adoption through innovation, sales and bundling efforts (push).

Location-Targeted Mobile Ad Revenues:

Key Takeaways (cont'd)

- Localized mobile ad share will also grow as a result of premium ad rates.
- Premiums will result mostly from higher performance (e.g., CTRs, phone calls, store visits).
- Performance deltas are in turn a function of:
 - Higher relevance, immediacy and alignment with consumer local buying intent, all of which are more prevalent in mobile than in other digital and print media.
 - For example, half of mobile searches have intent to find local information or products, compared with the 20 percent of desktop searches that carry comparative local intent.
 - Advertisers increasingly include calls to action to capture this high local intent (e.g., in-unit click-to-call buttons).

Local vs. National Ad Spend in Mobile

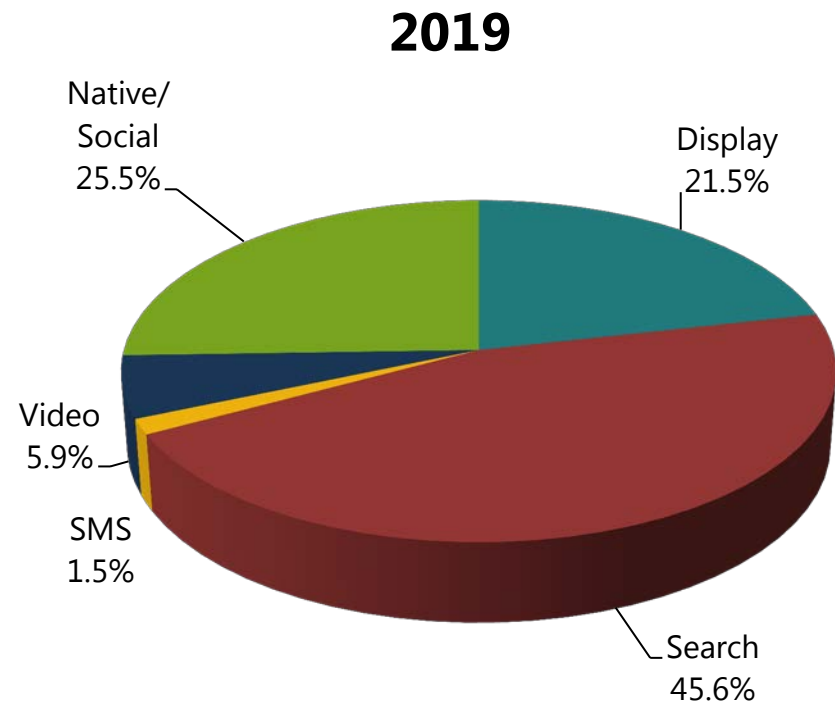
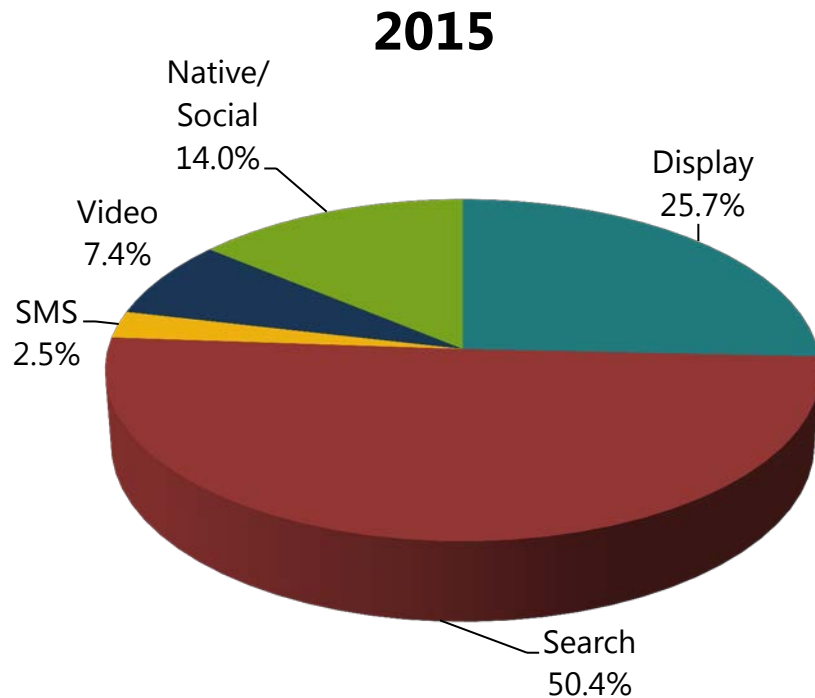


Note: Numbers are rounded.

Location-Targeted vs. Non-location-Targeted Ad Revenues: Key Takeaways

- Location-targeted mobile advertising is a subset of overall U.S. mobile advertising revenues.
 - The share of the mobile ad revenues attributed to location-based campaigns will grow from 32 percent in 2014 to 43 percent in 2019.
 - Focusing on the overall U.S. mobile advertising pie, growth is driven by Google (33 percent of paid clicks now come from mobile devices) and Facebook (69 percent of ad revenues are attributed to mobile, up from 59 percent in March 2014).
 - Google's Enhanced Campaigns will continue to drive U.S. mobile advertising growth by bundling mobile ads with search campaigns.
 - This will accelerate mobile advertising's learning curve and adoption cycle for all search advertisers, including SMBs.
 - Enhanced Campaigns will also close the current gap between mobile ad rates and desktop equivalents.
 - This will play out as an influx of advertisers in Google's bid marketplace for mobile keywords will naturally boost bid pressure and thus CPCs. This shift is already under way.

Local Share of Mobile Ad Spend by Format



Mobile Ad Formats: Key Takeaways

- BIA/Kelsey measures various mobile ad formats, including search, display, video, SMS and native social advertising.
- Because they are bought and sold in different ways, different formulas and models apply to the composition and financial modeling of each mobile ad format in this forecast.
- Search advertising currently holds the largest share, followed by display and native social ads. Search will continue to eclipse all ad formats to hold the largest share.
 - This is driven by premium ad rates that develop as a function of search's intent-driven nature. This can be seen so far in Google's commanding lead in U.S. mobile advertising revenues (roughly 50 percent market share).

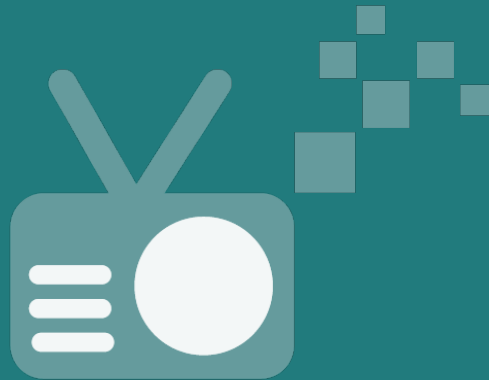
Mobile Ad Formats: Key Takeaways (cont.)

- “Native social” is a notable and fast-moving format, defined by graphical and textual brand messaging that is merged into the organic feed-based interfaces of mobile social apps.
- These in-feed ads are targeted based on granular social signals (e.g., behavior and connections within the social graph), as opposed to traditional display ad targeted methods.
- In that sense, native social should not be confused with standard display ads that are placed by ad networks as banner advertising within social-oriented mobile apps. Such ads would be counted in the mobile display category.
- Native social ads are conversely defined by their format. It is most often graphical or textual news feed integration into specific social apps that offer this option.
- The most common examples are Facebook’s News Feed Ads and Twitter’s Promoted Tweets. Instagram and LinkedIn have similar offerings, which continue to grow in prevalence and ad coverage.

