



# **BIA/Kelsey's Annual U.S. Local Media Forecast, 2011-2016**

**Mobile Local Media**

November 2012

# Quick Take: U.S. Mobile Local Media Forecast

- U.S. mobile local advertising will grow from \$664 million in 2011 to \$5.8 billion in 2016, a CAGR of 54.2%.
- During the same time frame, mobile's share of all local media spend will grow from 0.6% to 3.1%.
- Mobile local advertising is also a segment of the overall U.S. mobile ad market, growing from a 41% share in 2011 to 58% by 2016.
- Search is the largest mobile local revenue component and will remain so through the forecast period. It will grow at a 52.4% CAGR, from \$390 million to \$3.2 billion.
- Mobile video is the fastest growing ad format, as it is growing from the smallest base. Video will grow at a CAGR of 83.9%, from \$14 million in 2011 to \$290 million in 2016.

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# About This Forecast

- BIA/Kelsey constantly monitors the local media marketplace. Twice per year we build a forecast that brings together these media for a holistic view of the U.S. local advertising picture (definitions are provided).
- The slides that follow present an overall assessment of the local market, including forecasts and explanations, followed by a drilldown into the mobile segment (beginning on slide 15).
- For more information on the other segments that constitute the overall local media picture (each of which has a corresponding unique forecast), please contact Steve Passwaiter at [spasswaiter@biakelsey.com](mailto:spasswaiter@biakelsey.com).

# Executive Summary – Overall Local Media Advertising

- BIA/Kelsey defines the local media advertising marketplace as those media that provide local audiences to all types of advertisers.
- The U.S. economy continued to be very sluggish through most of 2012. Unemployment rates remained uncomfortably high for the third year of a recovery. The sluggish employment picture accompanied by slower growth led to a lower level of local advertising revenues than anticipated. Where we initially projected the local media market to total \$136.2 billion in 2012, we now expect it to be only \$134.6 billion.

# Executive Summary – Overall Local Media Advertising

- This slowdown in expected advertising growth, even with the influx of significant political advertising spending in 2012, resulted in only a slight increase from the 2011 level of \$132.7 billion (+1.5%).
- While we expect the economy in 2013 to be somewhat better with a lower unemployment rate, many uncertainties remain. Additionally, the lack of significant political advertising will affect the yearly growth. Our estimate for growth in 2013 will only be +0.7%.
- Growth in total local media advertising continues to fail to keep pace with overall economic growth throughout our forecast period.

# Executive Summary – Overall Local Media Advertising

- Based on the changes in our estimates, the overall local media market will grow moderately through 2016 (at a 2.1% compound annual growth rate), and by 2016 total local media ad revenues will be \$147.1 billion.
- Growth in online/interactive/digital advertising revenues (which includes mobile) will remain strong, with a 12.4% 2011-2016 CAGR.
- That compares with a 2011-2016 CAGR of -0.4% for traditional advertising revenues.
- By 2016 local online/interactive/digital advertising revenues will be \$38.1 billion.

# Objectives

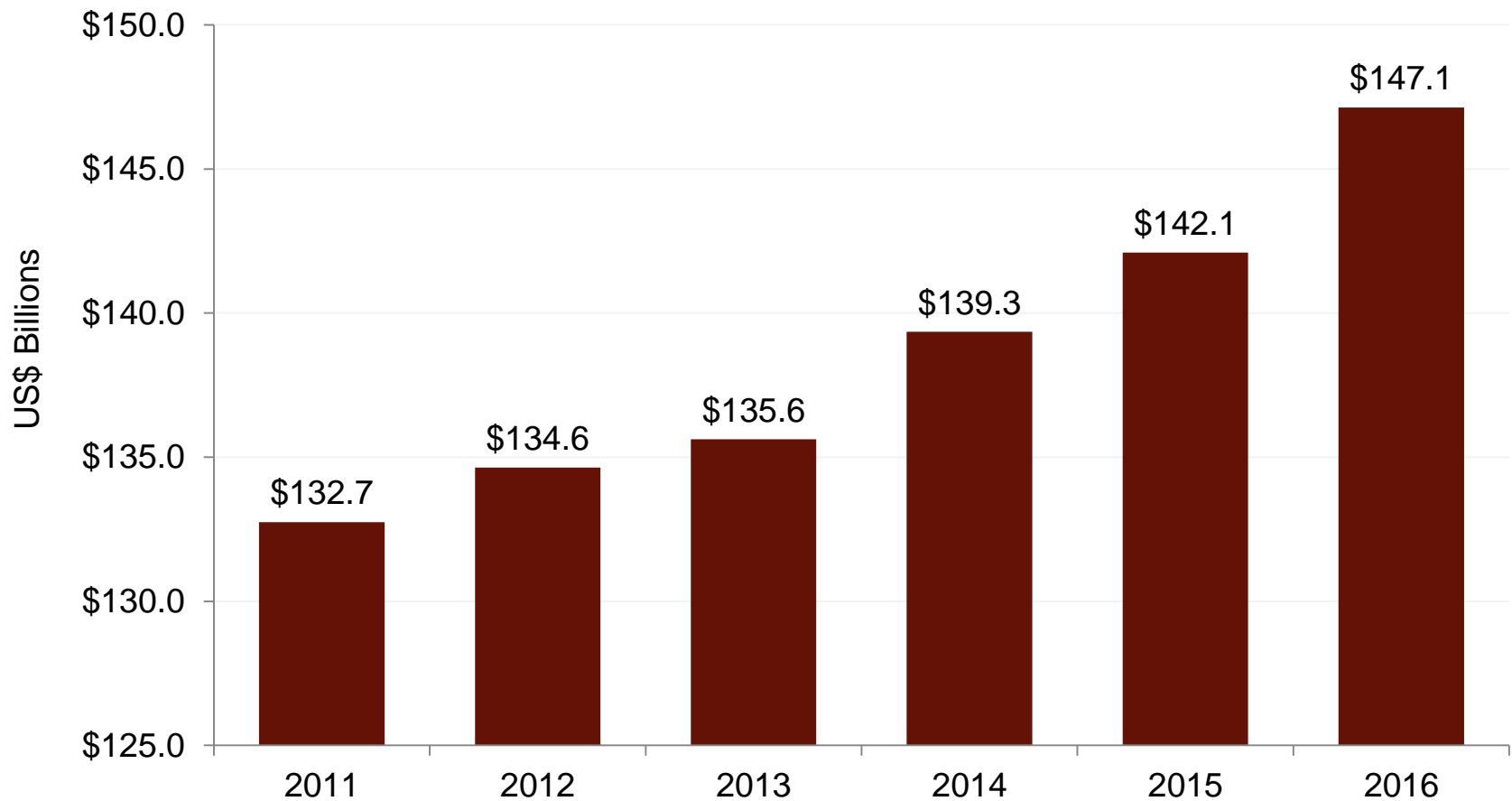
- To provide a 360-degree view of the market for “local” advertising — with local defined as targeted messaging to specific geographic markets — spent by national, regional and local advertisers.
- To offer clients an independent, objective and credible forecast of the market situation.
- To give clients a view into the key drivers and assumptions behind the top-line forecasts.



# Methodology

- Gathered as much proprietary and secondary information as available by segment.
- Generated preliminary forecasts by segment, which were discussed with leaders within key segments — Yellow Pages, radio, etc.
- Included third-party and public company reports to adjust and fine-tune forecasts.
- Tied bottom-up approach with top-down approach.
- Utilized long-standing industry expertise and knowledge to adjust drivers and key assumptions.

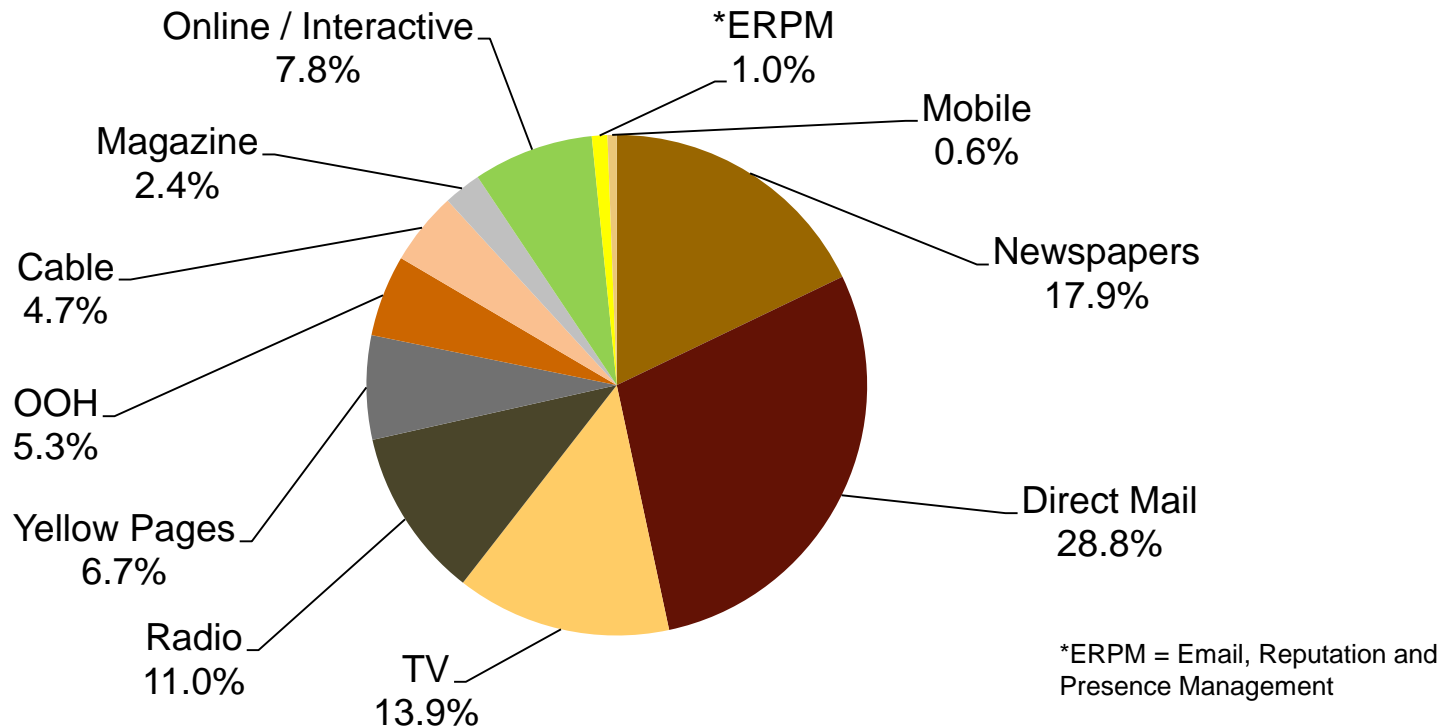
# Local Media Forecast 2011-16



Note: Numbers are rounded.

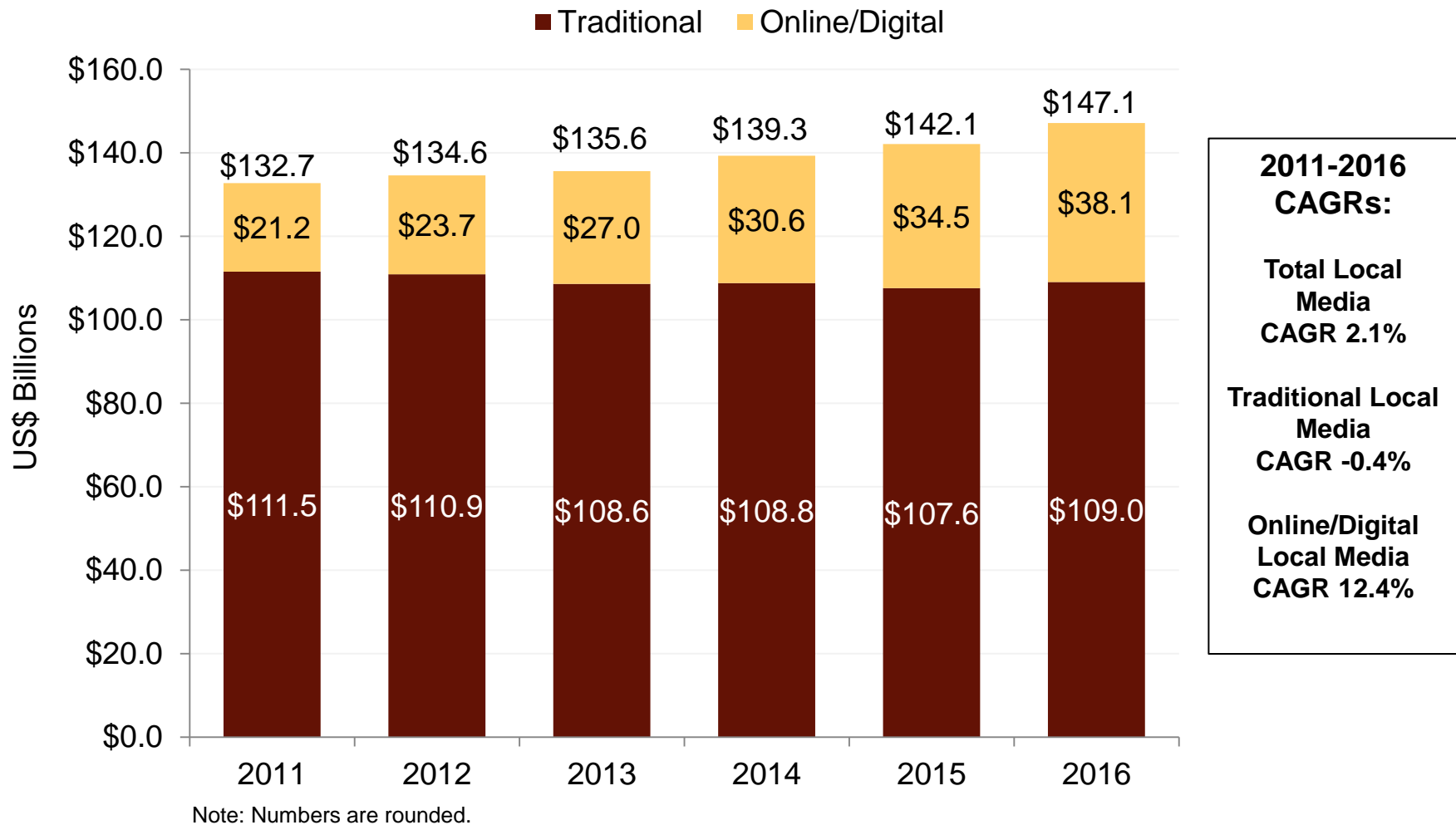
# Local Ad Market Currently Dominated by Traditional Media

## 2011 U.S. Local Media Revenues — \$132.7 Billion

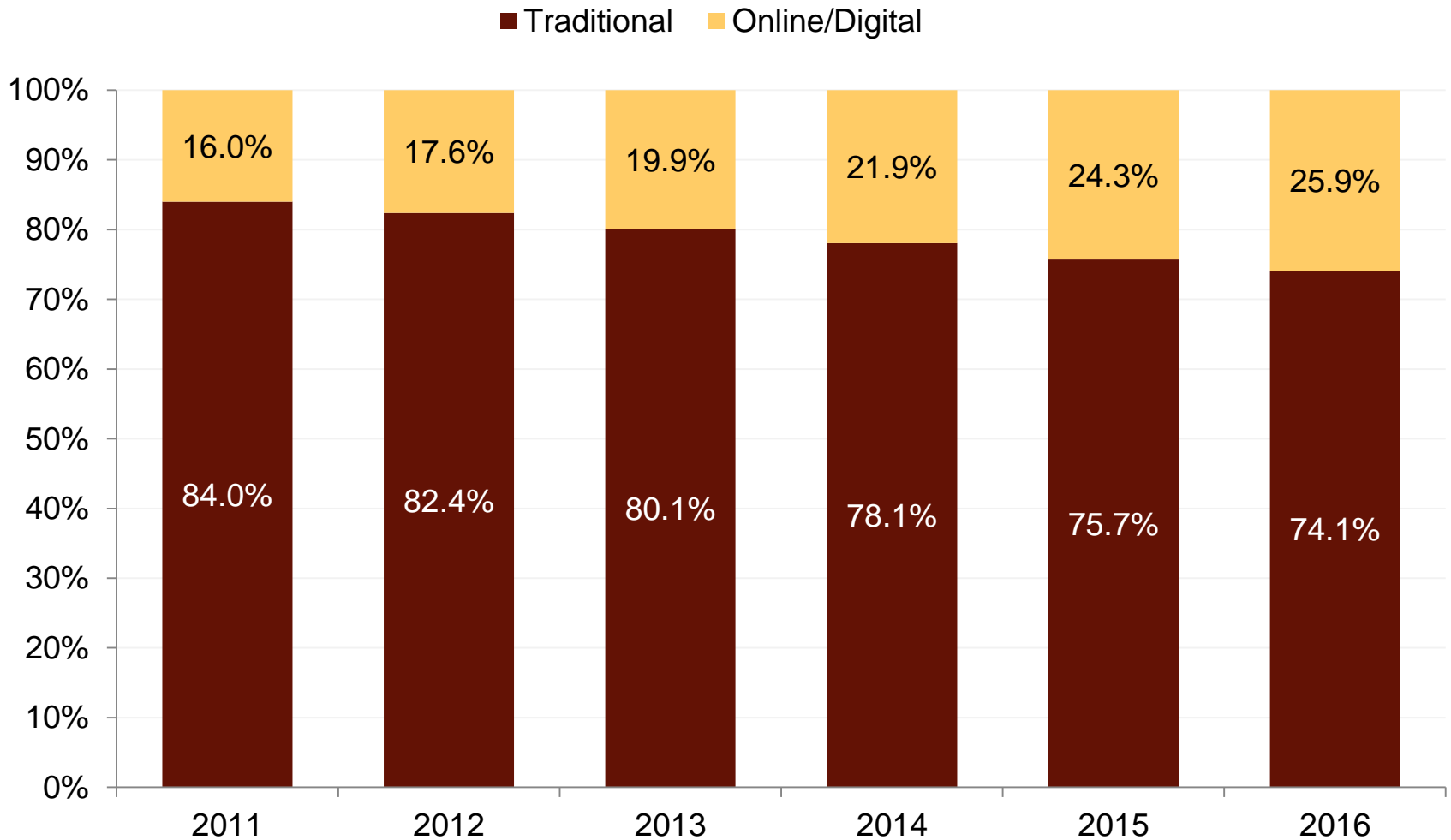


Digital revenues associated with traditional media (e.g., websites associated with local TV stations, local radio stations, newspapers and magazines) are included in the revenues for the traditional media. Revenues for Internet Yellow Pages that are associated with print Yellow Pages are included in the overall Yellow Pages media category.

# Steady Shift Toward Digital Media

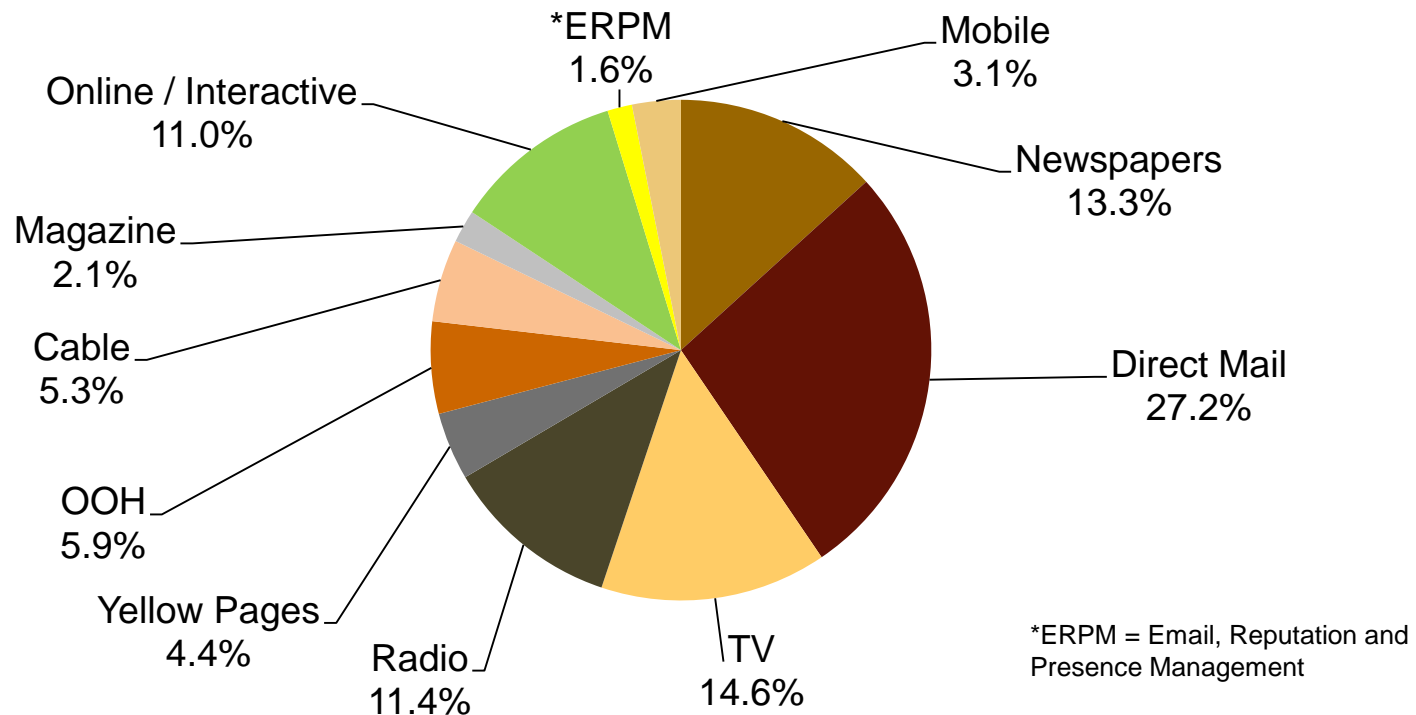


# Steady Shift Toward Digital Media



# Local Ad Market Less Dominated by Traditional Media in 2016

## 2016 U.S. Local Media Revenues — \$147.1 Billion



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. Revenues for Internet Yellow Pages that are associated with print Yellow Pages are included in the overall Yellow Pages media category.

# Executive Summary – Mobile Advertising

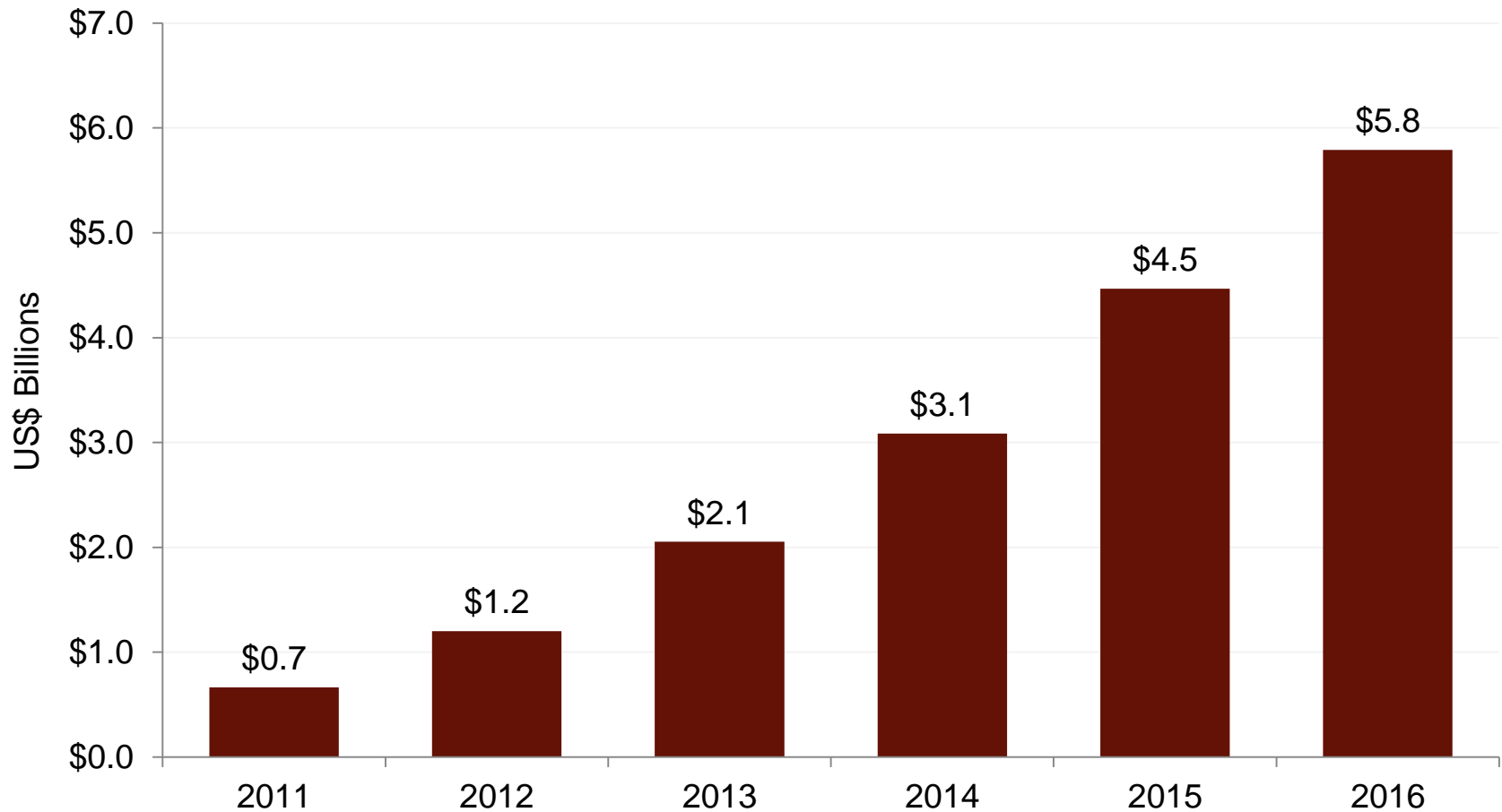
- Compared to our previous forecast, mobile local numbers were dialed down slightly in early years but expanded in outer years, due to slower than expected near-term advertiser adoption, but greater demand expectations in the later years. This will boost ad revenue totals, as well as demand-driven ad rates such as CPMs and CPCs.
- Mobile local ad figures are inclusive of total mobile advertising (see slide 20, “Local vs. National Ad Spend in Mobile”). Overall, our national mobile ad revenue figures were upgraded, as explained below. The mobile local numbers in this forecast didn’t see a proportional increase however, because their share of the overall mobile ad spend was reduced. This share reduction is due to slower than expected growth in ad rates (demand-driven) for localized mobile ads.
- A key reason we upgraded national mobile ad figures is stronger guidance from mobile ad share leaders Google (\$8 billion global mobile run rate announced in October); and Facebook (driving growth in mobile ad inventory, impressions, and advertiser demand).

# Mobile-Specific Forecast Methodology

- In addition to interviews and company reports, BIA/Kelsey's mobile forecast is based on usage trends, mobile ad spending across various formats, consumer adoption patterns, advertiser penetration and ad performance measurements such as clickthrough and cost-per-click rates, and other benchmarks in online media.
- These data are vetted against aggregate revenues of top players in each mobile advertising segment (i.e., mobile ad networks).
- Traditional definitions of ad spending apply to this forecast. At present, this forecast does not include marketing or promotional expenditures such as coupons.

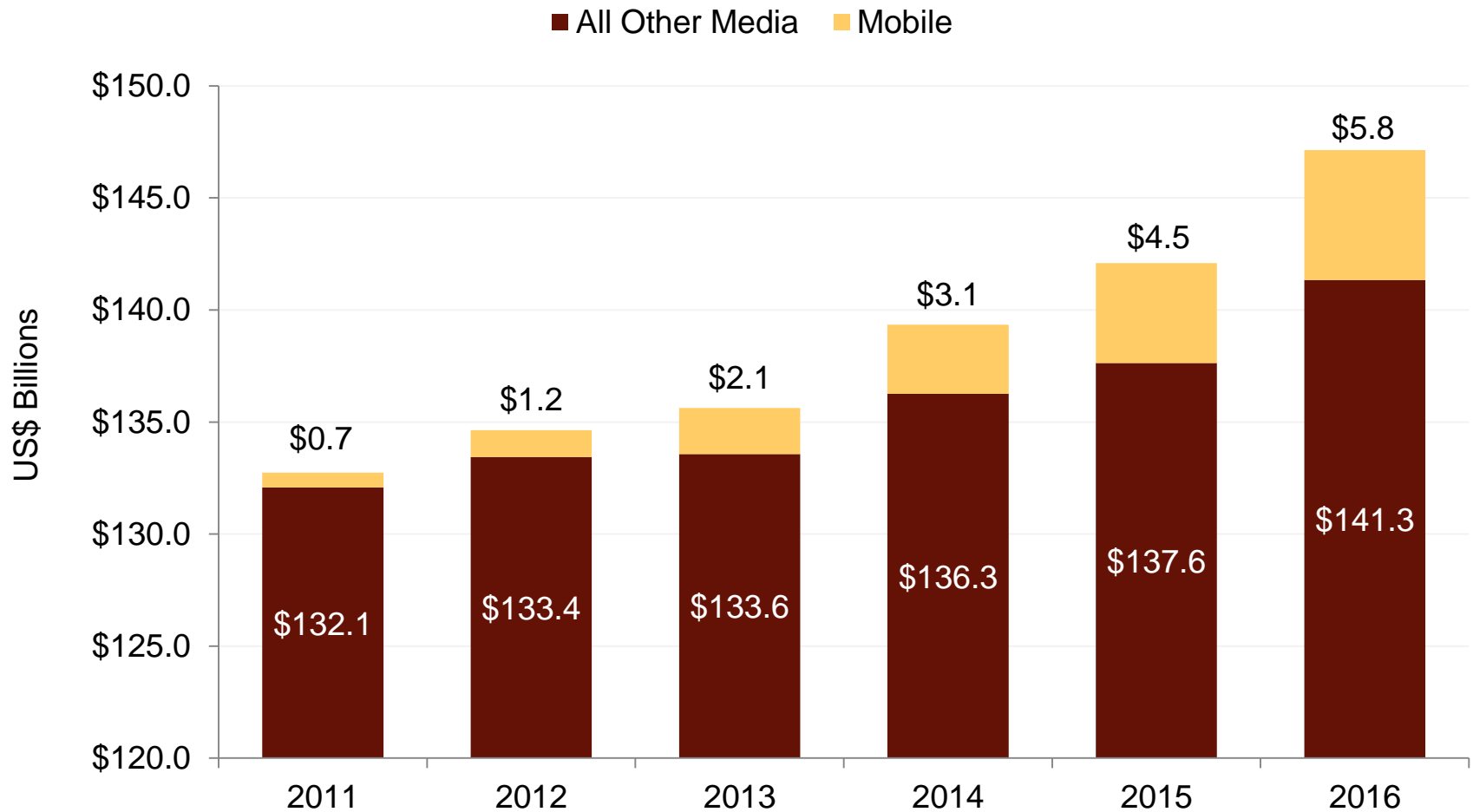


# Mobile Local Ad Spend Forecast 2011-16



Note: Numbers are rounded.

# Local Ad Spend Forecast 2011-16



Note: Numbers are rounded.

# Annual Revenue Changes

Media	2011*	2012	2013	2014	2015	2016	CAGR (2011-2016)
Mobile Local	110.1%	80.7%	71.1%	50.2%	44.8%	29.7%	54.2%
Mobile Display	NA	111.2%	91.0%	63.5%	44.8%	23.3%	63.8%
Mobile Search	NA	77.2%	65.6%	43.8%	45.9%	33.3%	52.4%
SMS	NA	25.6%	22.1%	15.6%	14.2%	11.7%	17.7%
Mobile Video	NA	106.3%	111.2%	81.8%	68.0%	58.0%	83.9%
Total	-2.4%	1.4%	0.7%	2.7%	2.0%	3.5%	2.1%
GDP	4.6%	3.5%	4.0%	4.5%	4.5%	5.0%	4.3%

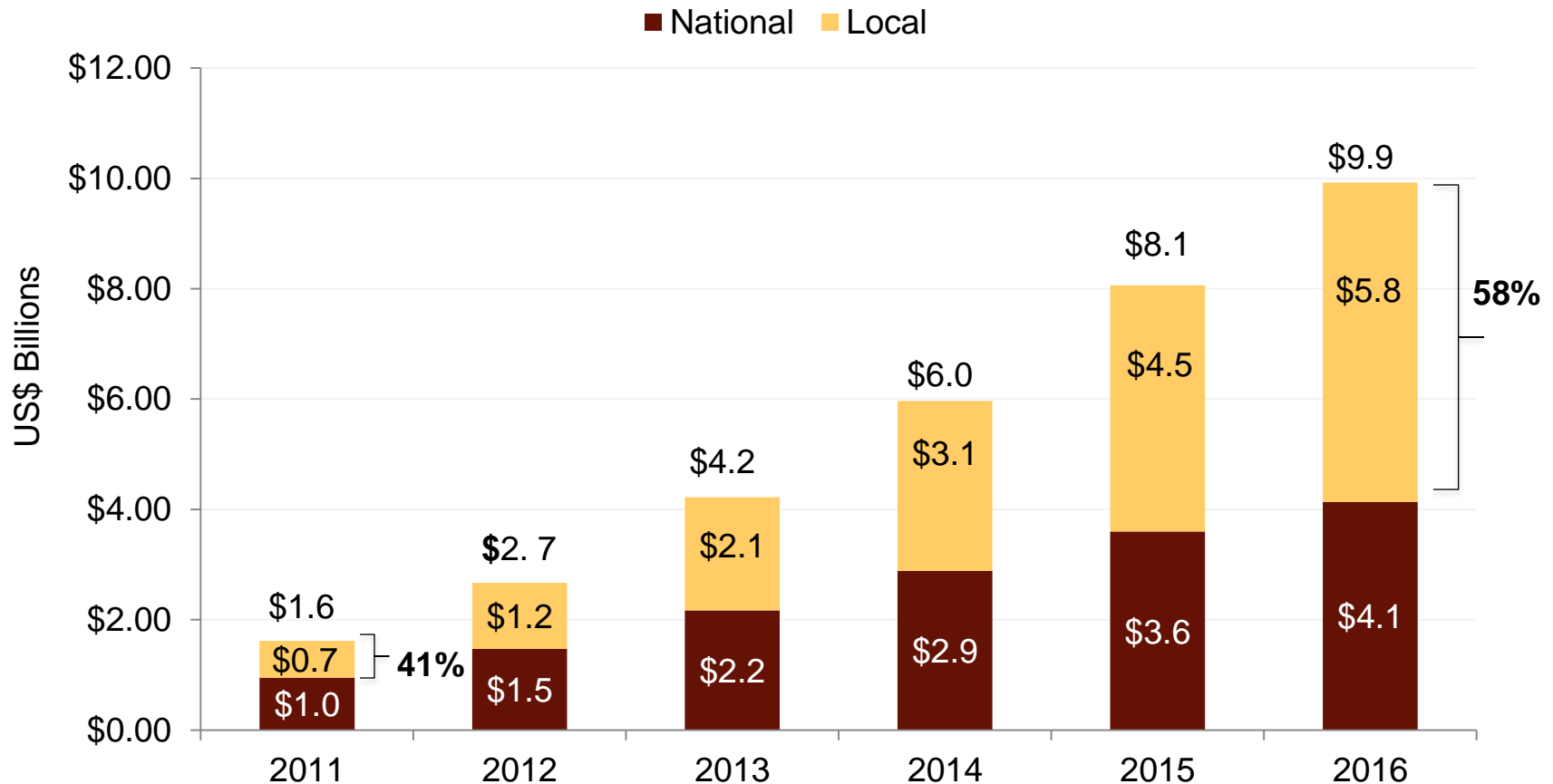
# Mobile Local Ad Spend: Takeaways

- We project U.S. mobile local ad revenues to grow from \$664 million in 2011 to \$5.8 billion in 2016, a 54.2% CAGR.
- This represents a 0.6% share of local media ad revenues in 2011, growing to a 3.1% share in 2016.
- Other local media occupying this pie include radio, television, newspapers, Yellow Pages and online/interactive.
- Growth drivers include smartphone penetration (currently 56% of U.S. mobile subscribers according to Nielsen), mobile Web usage and related increases in ad inventory.
- Though mobile ad inventory growth currently outpaces advertiser demand, we believe the latter will begin to accelerate. This will increase overall ad spend as well as ad rates such as CPMs and CPCs, which are currently lower than desktop equivalents, due to the aforementioned inventory oversupply.

# Mobile Local Ad Spend: Takeaways

- Advertiser demand will be driven by the natural market tendency to follow undervalued inventory. We also expect demand to grow as advertisers work through the mobile advertising learning curve.
- New forms of mobile advertising will also drive demand due to their high profile and halo effect, notably the quickly evolving mobile advertising options offered by Facebook (sponsored stories, zip code level targeting, offers-based campaigns, etc.).
- As we've seen in the online space over the past decade, self-serve tools will also democratize the mobile ad buying process.
- Google has begun to bundle mobile ad placements, including call-based advertising, within its AdWords search marketing platform.
- Mobile self-serve ads will be driven by higher performance, clearer ROI, tangible conversions and a shorter purchase funnel — all of which correlate to mobile user intent.

# Local vs. National Ad Spend in Mobile



Note: Numbers are rounded, which affects some of the totals.

# Local vs. National: Takeaways

- In addition to being a subset of local media, our projected mobile local ad revenues represent a subset of overall U.S. mobile ad spending.
- Consistent with our classification of local media across categories, this is defined as advertising that is targeted based on a user's location.
- BIA/Kelsey has separately projected total U.S. mobile ad spending to grow from \$1.62 billion in 2011 to \$9.92 billion in 2016.\*
- This puts locally targeted mobile ads at 41% of overall U.S. mobile ad spending, growing to 58% in 2016.
- Growth drivers include smartphone penetration, location-aware technology, and advertiser evolution and proclivity to utilize this technology for better location targeting – all of which are well underway.

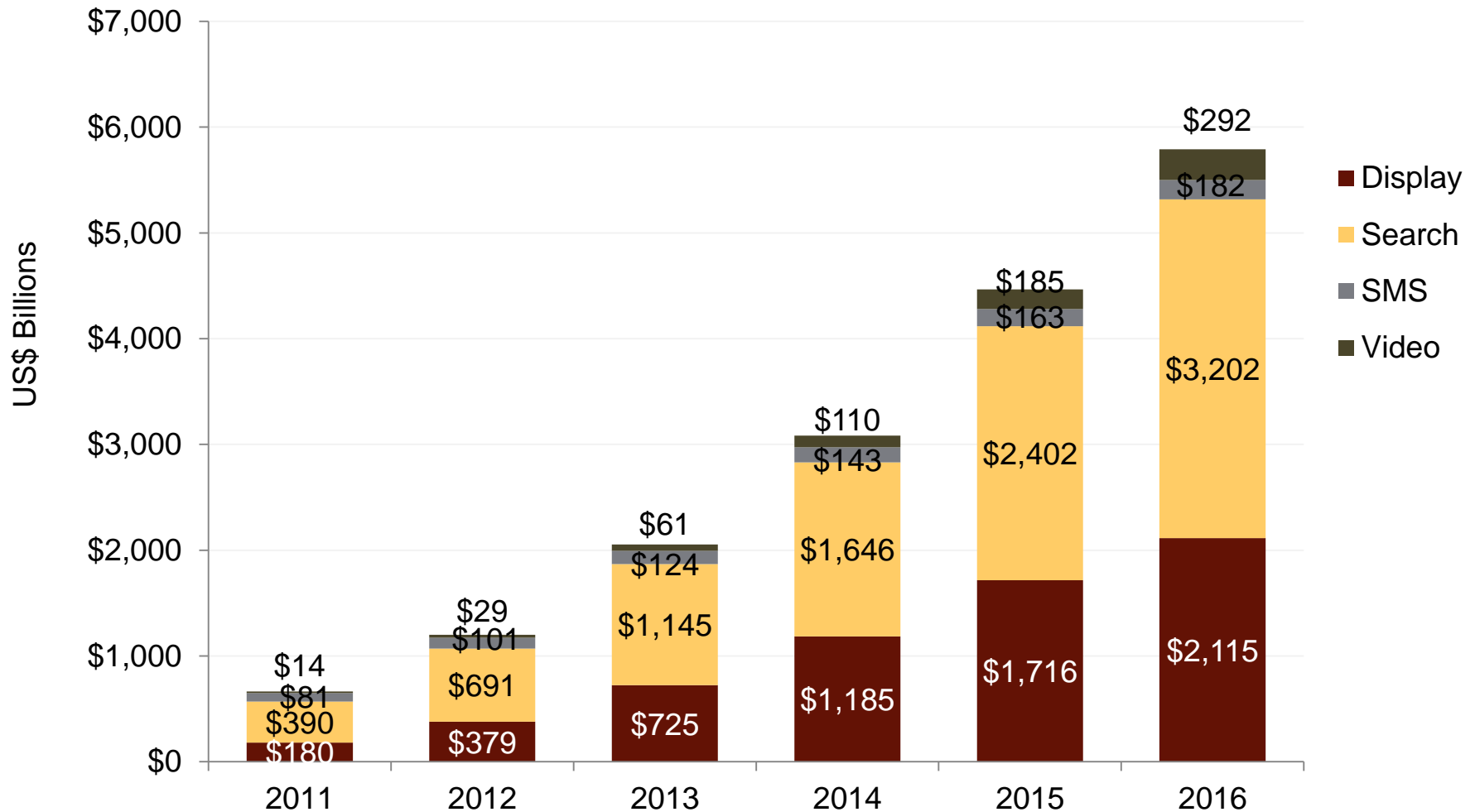
\*Google recently announced an \$8 billion run rate for its mobile operations. This is a global figure that includes some non-advertising revenues such as Google Play Store. Segmenting out the U.S. advertising portion and considering Google's share of the U.S. mobile ad market (roughly 60%), these forecast data are congruent.

# Local vs. National: Takeaways

- Large brand advertisers will increasingly evolve their campaign objectives to the capabilities of the mobile device — an area where they've been slow to adopt.
- We'll also see mobile advertising move down market to the SMB segment through a combination of aforementioned self-serve tools, and local media direct sales channels.
- