GETTING TO $72 BILLION:

BIA/Kelsey's Mobile Ad Revenue Forecast

A BIA/Kelsey Industry Watch Report

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EXECUTIVE SUMMARY

Twice per year BIA/Kelsey devises a forecast that projects ad spending for location-targeted advertising. The five-year outlook comprises media such as television, radio, Yellow Pages, online/interactive and mobile — all covered in an extensive slide-based deliverable.

For the first time in report form, we're now drilling down on one of those areas: mobile. In addition to inclusion in the cross-media forecast, its growth and complexity compel standalone treatment. This report accomplishes that through data and narrative on mobile advertising's many layers.

The findings: Mobile is the fastest growing among all location-targeted media that BIA/Kelsey tracks. When panning back to mobile's overall U.S. ad spend (local and non-local), it's estimated at $33 billion in 2016, growing to $72 billion by 2020, a 17 percent compound annual growth rate.

Zeroing in on the location-targeted portion of that overall mobile ad spend, it will grow from $12 billion in 2016 to $32 billion in 2021, a 21 percent CAGR. That translates to 38 percent of overall mobile ad revenues today, growing to 45 percent by 2020.

Drivers include mobile users' commercial intent and advertisers' evolution to align with that behavior. There are also premiums associated with location-targeted ads — a function of their performance and growing demand. And Madison Avenue is latching on to these realities.

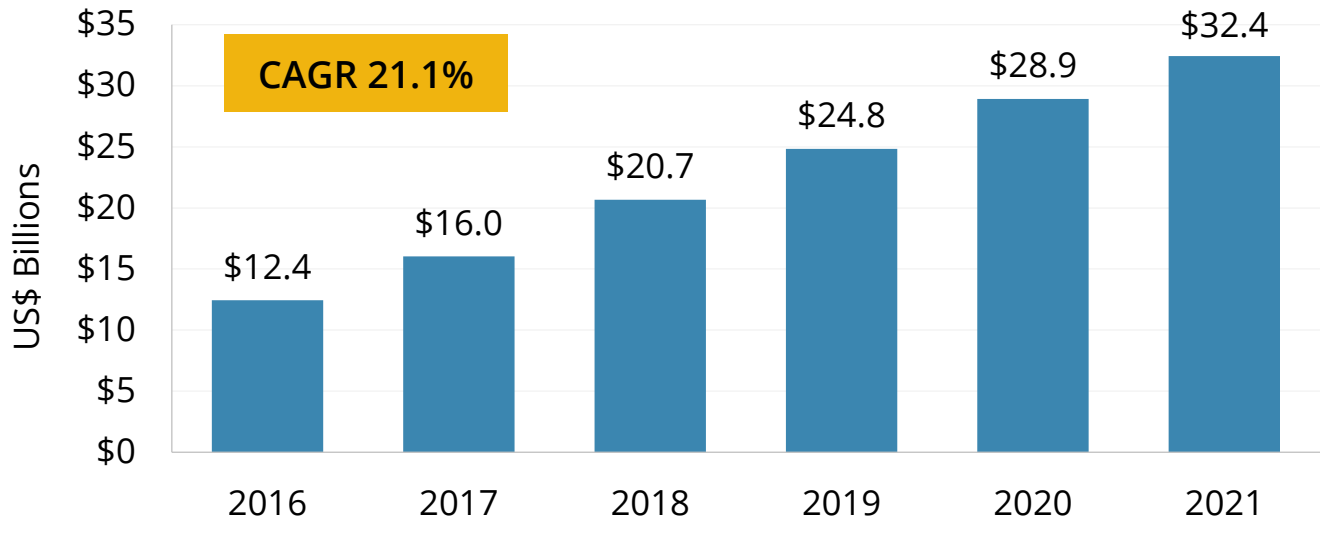
In addition to segmenting mobile ad spend by its locality, BIA/Kelsey breaks it down by format. There we see notable trending in revenue share between search, display, messaging, video and native-social. Search has long ruled but is slowly losing share to emerging formats.

Native-social ads are a notable component of this year's forecast. They're defined as in-feed socially targeted advertising in vertically scrolling interfaces (e.g., Facebook, Twitter, Instagram). Their growth follows millennial usage behavior and advertiser demand for content marketing.

These and other findings emerged through BIA/Kelsey's all-year process of collecting, analyzing and synthesizing forecast inputs. The result is a data set that carries an eight-year legacy of time-tested accuracy and commentary on where things are moving next.

Figure 1 - Location-Targeted Mobile Ad Spend

Five-Year Forecast



Note: Numbers are rounded.

Source: BIA/Kelsey, 2017

MOBILE: THE VIEW FROM SPACE

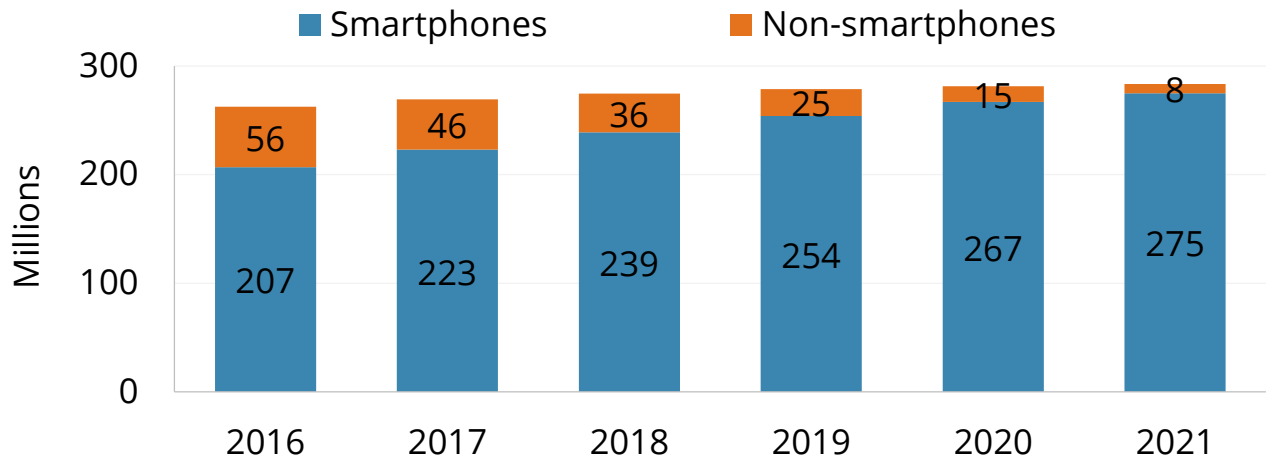
Before this report splinters into many directions that represent all sides of mobile advertising, what does the whole pie look like? In the U.S. mobile advertising revenues total $33 billion in 2016, growing to $72 billion by 2020, a 17 percent compound annual growth rate.

There are several factors driving this growth, but it mostly starts with usage. Smartphones represent 79 percent of mobile phones in the U.S. This has bred a mobile culture that spends a growing share of time looking down at the glow of mobile games, messaging and social media.

Google likewise reports that more than half of search queries now happen on mobile devices. This is notable as search is usually a good indicator of consumer behavior and intent. And Kleiner Perkins reports that mobile now makes up 25 percent of users' time with media.