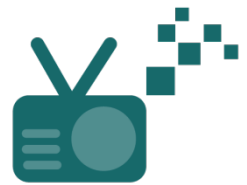
Mobile: Annual Revenue Changes

Media	2014	2015	2016	2017	2018	2019	CAGR (2014-2019)
Location-Targeted Mobile	256.7%	110.0%	79.0%	54.8%	44.4%	24.0%	59.8%
Mobile Display	67.9%	56.0%	38.4%	33.2%	25.1%	18.1%	33.5%
Mobile Search	75.2%	54.4%	31.0%	25.1%	18.6%	17.3%	28.6%
SMS	51.3%	49.1%	32.2%	31.4%	21.7%	16.6%	29.7%
Mobile Video	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%
Mobile Social	93.3%	55.2%	38.7%	23.8%	15.0%	10.0%	27.5%
Total Local Adv.	3.8%	1.1%	4.3%	2.0%	4.2%	2.1%	2.7%
GDP	3.6%	4.0%	4.5%	4.5%	5.0%	5.0%	4.6%

Radio

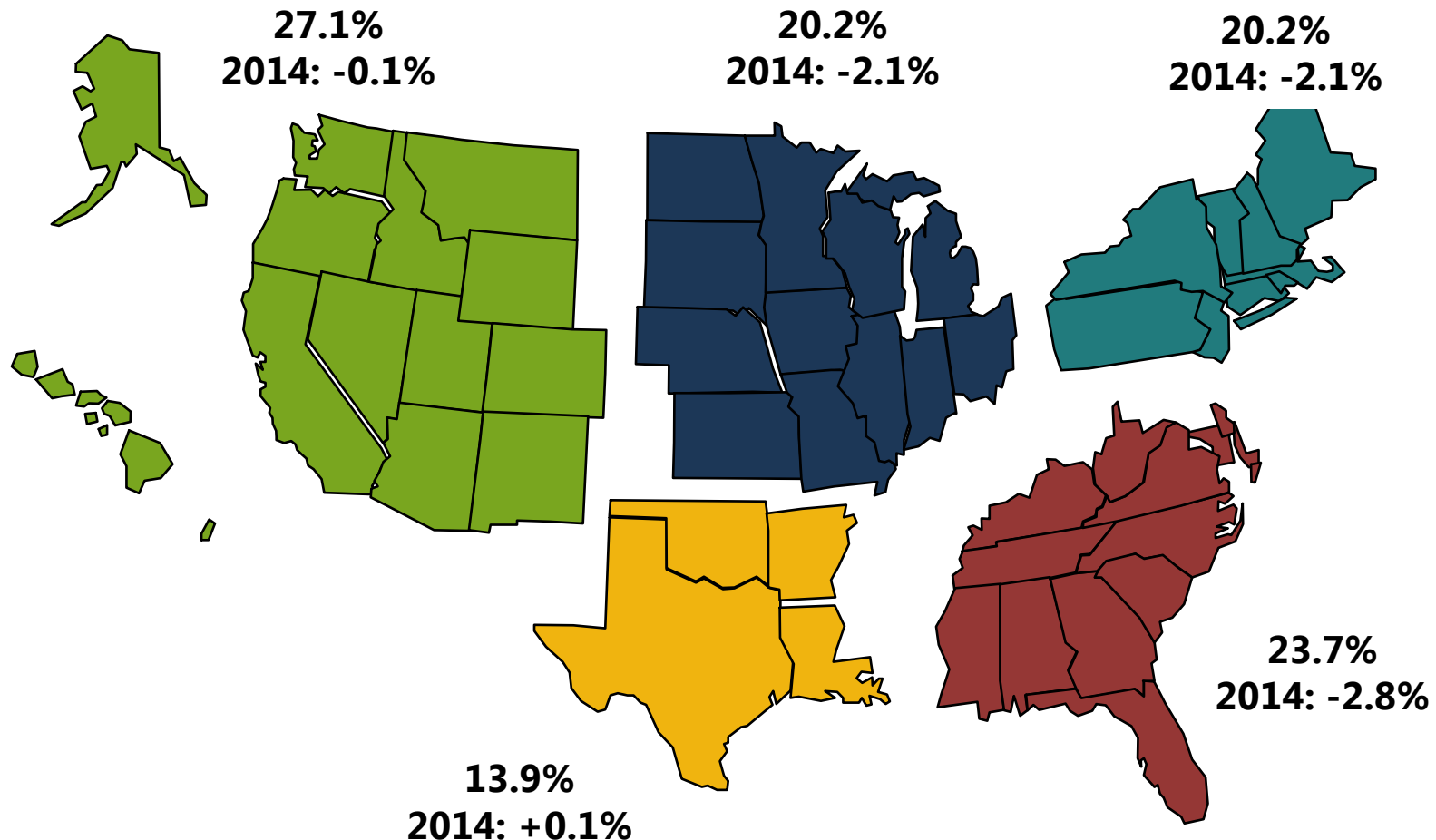
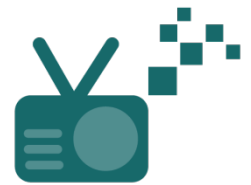


Radio

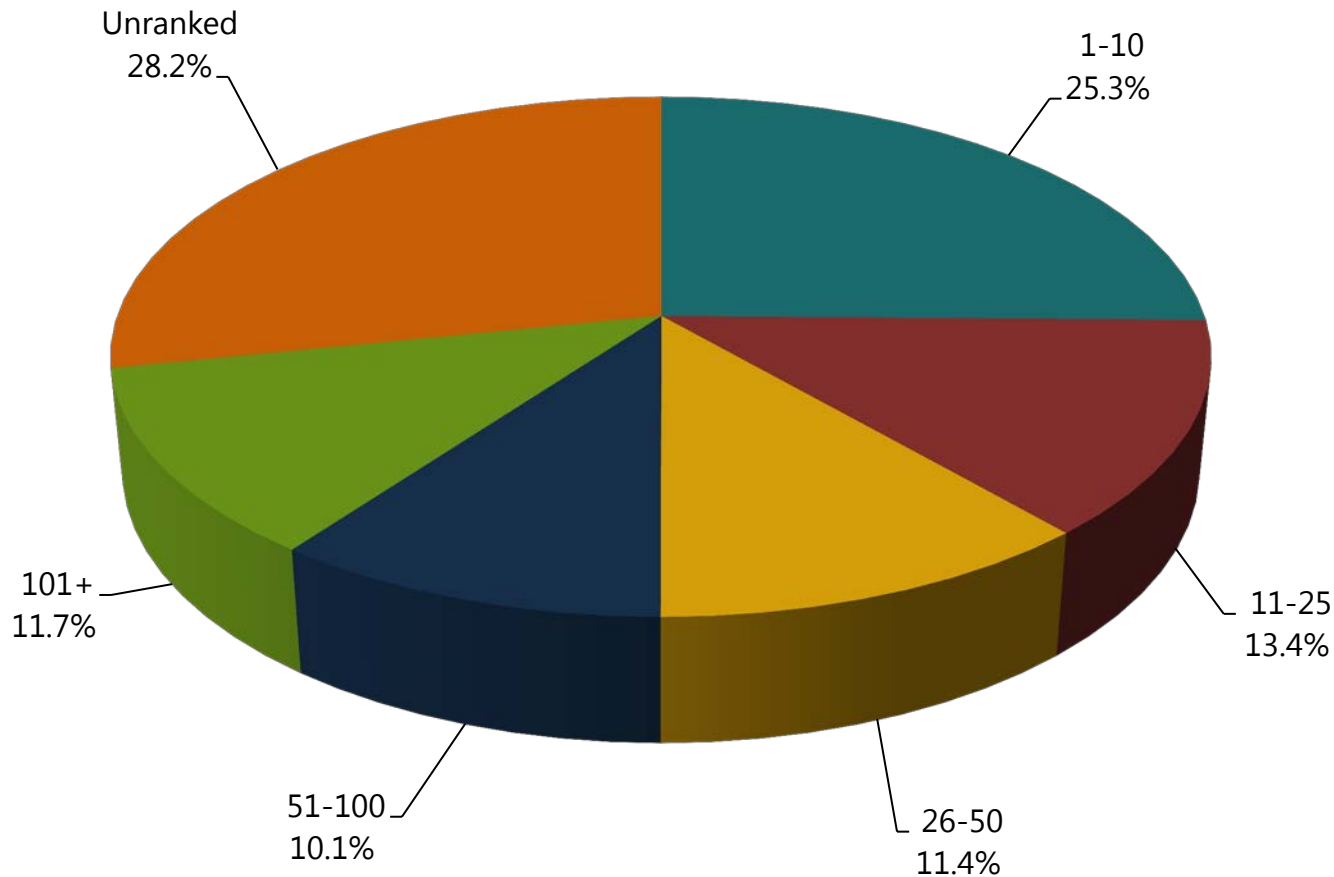
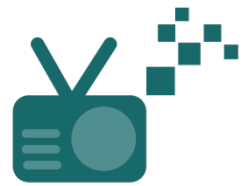


- Even though the economy grew and 2014 was a political year, radio over-the-air advertising revenue was not strong. The future for the over-the-air component for radio remains weak, with expected annual increases to be just above 1%. While not remarkable, that outlook is more optimistic than that of some other traditional media (e.g., Newspapers, Print Yellow Pages).
- Still, certain markets showed some growth in 2014, suggesting that radio remains an important part of national and local companies' advertising mixes.
- Related online activities by radio stations continue to show strength with some radio groups' success with these new revenue streams greatly exceeding the national averages.
- Other online audio streaming services (e.g., Pandora) continue to garner audience share and have moved into the local advertising marketplace, especially in the largest markets.

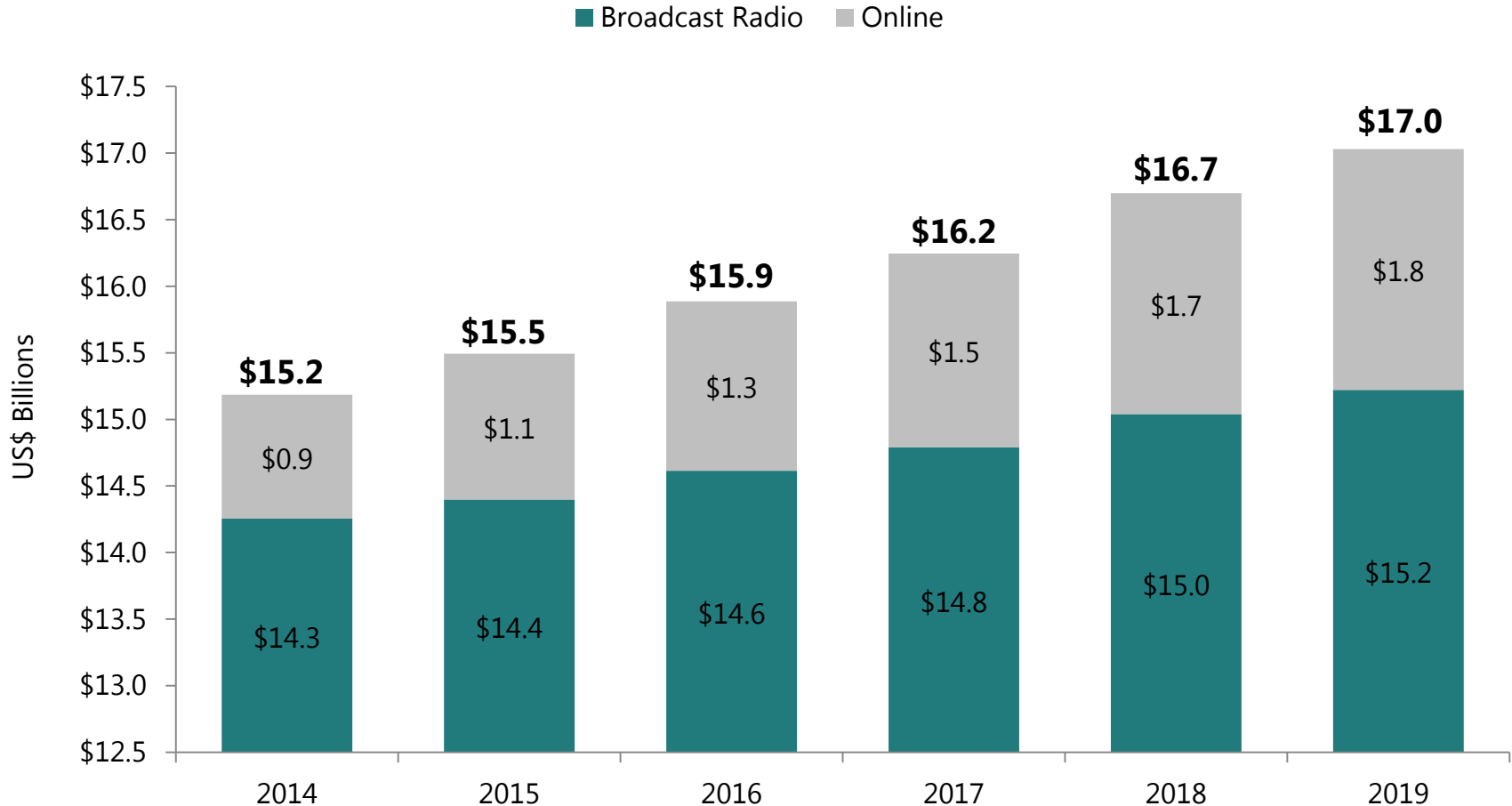
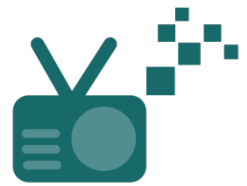
Distribution of 2014 Over-the-Air Advertising Revenues and 2014 % Change by Region



Distribution of 2014 Over-the-Air Advertising Revenues by Market Size



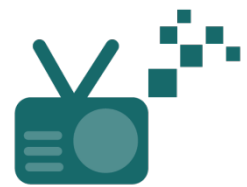
Radio: Five-Year Forecast



Note: Numbers are rounded.

*Note: Radio online revenues include online revenue from terrestrial and online streaming services.

Radio: Annual Revenue Changes



Media	2014	2015	2016	2017	2018	2019	CAGR (2014-2019)
Online	24.0%	17.8%	16.2%	14.5%	13.9%	9.0%	14.2%
Broadcast	0.0%	1.0%	1.5%	1.2%	1.7%	1.2%	1.3%
Total Radio	1.2%	2.0%	2.5%	2.3%	2.8%	2.0%	2.3%
Total Local Adv.	3.8%	1.1%	4.3%	2.0%	4.2%	2.1%	2.7%
GDP	3.6%	4.0%	4.5%	4.5%	5.0%	5.0%	4.6%

Directories (Yellow Pages)





Directories / Yellow Pages Majority Digital by 2017

Yellow Pages Forecast Definitions



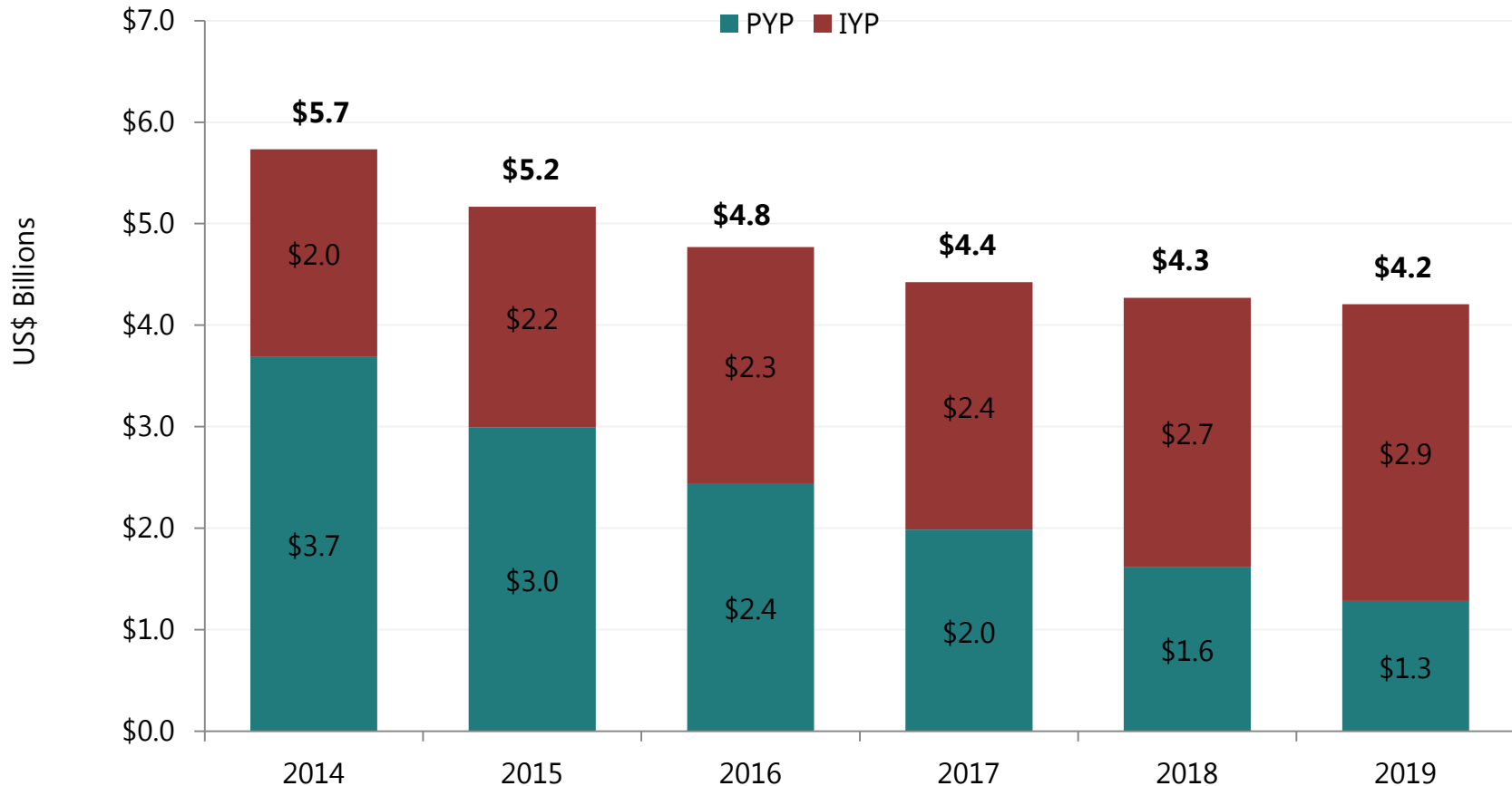
- BIA/Kelsey's U.S. Yellow Pages forecast is divided into PYP and IYP.
 - PYP represents print Yellow Pages revenues, as well as other revenues that companies would account for as print, including White Pages advertising and direct mail.
 - The IYP category represents digital revenues. In addition to advertising on Internet Yellow Pages desktop and mobile applications, IYP includes the following:
 - Display ad networks
 - Email marketing, reputation and presence management
 - Mobile display ad networks
 - SEM/SEO
 - Social media
 - Websites
 - Other digital revenues

Yellow Pages Forecast Summary



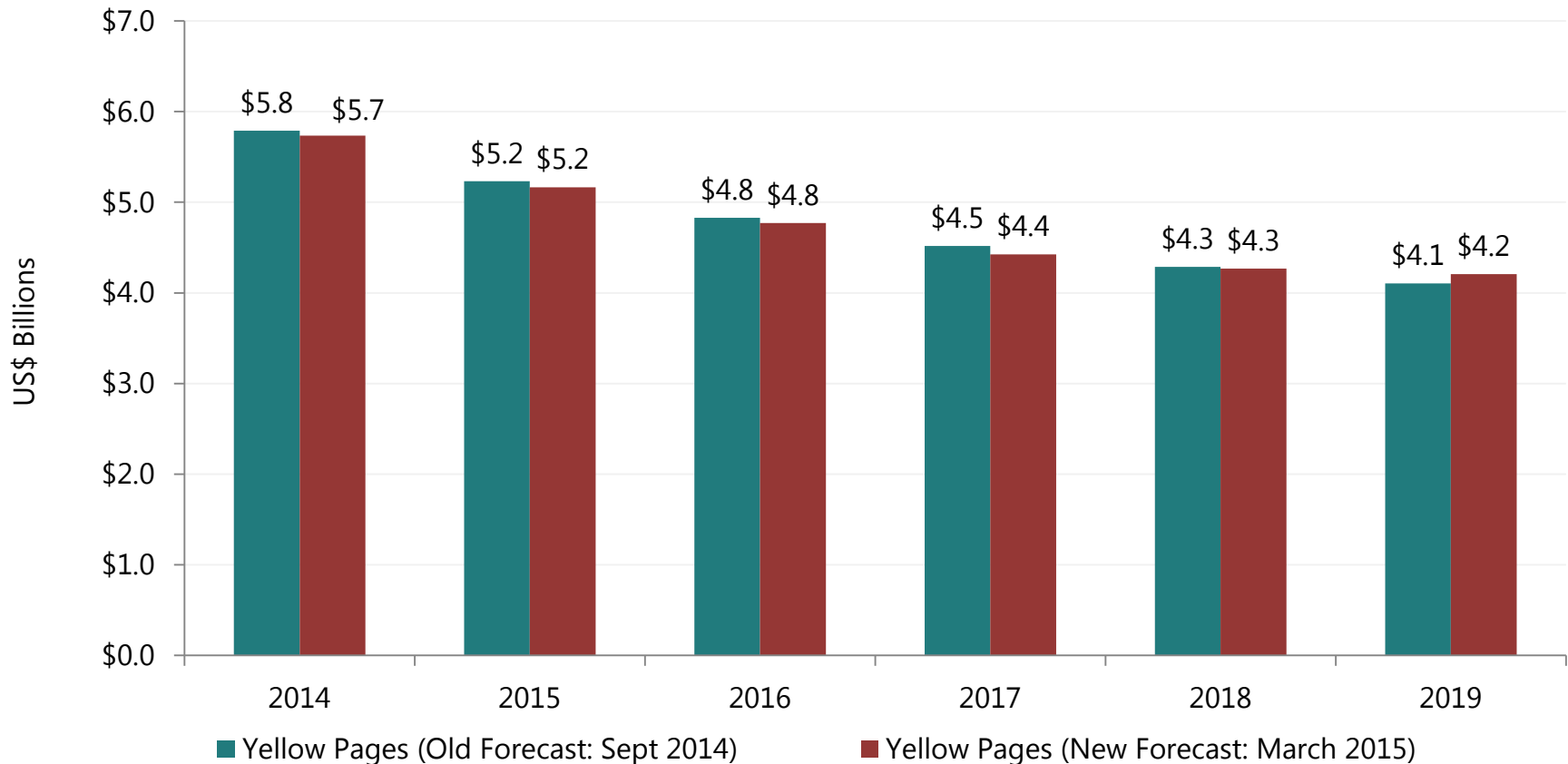
- BIA/Kelsey projects accelerating declines in printed revenues. The CAGR for print over the 2014-19 timeframe will be -19.0 percent, reflecting the ongoing shift away from print by consumers and SMBs alike, as well as an increasing digital emphasis among major Yellow Pages publishers.
- On the digital side, we expect to see much stronger growth over the forecast period, with a 7.4 percent CAGR for 2014-19.
 - Digital growth is strongest in areas like search, mobile and digital services (SEM, websites, social media, reputation management), while it is at best flat in the core IYP product set.
 - Bundling has helped propel digital growth, and we expect to see bundling remain a key element in publishers' growth strategies.
 - Digital revenues will surpass print revenues by 2017, and by 2019 digital revenues will account for 69 percent of total revenues.

Yellow Pages: Five-Year Forecast



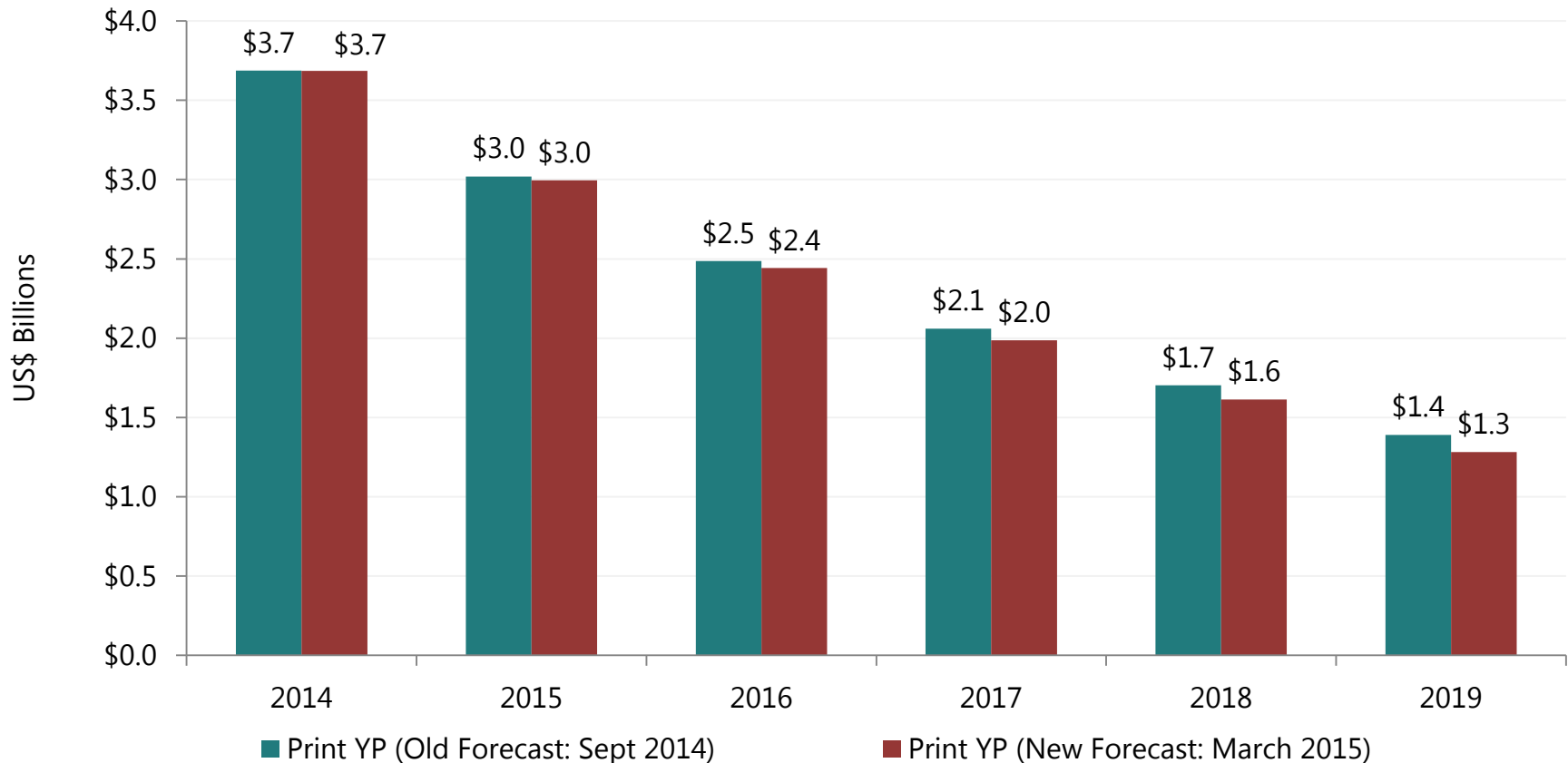
Note: Numbers are rounded.

Yellow Pages Five-Year Forecast: September 2014 vs. March 2015



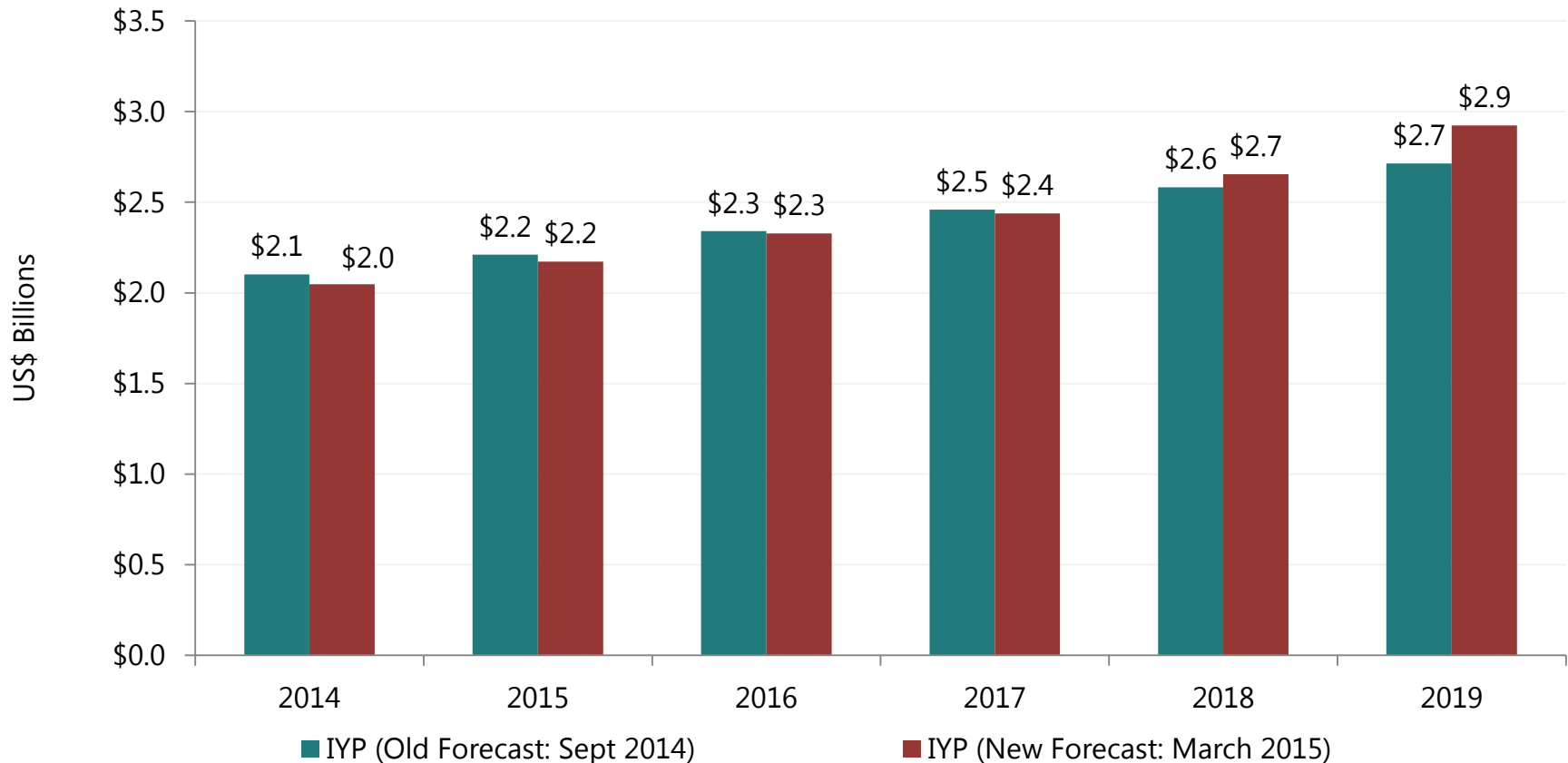
Note: Numbers are rounded. Yellow Pages revenue estimates above include all PYP and IYP revenues.

Print Yellow Pages Five-Year Forecast: September 2014 vs. March 2015



Note: Numbers are rounded.

Internet Yellow Pages Five-Year Forecast: September 2014 vs. March 2015



Note: Numbers are rounded. The category "Internet Yellow Pages" reflects all digital revenues for directory publishers, including search marketing, websites, video, mobile and other.

Directories: Annual Revenue Changes



Media	2014	2015	2016	2017	2018	2019	CAGR (2014-2019)
IYP	0.9%	6.0%	7.2%	4.7%	8.8%	10.2%	7.4%
Print YP	-17.4%	-18.8%	-18.5%	-18.7%	-18.8%	-20.5%	-19.0%
Yellow Pages	-11.7%	-9.9%	-7.7%	-7.2%	-3.5%	-1.4%	-6.0%
Total Local Adv.	3.8%	1.1%	4.3%	2.0%	4.2%	2.1%	2.7%
GDP	3.6%	4.0%	4.5%	4.5%	5.0%	5.0%	4.6%

Social Media





Social Media Advertising

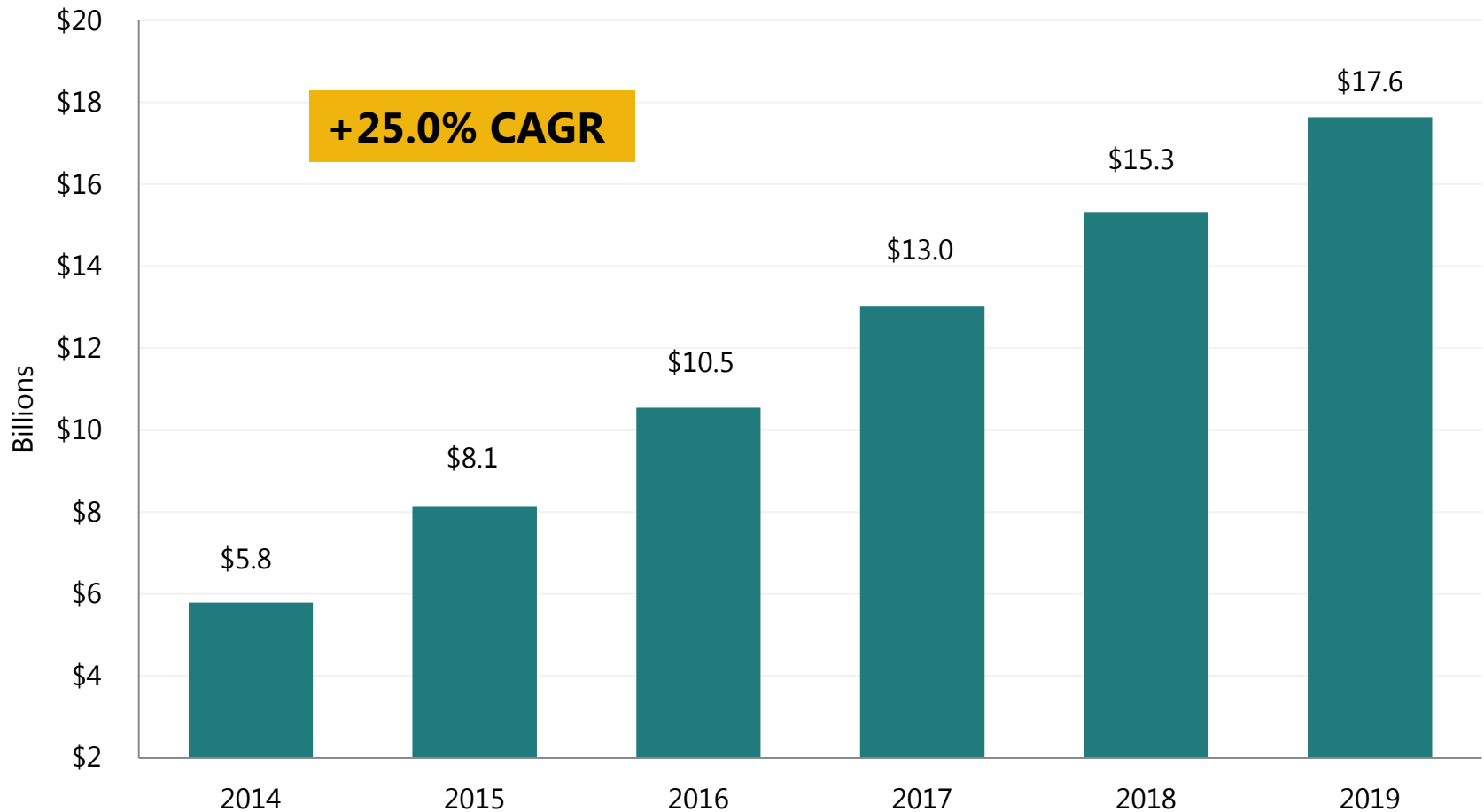
Revenues continue to soar over
and above expected levels.

Social Media Advertising Definition



- Social media advertising = money spent on advertising formats across social networks.
- Social advertising is included in BIA/Kelsey's display revenue forecast, which falls within the online/interactive advertising category.
- BIA/Kelsey's definition of social advertising does **not** include revenues derived from the following:
 - Virtual currency
 - Social marketing/measurement platforms and services
 - Social commerce

U.S. Total Social Media Advertising: Five-Year Forecast

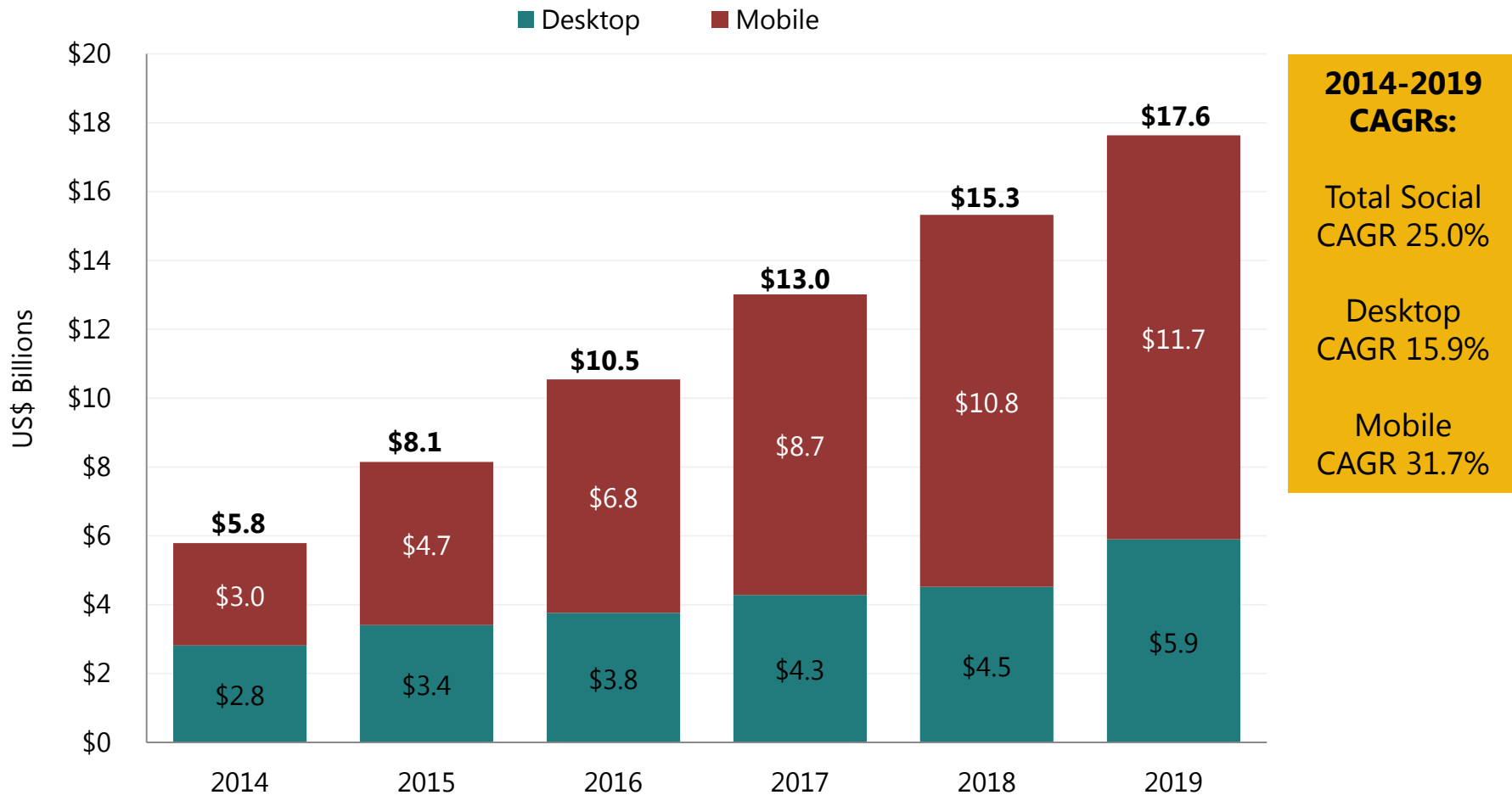




Mobile Social Advertising

Most important driver of
social advertising – growing at
a 31.7% CAGR through 2019.

U.S. Social Desktop vs. Mobile Ad Spend: Five-Year Forecast



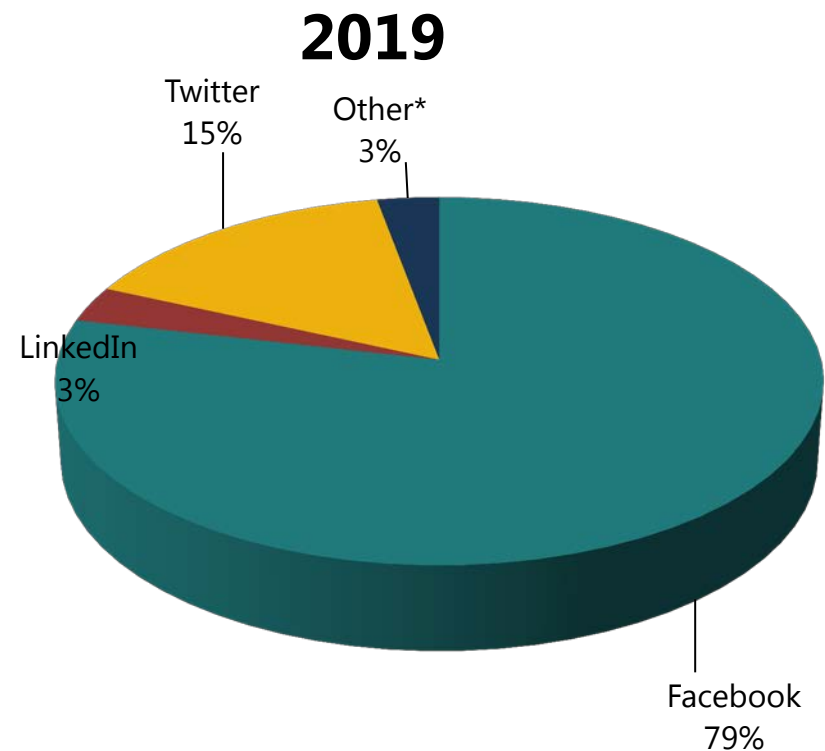
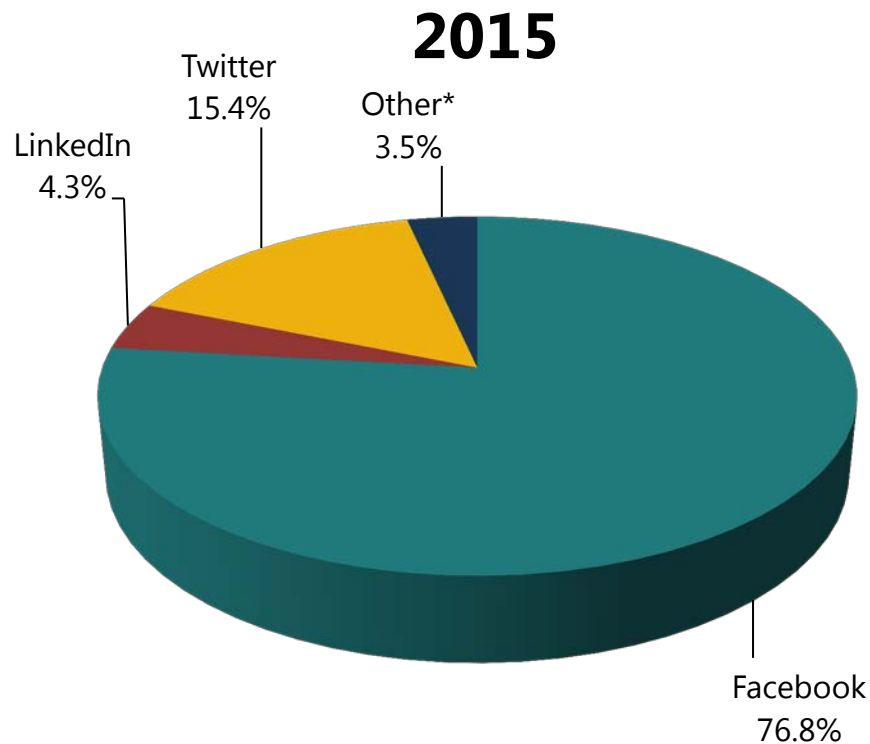
Note: Numbers are rounded.

Social Advertising Forecast: Mobile Continues to Grow Substantially



- Driven by Facebook and Twitter, U.S. social mobile ad revenues will grow nearly 4x the 2014 level by 2019, reaching \$11.7 billion by 2019 – a 31.7 percent CAGR.
- Social-mobile advertising will continue to grow as companies have been able to integrate native ad units on their platforms (native is already the primary ad unit for top U.S. social networks).
- The growth in mobile is especially impressive as there was considerable doubt initially. However, over the past few years, Facebook, Twitter and other networks have generated dramatic mobile revenue growth and that is expected to continue.

Social Media Advertising by Company: 2015 & 2019



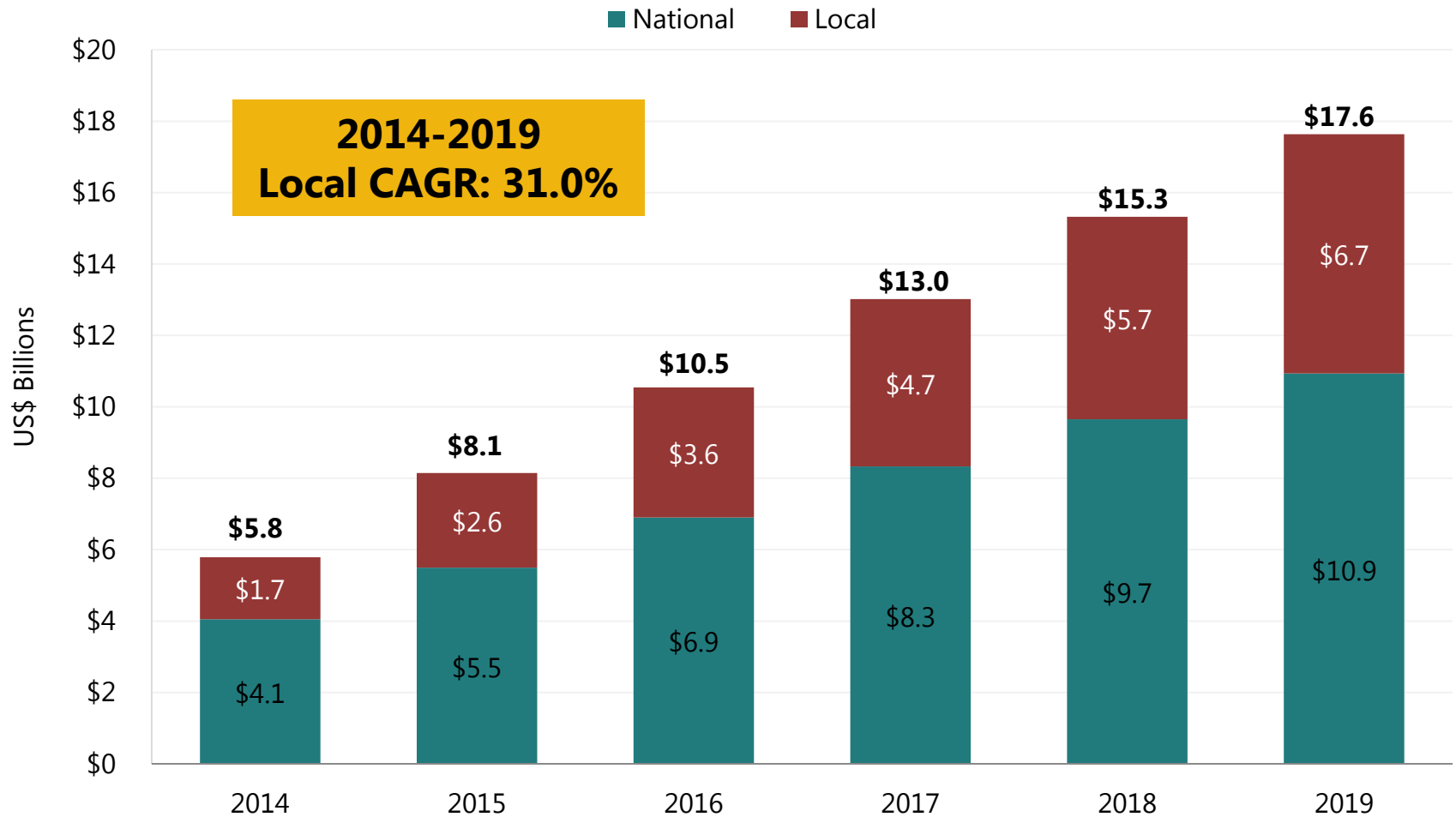
*Other includes ad revenue from all other U.S. social networks (e.g., Pinterest, Tumblr, Foursquare, etc.)



Local Social Media Advertising

As social media advertising grows, more will be targeted to local audiences.

U.S. Social Local vs. National Ad Spend: Five-Year Forecast



Note: Numbers are rounded.

Social Media Advertising: Annual Revenue Changes



Media	2014	2015	2016	2017	2018	2019	CAGR (2014-2019)
Social Media	72.9%	40.8%	29.4%	23.5%	17.7%	15.1%	25.0%
Desktop	34.3%	20.8%	10.5%	13.7%	5.5%	30.5%	15.9%
Mobile	137.8%	59.8%	43.0%	28.9%	23.7%	8.6%	31.7%
Local Social	99.5%	52.5%	37.4%	28.8%	21.0%	18.2%	31.0%
Total Local Adv.	3.8%	1.1%	4.3%	2.0%	4.2%	2.1%	2.7%
GDP	3.6%	4.0%	4.5%	4.5%	5.0%	5.0%	4.6%

Local Magazines

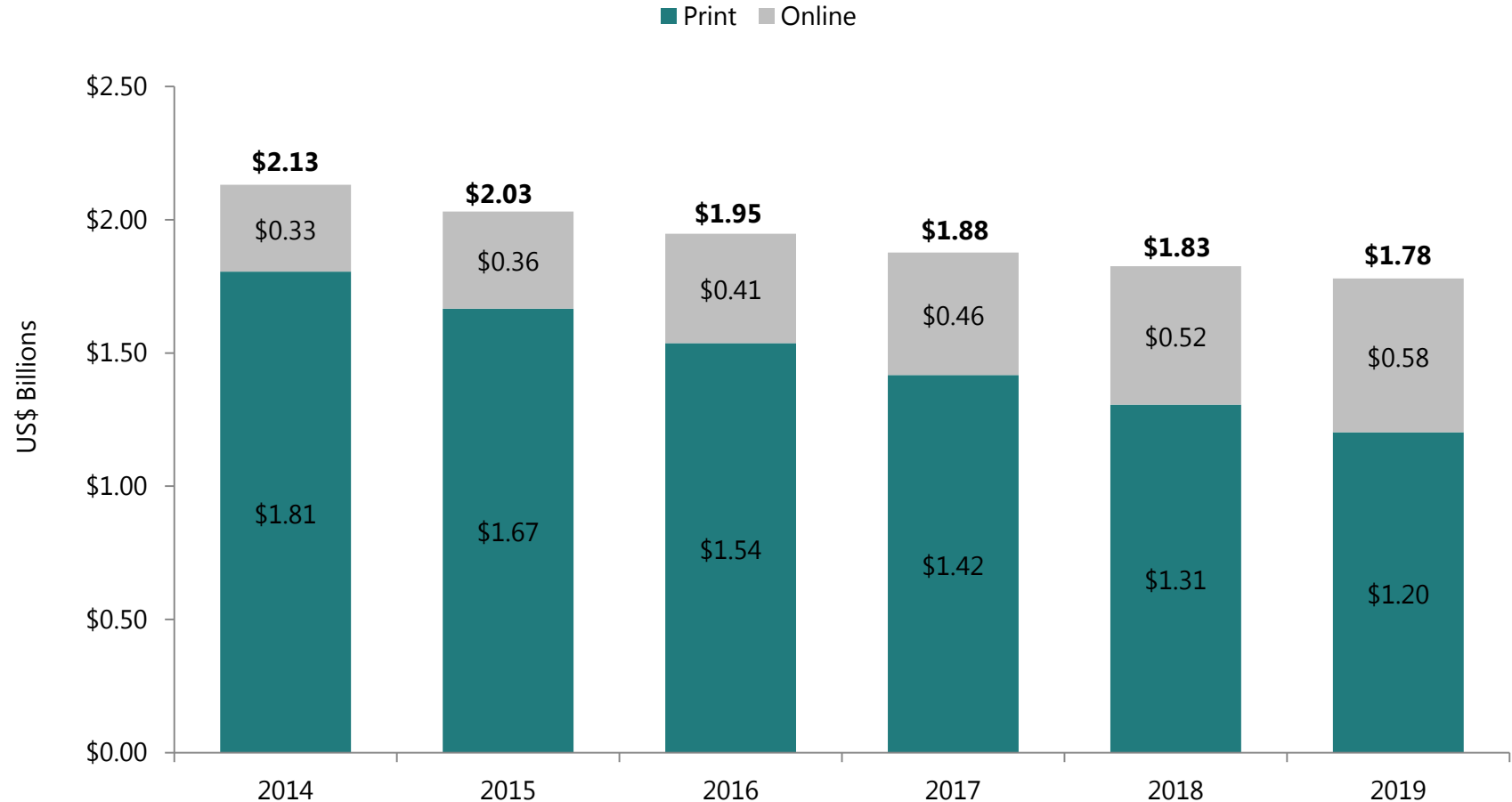




Local Magazines

- Certain demographic and geographic groups are still adequately reached by local magazines in specific areas.
- Recently Local/Regional magazines held their ground in terms of numbers with the MediaFinder reporting 951 regional magazines, up slightly from 941 a year ago.
- Newsstand sales and circulation decreases, however, continue to put pressure on magazines' ability to sell advertising pages.
- Online activity by local magazines is increasing and showing some promise, though it remains a relatively small percentage of their overall revenues, only partially offsetting declines in print.

Local Magazines: Five-Year Forecast



Note: Numbers are rounded.

Local Magazines: Annual Revenue Changes



Media	2014	2015	2016	2017	2018	2019	CAGR (2014-2019)
Online	13.0%	12.1%	12.6%	12.0%	13.0%	11.1%	12.1%
Print	-9.6%	-7.7%	-7.7%	-7.8%	-7.9%	-7.9%	-7.8%
Total Local Magazines	-6.7%	-4.7%	-4.1%	-3.6%	-2.8%	-2.5%	-3.5%
Total Local Adv.	3.8%	1.1%	4.3%	2.0%	4.2%	2.1%	2.7%
GDP	3.6%	4.0%	4.5%	4.5%	5.0%	5.0%	4.6%



The Local Media & Advertising Experts

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