Figure 2 - U.S. Smartphone Penetration

Five-year forecast



Source: BIA/Kelsey, 2017

Location, Location, Location

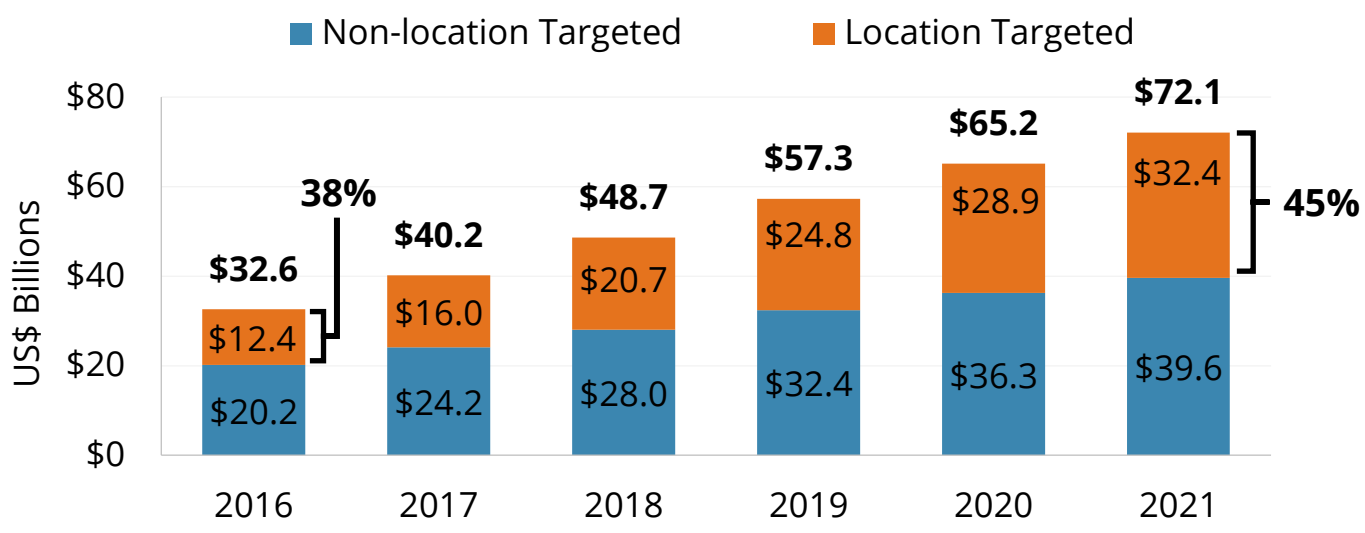
Within U.S. mobile ad revenues, BIA/Kelsey segments location-targeted ad spending as a centerpiece of its forecast. Today that segment represents $12 billion, growing to $32 billion by 2021. That translates to 38 percent of mobile ad revenues today, growing to 45 percent by 2021.

A few important questions arise from these figures, most of all, what do we mean by location-targeted ads? They're defined as ads that are targeted based on a user's location or include proximity-relevant content to trigger local offline conversions. More details are in the appendix.

It's also important to note that location-targeted ads include advertisers of all sizes. Often terms like local imply in-market small businesses. BIA/Kelsey's forecast conversely includes large and small businesses: The defining factor is localization of the campaign, not of the advertiser.

Beyond the what, another important question that arises from these figures is the why.

Figure 3 - Location-Targeted vs. Non-location-Targeted



Note: Numbers are rounded.

Source: BIA/Kelsey, 2017

Why Local?

One of the biggest mobile success factors BIA/Kelsey observes is native thinking: building content, apps and ads that fit the device's unique form factor, rather than porting formats from legacy media. Nowhere does this principle apply more than location targeting.

The smartphone's location-tracking abilities and portability, combined with users' transitory behavior, make location-targeted content a natural fit. Google in fact reports that 30 percent of searches have explicit local intent, while 76 percent of those result in a store visit within a day.

This local intent drives mobile ad performance when campaigns effectively cater to it. For example, successful mobile search ads often utilize local extensions — imbedded call-to-action buttons in search ads that drive localized conversions. These can include call or map buttons.

That higher performance creates premiums for location-relevant ads. Premium ad rates in turn boost the value (and cost) of location-targeted ads and thus advertiser spend levels. That spending is reinforced over time through a feedback loop of advertisers' return on investment.

ROI reporting meanwhile continues to receive attention in the mobile ad world. It's a direct function of ad attribution, measured through things like clicks, calls and store visits. And here the magic is in connecting the dots between mobile and offline conversions — the essence of local.

Local = Offline

Despite ample coverage in mainstream and tech press, e-commerce only totals seven percent of U.S. retail spending. The rest — about $3.7 trillion per year — happens offline in physical stores. If you add local services, total offline consumer spending is about $7 trillion per year.[1]

This isn't meant to diminish the impact of online and mobile consumer engagement. Although all these transactions are consummated in bricks-and-mortar venues, they are increasingly influenced through digital means, such as search or local discovery apps like YP and Yelp.

The path to purchase — where attention, presence and marketing strategies should focus — resides in this progression from online engagement to offline conversion (O2O). BIA/Kelsey pegs O2O spending at roughly $4 trillion, while the mobile segment of that spend is just over $2 trillion.

That $2 trillion isn't ad spend but rather the value of consumer transactions that are influenced through mobile. Given that figure's size relative to the $300 billion in e-commerce spending, advertisers have more to gain by optimizing ad campaigns to drive offline conversions.

This happens through localized ad components offered by innovators like xAd and networks such as Google and Facebook. It includes call-to-action buttons that let consumers *book*, *reserve*, *buy*, *map* or *call*[2], right from within an ad unit. And it involves tracking resulting conversions.

For example, Google enhanced its mobile ad choices this year with a set of features for advertisers to more effectively measure offline conversions. Its Promoted Pins meanwhile offer a form of search advertising that graphically places local brands within the Google Maps app.

Facebook has also grown quickly as a local advertising channel, using action buttons that let advertisers plant transactional capability in front of users. This includes buttons that enable users to easily call, navigate, book or buy from nearby businesses (explored further below).

BIA/Kelsey believes these offerings from Google, Facebook and others will drive localized ad spend. Immediate and tangible conversions will combine with well-performing ads to reinforce Madison Avenue's mobile local ad spending and adoption.

[1] See BIA/Kelsey's breakdown of U.S. consumer spending here.

[2] See BIA/Kelsey report: *Call Commerce: A $1 Trillion Economic Engine*

Audience Targeting

When examining the different flavors of mobile ad targeting driving the sector's growth, an emerging tactic involves what is known as audience targeting. This is the art of using location data to build consumer profiles, which are then used as ongoing ad targeting triggers.

This shifts the rhetoric and traditional thinking around location. Rather than use a mobile location signal to deliver a geographically relevant ad (e.g., nearby restaurant), location is beginning to be seen as a longer-term tool to measure and create a multidimensional mosaic of consumer intent.

More specifically, audience targeting profiles users based on patterns of where they go (think: soccer mom, business traveler, student, etc.). The data are then used for predictive modeling for future behavior, and thus what contextual ad targeting and messaging will resonate most.

In other words, rather than send me an ad based on where I'm standing now, location tracking can be used to see the last 50 places I visited. That data can then be triangulated to predict where I might go next and thus what ads or messaging I might be most receptive to.

A recent ThinkNear and IPG Media Lab report showed audience targeting boosted local foot traffic by 29 percent over non-audience targeted benchmarks. The cost per incremental store visit was also cheaper at $1.06, compared with $6.39 for non-audience targeted ads.

Audience targeting's benefits also include receptiveness among brand advertisers. Audience targeting speaks their language: They've done demographic targeting for years. Mobile location-based audience targeting is just a more evolved form of that longstanding practice.

Several technology companies develop versions of audience targeting, including Foursquare, xAd, Placed and PlaceIQ. It not only creates a more multidimensional set of targeting parameters, but it can alleviate location targeting's biggest challenge: accuracy.

The '10% Problem'

Location tracking is challenged by an accuracy problem. Users' GPS data aren't always accessible, unless they've opted in to share it at the app level. So when that location precision isn't available, some ad networks will revert to more blunt tactics such as reverse IP lookup.

This has created an industry outcry for more responsible ad targeting practices. Among the most vocal in this reformist activity are xAd, Foursquare and ThinkNear. Responsible practices they espouse include vetting location signals more carefully and discarding unreliable readings.

BIA/Kelsey has meanwhile estimated that less than 10 percent of location readings are accurate down to the meter level (involving GPS). This gets back to audience targeting: Its benefit involves having additional relevance triggers for the majority of time when location data are unreliable.

Put another way: If you only have 10 percent of the time to accurately track location, utilize that limited time to develop location-driven audience profiles. Then you can use that profiling data during the other 90 percent of the time, regardless of where someone is.

National-to-Local

As mentioned, localized mobile ad spending includes national brand advertisers as well as in-market small businesses. The former currently account for the majority of localized mobile ad spending. This is due to the segment's tendency to adopt newer technologies faster than SMBs.

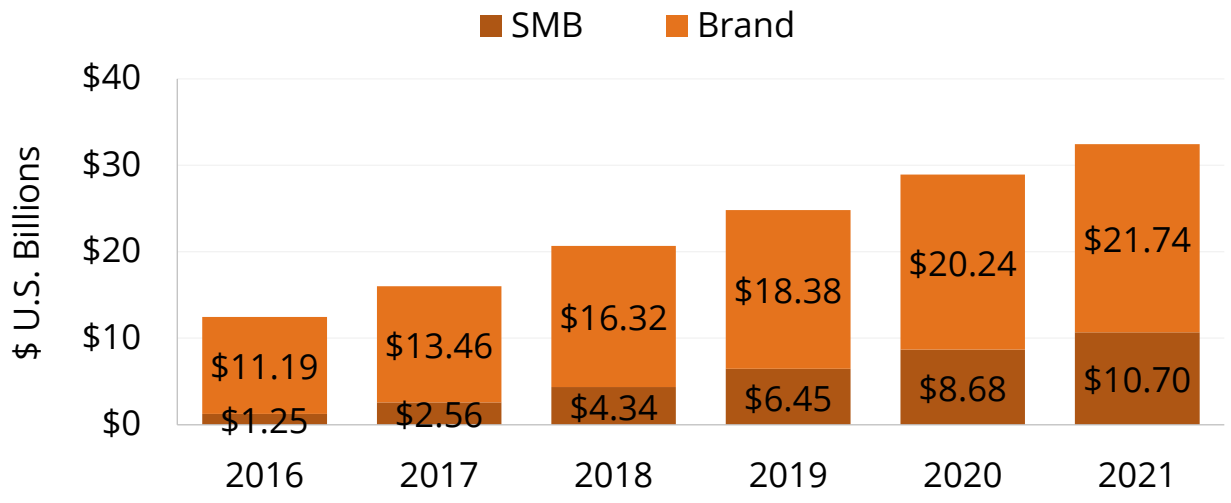
However, BIA/Kelsey believes SMBs' share of mobile local ad spending will grow in the coming years. This will happen through continued innovation around self-serve offerings like Facebook, as well as direct selling and bundling from local media companies like YP.

In fact SMBs' share of the localized mobile ad spend will grow to match its share of the overall local media ad pie. Specifically, SMB spending now accounts for about 36 percent of local advertising. But in mobile — due to its younger status — SMB spending is only 10 percent.

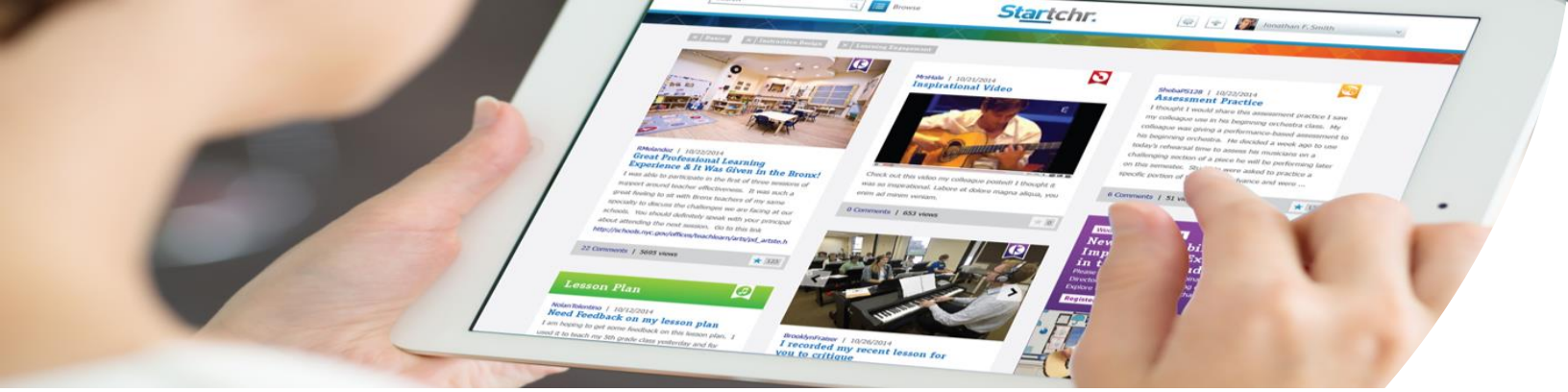
Over the next five years, as mobile advertising itself matures, SMBs' mobile local ad spending share will approach that 36 percent to match its overall local ad spending share. But in the meantime, the majority of localized mobile ad spending is still coming from national brands.

Figure 4 - Location-Targeted Ad Spend By Advertiser Type

National brand advertisers versus in-market SMBs



Source: BIA/Kelsey, 2017



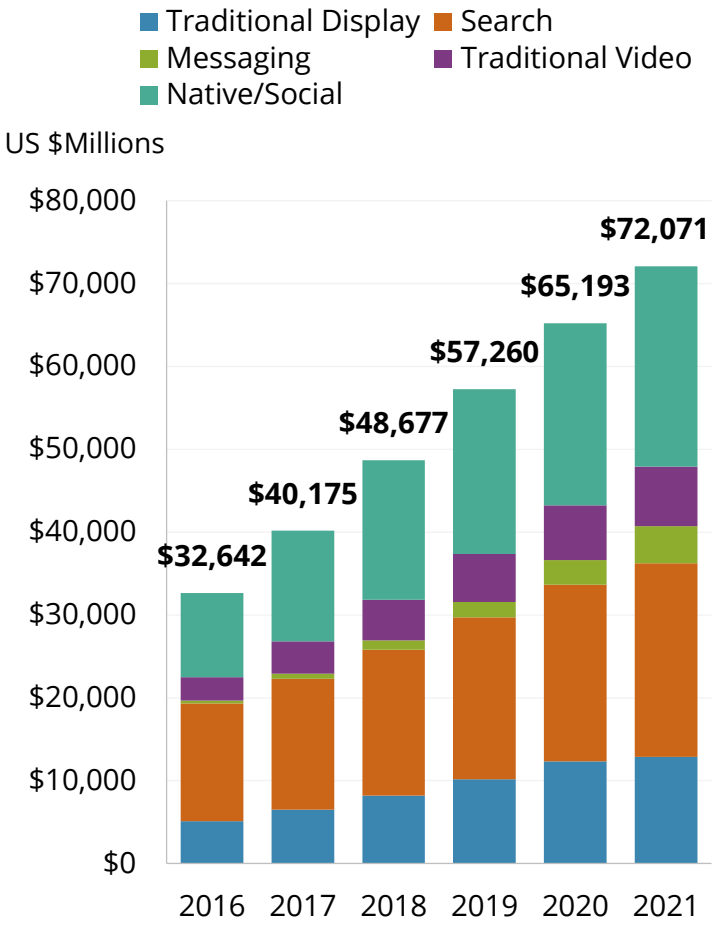
FORMATS

There are several breakdowns in BIA/Kelsey's mobile advertising forecast. So far, we've covered the overall mobile ad pie, and also how that breaks down between localized and non-localized ad revenues. But another important segmentation is to break down ad revenue by format.

There we see mobile ad formats like search, display, video, messaging and native-social advertising – each defined in the coming sections. Because they are bought and sold in various ways, different formulas and models apply to the composition and financial modeling of each.

In short, search advertising currently holds the largest share, followed by display and native social ads. Search will continue to eclipse all ad formats and hold the largest share, but native-social is growing the fastest. The following sections examine the dynamics and outlook for each.[3]

Figure 5 - U.S. Mobile Ad Spend by Format



Note: Numbers are rounded.

Source: BIA/Kelsey, 2017

[3] BIA/Kelsey's breakdown of mobile ad formats happens within overall mobile ad spending, as well as within the localized portion. This section examines the former, though the latter is available upon request.

Search

Search advertising is the leading mobile ad format. It derived $14 billion in 2016, growing to $23 billion in 2021. That translates to 44 percent of the total ad pie currently, shifting to 32 percent in 2021. The share reduction results from the growth of native-social advertising, explored below.

Search has held the crown for market share among mobile ad formats throughout the smartphone age. And it continues to indicate a strong position in the foreseeable future, though some factors threaten it. Much of its strength comes from high-intent usage.

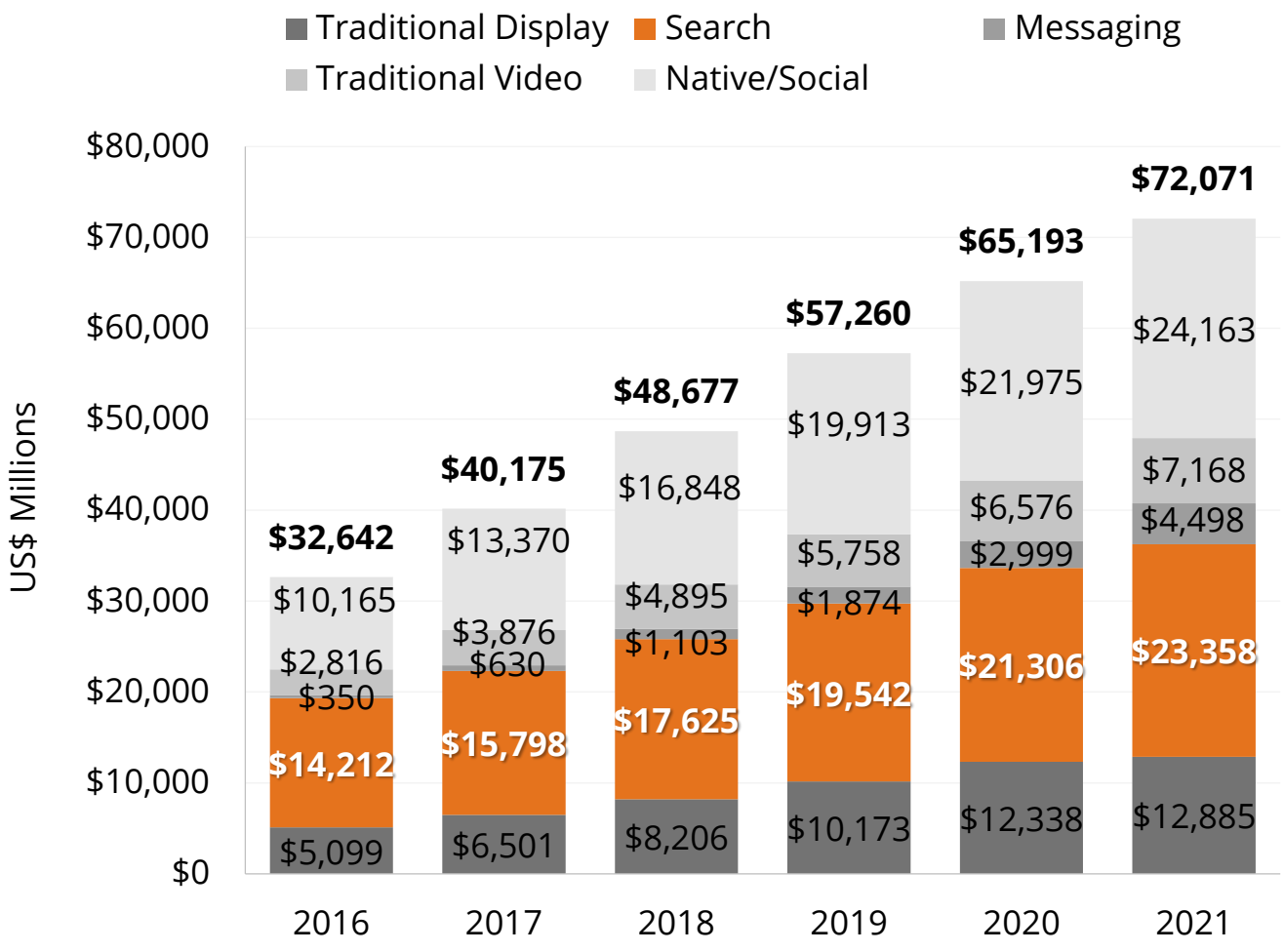
As explored in some of the Google data cited earlier, mobile search usage carries a high degree of "lean forward" commercial intent. This has made it an attractive venue to incorporate advertising, which in turn shows strong performance metrics like clicks, calls and transactions.

For example, mobile search click through rates (CTR) are 3 percent on average, compared with mobile display ad CTRs that average 0.4 percent. These performance metrics keep improving as Google offers advertising tools to capture user intent, such as Product Listing Ads.

Google's data meanwhile continue to boost ad utility such as nearby product inventory. And voice search is on the rise, opening up ad inventory with it. This will progress as Google improves speech to text processing and releases products like Google Assistant, Home and Allo.

These influences join mobile search volume, ad coverage and other factors to derive search ad revenues. Though most mobile search happens on Google, it's important to note that this forecast includes in-app search such as Yelp and YP, as well as pay-per-call advertising (explored below).

Figure 6 - U.S. Mobile Ad Spend: Search



Note: Numbers are rounded.

Source: BIA/Kelsey, 2017

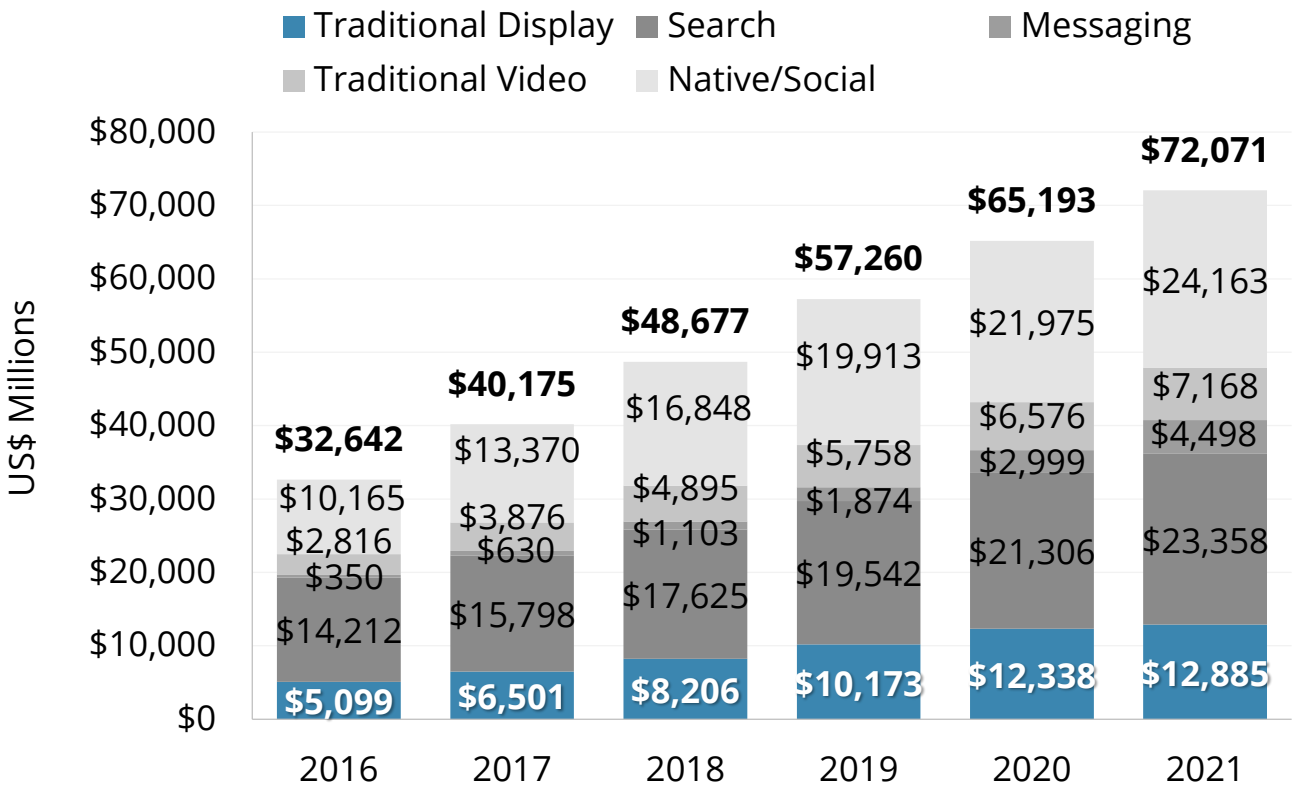
Traditional Display

Traditional display advertising is the third largest mobile ad format. It's currently $5.1 billion, growing to $12.9 billion by 2021. That translates to 16 percent of the total ad pie in 2016 shifting to 18 percent in 2021. Flat share growth is due to many factors, including the format's maturity.

Traditional display is defined mostly by banner ads that appear in mobile apps and web. The format's spending primarily results from habit, as many participants of the digital ad ecosystem have gotten comfortable with it. But it's mostly left over from the desktop era of online ads.

As with search, many factors threaten traditional display. These include the rise of a better-performing native-social ad format (explored below), ad blockers (also explored below) and millennial distrust of traditional forms of advertising.

Figure 7 - U.S. Mobile Ad Spend: Traditional Display



Note: Numbers are rounded.

Source: BIA/Kelsey, 2017

Traditional Video

Video ads possess many of the same dynamics and drivers as display ads. In fact many digital ad market forecasts lump them together. BIA/Kelsey separates video and further delineates traditional video as separate from video that appears in native-social formats (explored below).

Traditional video includes in-stream pre-roll ads on video apps and sites like YouTube. It does not include natively produced and placed in-feed video in social media, such as Facebook and Snapchat. Videos in the latter category are measured separately under native-social.

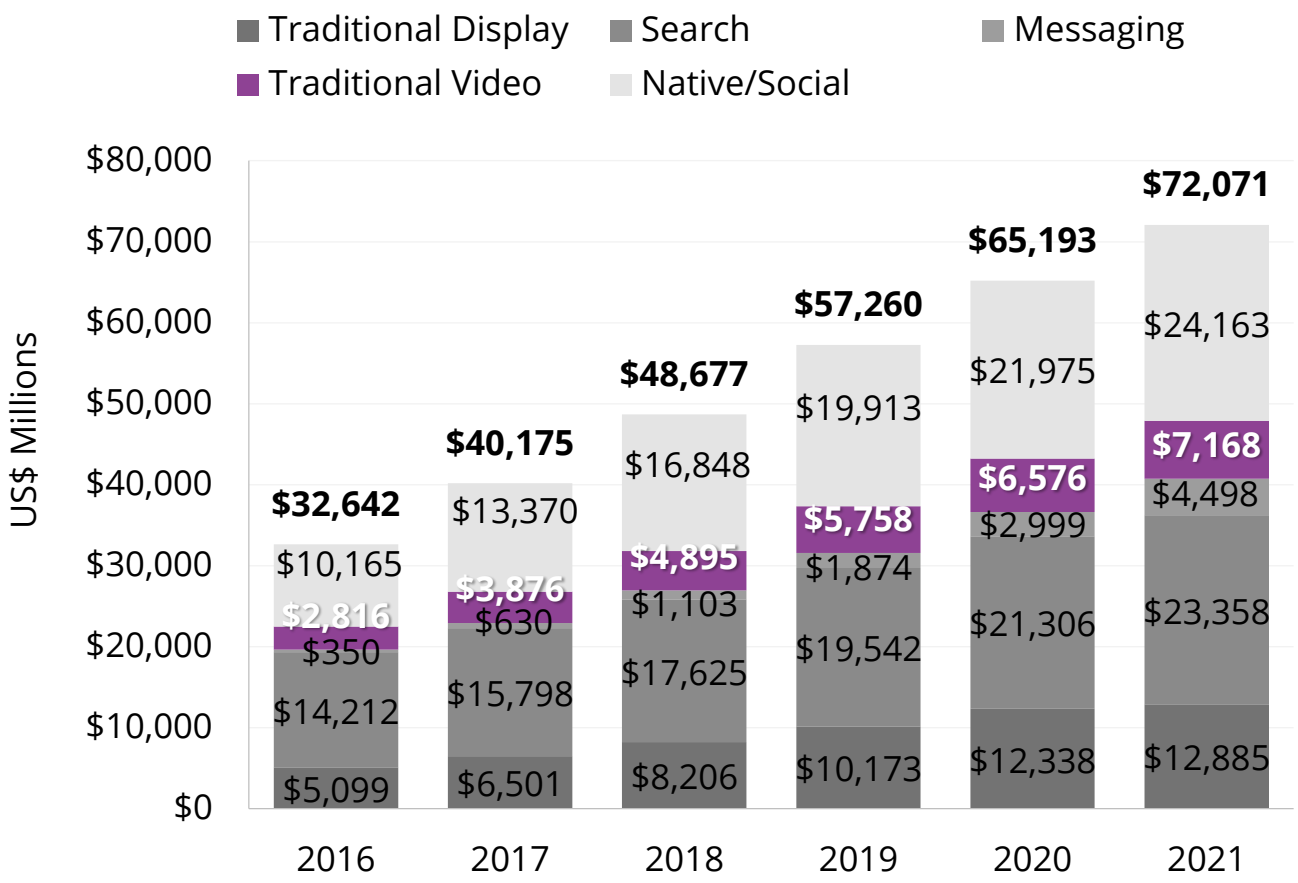
Mobile traditional video ads currently generate $2.8 billion, which we project to grow to $7.2 billion by 2021. That translates to 8.6 percent of mobile advertising in 2016 shifting to 5.7 percent. Most of these revenues go to YouTube, as it has taken a leading position in mobile video consumption.

BIA/Kelsey estimates YouTube's video ad revenues at almost $13 billion. About half that is mobile and 30 percent is U.S., making mobile U.S. revenues about $2 billion. With a 75 percent market share, that supports BIA/Kelsey's $2.8 billion projection for traditional video advertising.

But the question often arises: Why doesn't video have a larger share? Reasons include viewing time on small screens, as well as the medium's propensity toward short-form content, which limits ad inventory. Pre-roll ads are also seen as obtrusive within such short mobile video clips.

And as with display and search, this category's growth will be mitigated by shifts to native-social advertising. The latter is becoming popular for video consumption, such as Snapchat Stories. The bottom line is that video will grow in mobile but mostly outside the traditional (pre-roll) format.

Figure 8 - U.S. Mobile Ad Spend: Traditional Video



Note: Numbers are rounded.

Source: BIA/Kelsey, 2017

Native-Social

Native-social advertising has been referenced throughout this report, so what is it exactly? It is defined as graphical, multimedia and textual content that is merged into the organic feed-based interfaces of mobile social apps. The most prevalent example is Facebook News Feed Ads.

In addition to their format and orientation, native-social ads are defined by how they're targeted. They're placed based on targeting parameters such as granular signals within the social graph. That includes past behavior (e.g., Facebook likes) and social connections to people and groups.

In that sense, native-social should not be confused with traditional display ads that happen to be placed near social content. For example, a banner ad that is seen within a dating app, event calendar app or anything else construed to be "social" is counted under "traditional display."

Native-social ads are conversely defined by their format. And native is the operative word. They merge with the vertical feed of time-based and social-oriented content within the few apps built on that framework. These include Facebook, Twitter, Instagram, LinkedIn and a few others.

Now that we've covered the what, the question is, how much? Native-social is the fastest growing mobile ad format, deriving $10.2 billion in 2016 and growing to $24.2 billion in 2021. That translates to 31 percent of the total ad pie currently, shifting to 34 percent in 2021.

This growth stems from the format's advantages, high performance and resulting demand. These advantages come from a principle introduced earlier (and baked right into the format's name): native. The format aligns with mobile device realities and the way content is consumed today.

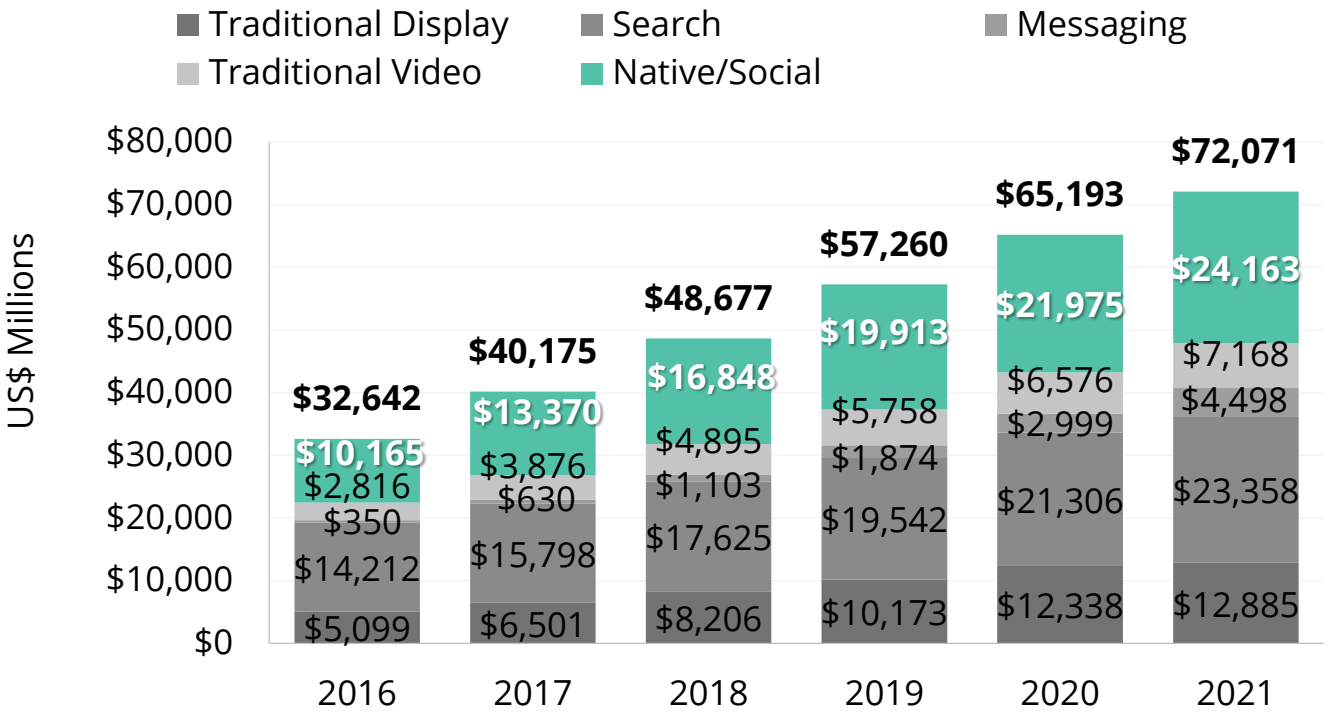
For example, sub-six-inch screens favor in-feed units over banners. In other words, mobile screens lack screen real estate for traditional top and side banner ads that ruled the desktop web. A vertically scrolling feed (a la news feed) conversely holds greater capacity for ad inventory.

Beyond quantity, there's quality: Native-social ads resonate with millennials, who are famously averse to traditional advertising and didactic ad messaging. Native-social's subtlety appeals to the generation, whose buying empowerment makes its tastes a critical factor.

On the buy side, native-social advertising has likewise resonated. This is seen in the brand world's Snapchat obsession and SMBs' Facebook adoption. Facebook has 50 million SMB pages, 4 million of which pay for news feed ads — more paying SMBs than any other platform.

This is driven by the ease of campaign management and growing suite of action buttons on Facebook pages and ads (e.g., buy, book, call). Multimedia is also a draw, including increasingly popular and well-performing auto-start/stop video in Facebook and Instagram vertical feeds.

Figure 9 - U.S. Mobile Ad Spend: Native Social



Note: Numbers are rounded.

Source: BIA/Kelsey, 2017

Messaging

Another notable trend in this round of mobile forecasting is the inflection point for messaging.

Previously designated as SMS, the category was in decline due to the smartphone era's tendency toward apps. This caused clear drops in advertiser interest in SMS as a channel.

However, a new classification — known in this forecast as messaging — includes rapidly growing messaging apps such as Facebook Messenger, which has more than 1 billion global users. Beyond raw usage, there is native transactional functionality developing within these apps.

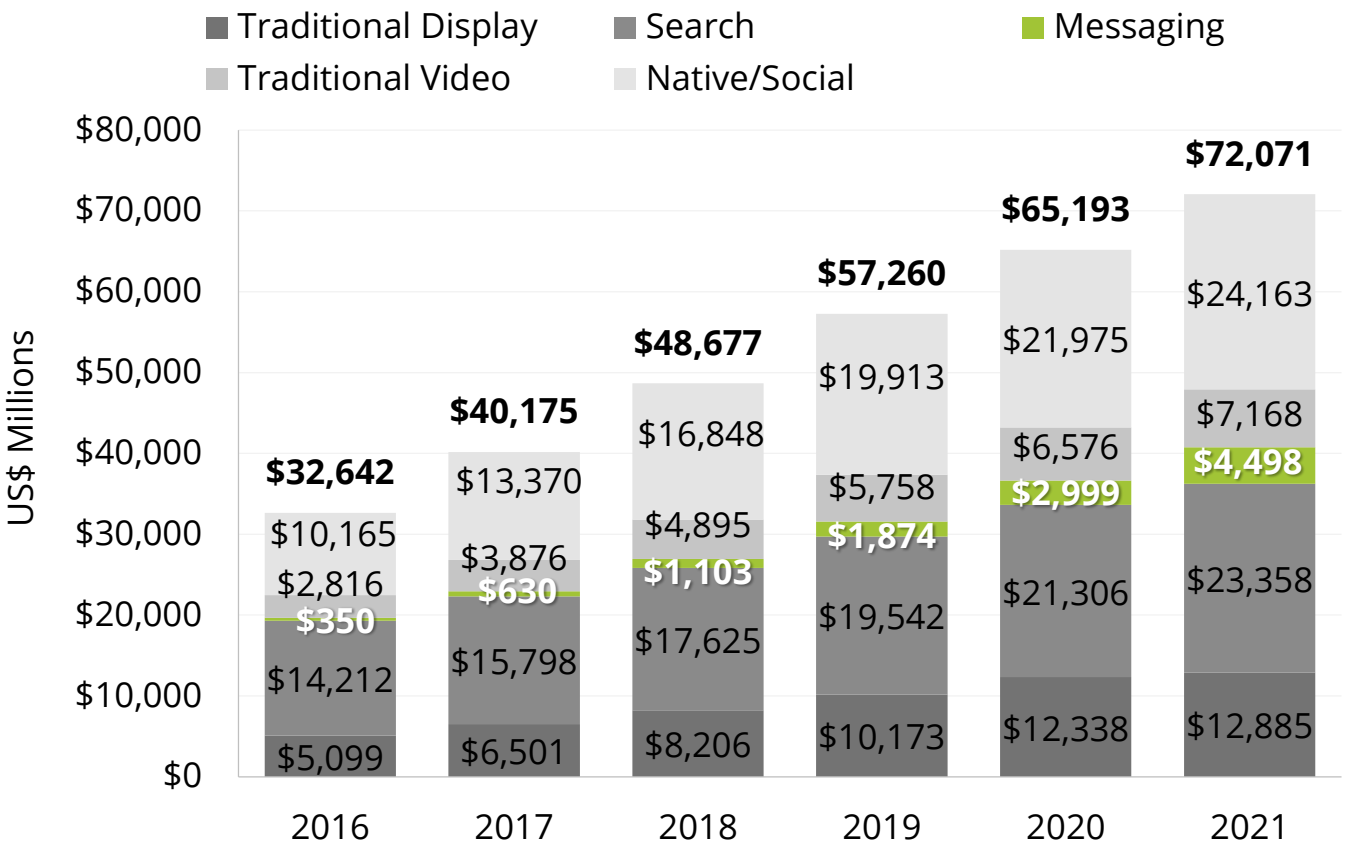
This brings us to the emerging area of *conversational commerce*: transactional activity that happens within messaging interfaces, such as customers messaging businesses to ask simple questions. This will also spawn a fair amount of advertising to lead consumers to transact.

Messaging not only replaces the previous SMS category, but it has new growth calculations due to its now-broader reach. Specifically it will derive $350 million in 2016, growing to $4.5 billion in 2021. That translates to 1.1 percent of the total ad pie currently, shifting to 6.2 percent in 2021.

Much of this will be driven by Facebook Messenger. As mentioned, it has a billion users and has already begun to integrate transactional tools. Payments within Messenger are also a big initiative for Facebook, which will lay an important foundation for conversational commerce.

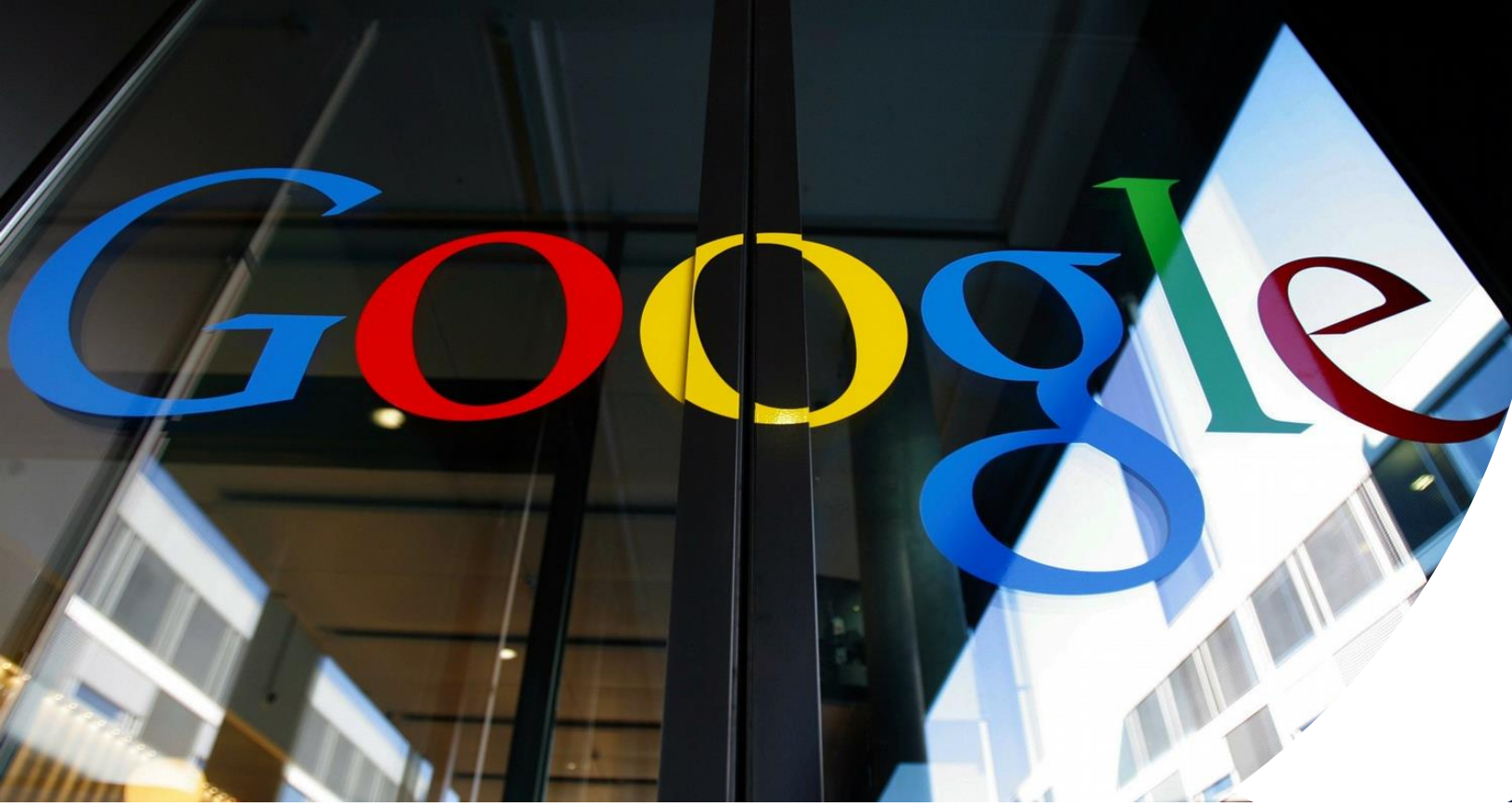
Other leading indicators for conversational commerce's growth include its use overseas. WeChat in China and WhatsApp in Europe are both already used heavily as ways for consumers to converse and transact with local businesses. The trend could spread west.

Figure 10 - U.S. Mobile Ad Spend: Messaging



Note: Numbers are rounded.

Source: BIA/Kelsey, 2017



ORBITING FACTORS

Google: At a Crossroads

As explored earlier, search is the leading mobile ad format in revenues. However, it will lose share to emerging formats like native-social. This is due to a key usage trend: In an app-based world — versus a browser-centric one, a la desktop — search is no longer the primary front door.

This trend's significance is highlighted by search's longstanding dominance. It has been the gatekeeper to the web for the past decade. And that dominance has been lucrative, especially for market share leader Google, which derives roughly $50 billion annually from search advertising.

With so much to lose, Google is most affected by continued migration to smartphones. In fact, one of the biggest challenges facing Google today is carrying its dominance into a new environment with different entry points to digital content. It's a classic innovator's dilemma.

Google is avoiding this common trap, however. In many ways it's embracing the formats that threaten search most. This can be seen in several app-centric announcements over the past year, including Google Assistant, Home, Allo and Keyboard.

These additions all have a common theme in Google's construct of "micro-moments," the hundreds of daily moments when users look at their phones for information. Google believes that if it can capture users during these moments, it will counterbalance its search volume declines.

This translates to predictively sending users information (push) rather than waiting for them to search (pull). To do that, Google must become a more robust artificial intelligence tool. This is what Siri and Amazon Alexa are trying to do and will be a key battleground in the coming years.

Google is well positioned for this battle because it will be won on data. Google has the most robust data from its search index and knowledge graph. This will provide a key advantage against Apple and Amazon whose strengths lie in places other than "all the world's information."

The theme that underlies all of the above is reducing friction between you and Google-delivered information. This includes the iOS keyboard that literally places Google at your fingertips. Google is also planting itself within the home in a first-ever hardware product, Google Home.

Call Commerce

One of the most important and under-recognized areas of the media and advertising worlds is what BIA/Kelsey refers to as call commerce. Formerly known as call monetization, it involves driving, tracking and optimizing inbound phone calls as a form of business leads.

Call commerce is mentioned here because it's a component of the ad revenues examined above. In fact it represents a growing part of the ad revenues within each of the formats and delivery channels explored in the above sections. It's most prevalent in search but growing elsewhere.

BIA/Kelsey pegs global click-to-call spending at $5.9 billion last year, growing to $13.7 billion by 2020. This is from click-to-call buttons in mobile advertising and doesn't include revenues from call analytics platforms from companies like Marchex, which analyzes calls and their contents.

Google has sunk its teeth into this opportunity by making click-to-call buttons a primary component of search results, both organic and paid. The latter happens via AdWords extensions, and Google continues to develop ways to drive, track and optimize phone calls.

This relates to the broader topic of attribution, the holy grail of local commerce. Call commerce leaders are designing ways to use a phone number or mobile device as an identifier — much like Facebook uses social identity — linked to offline conversion data such as credit card information.

These analytics have in fact uncovered phone calls' impact on consumer spending. BIA/Kelsey estimates that phone calls influence $1 trillion in U.S. spending at some stage of the path to purchase. This value partly derives from calls' prevalence in high-value product categories.

Call commerce will continue to grow with the trend towards actionable content and measurable results. This includes social media where Facebook, Instagram, and others increasingly include buttons to call local businesses – an unwavering human urge, even in a digital era. [4]

[4] See BIA/Kelsey report: *Call Commerce: A $1 Trillion Economic Engine*

Ad Blocking: A Blessing in Disguise

Ad blocking threatens to undermine mobile advertising, but BIA/Kelsey believes this topic will have less impact than reported in industry news. It is only applicable to a narrow portion of mobile advertising, such as in-browser banner ads for users who download and activate ad blockers.

With iPhones, for example, ads are only blocked on the Safari browser (as opposed to in apps) when the user has downloaded and activated an ad blocker. Due to these specific requirements, Swiss investment bank UBS reports ad blockers only affect 0.5 percent of mobile ad revenues.

But one positive effect of ad blockers will be a wake-up call for a lumbering advertising industry to create something better. This is an area where the tech world has innovated circles around Madison Avenue, including many of the native-social formats discussed in this report.

In fact most forms of native-social advertising and content marketing are immune to ad blocking, which has motivated many ad networks, agencies and ad tech players to begin to adopt the format. This is yet another reason BIA/Kelsey is bullish on native-social advertising in mobile.

CONCLUSION: FOLLOW THE EYEBALLS… AND FOOTSTEPS

Smartphone usage patterns have driven Madison Avenue's slow but sure migration to mobile advertising. Advertiser adoption has come in many forms, but most newcomers to mobile advertising have made the mistake of porting traditional media formats to a smaller screen.

This practice parallels the early days of television, when announcers read advertising from a sheet of paper while standing in front of the camera. The reason: This was the way advertising was done in the previous medium, radio. We see the same awkward transition to mobile.

This is why we see tiny banner ads that clutter our mobile apps or 30-second spots built for television ham-handedly slapped in front of a 90-second mobile video. But as we approach 2017, the smartphone era's 10th year, there's a palpable movement toward native formats.

By native we mean formats that are built "mobile first" or "mobile only" instead of being ported from other formats as characterized throughout this report.

Examples include brand experiences created in artful photographic styles then strategically merged into target users' Instagram feeds.

Beyond style and formatting, targeting ads using factors like location, social activity and audience profile are showing strong performance metrics. And new transactional metrics better capture ROI compared with traditional ones like clicks and impressions.

"Click through rate is a bulls--t metric," said xAd head of platform Dan Hight at the BIA/Kelsey BRANDS conference in March. "Traditionally, that's what agencies look at. But now it's about a place in the real world: How do you get people to my store, and how to measure that?"

The answer is to go "beyond the click." As BIA/Kelsey has argued since 2009[5], the true mobile play is to drive measurable results to local businesses. That means content that captures their *interest;* and ad features – navigation, voice calls and bookings – that capture their *actions*.

[5] See article: *"Not to dismiss clicks and impressions, but …"*

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BIA/Kelsey

Mike was one of Silicon Valley's first tech writers of the Internet age as a staff reporter for Forbes, starting in 2000. Now a leading industry analyst, he is a frequent speaker at top industry conferences such as BIA/Kelsey events, ad:tech and LeadsCon.

He authors defining reports and revenue forecasts on the changing tech and media landscape; he contributes to highly read news sources such as Business Insider and The Huffington Post; and his quotes and comments appear in The Wall Street Journal, Fortune and The New York Times.

After 15 years in professional writing and content production, Mike runs BIA/Kelsey's publishing strategy, including reports, multimedia, blog and newsletter.

ABOUT BIA/KELSEY

BIA/Kelsey is a market research and analyst firm that focuses on all things local. Local media is an increasingly dynamic area of ad spending and is quickly evolving with emerging digital platforms like mobile, social and search.

Over the past three decades, BIA/Kelsey has been an authority on these developing technologies as well as their forbearers in traditional media, which continue to transform as they likewise compete for local ad dollars and consumer affinity.

Through a suite of products that include research reports, data, conferences and client consulting, BIA/Kelsey analyzes the financial, social and technology trends affecting local media.

Readers, event attendees and clients receive the inside track on data, analysis and tactics needed to grow and transform in rapidly evolving tech and media landscapes.

If you're interested in learning more, please contact mgiannini@biakelsey.com.

ABOUT INDUSTRY WATCH REPORTS

BIA/Kelsey's Industry Watch series examines key trends and opportunities in tech and media sectors. Applying its analytical and editorial eye, BIA/Kelsey selects topics based on the criteria of industry growth, disruption, opportunity or notable lessons.

These reports join BIA/Kelsey's editorial calendar, with the additional opportunity for companies to underwrite distribution. This includes industry players that wish to bring reports out from the paywall, thereby amplifying the marketplace's access to, and awareness of, a given topic.

Underwriters get brand benefit in being associated with the free and open distribution of an industry report.

DISCLOSURE

Marchex has underwritten the distribution of this report. BIA/Kelsey maintains editorial independence throughout all stages of production. Report contents are not co-produced or influenced by underwriters, though they can provide source material and data on which analysts build narrative at their full discretion.

ABOUT MARCHEX

Seattle-based Marchex is a mobile advertising analytics company that connects online behavior to real-world, offline actions. It works with brands and agencies worldwide in communications, auto, financial services, home services, travel, education, health and local/professional services. Some of its clients include Time Warner Cable, ADT, CDK Global, T-Mobile, WPP and Bridgestone.

APPENDIX I: DEFINITIONS

What Is 'Local'?

The term local often has many connotations, which has bred confusion in the field of location-based advertising. For example, it is often synonymous with mom-and-pop small businesses, even though the category truly expands far beyond that relatively narrow scope.

BIA/Kelsey's mobile forecast is grounded in a methodology that includes many different modes of local. At its core, location-targeted mobile advertising is based on a user's location (i.e., geotargeting) or includes proximity-relevant content to trigger local offline conversions.

Location-targeted mobile advertising also notably includes large national advertisers, SMBs and mid-range businesses that are in-market (e.g., regional car dealership group). Location-specific ad copy or calls to action (e.g., call local store) will also classify a given ad as location targeted.

As explained above, audience targeting is an emerging form of location data, which uses historical (not current) location as a targeting trigger. This is included in BIA/Kelsey's location-targeted ad figures. Further explanation can be found in the video presentation below.

Are Tablets 'Mobile'?

For the past few years, a debate has raged throughout tech and media circles: Are tablets mobile devices?

This depends on whom you ask; you'll get different answers from a CMO and a CTO. For BIA/Kelsey analysis — covering content delivery and advertising media — we've taken a stance that tablets should not be lumped in with mobile. Google and many others share the sentiment.

All of the reasons and supporting evidence can be found in a published article by this report's author, which can be read **here**.

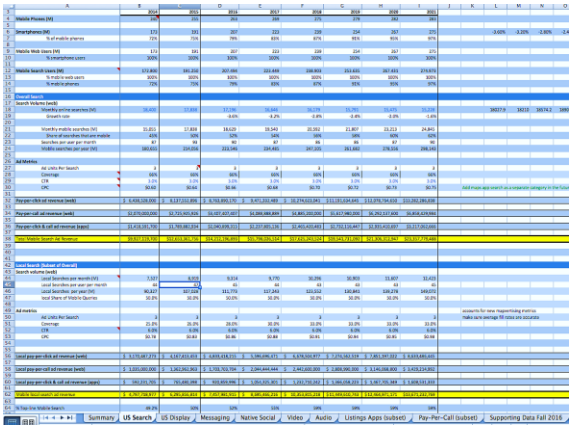
APPENDIX II: METHODOLOGY

BIA/Kelsey refreshes its forecast twice per year. Because the mobile ad market is evolving so quickly, it requires constant upkeep and awareness of market events. So in addition to a rigorous formulation process before a forecast release, data are collected perpetually throughout the year.

This process of collecting and indexing key forecast inputs merges with BIA/Kelsey analyst day-to-day market coverage and executive interviews. Analysts have made a science of tagging and indexing key market events throughout the year, to be used in the biannual forecast process.

This culminates in a workbook that has thousands of active cells. It is a "top-down" forecasting methodology that quantifies usage metrics, ad coverage, ad rates and other such figures. That is then vetted against a "bottom-up" approach that aggregates individual company revenues.

Further explanation can be seen in the video below.

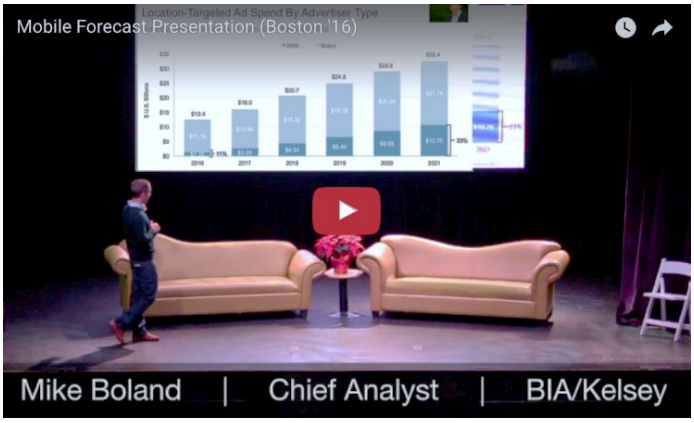


Methodology Explained (Video)

Click to play

APPENDIX III: ADDITIONAL MULTIMEDIA

Mobile Ad Forecast Breakdown



The Future of Search

BIA/Kelsey Podcast: Google Enters the Home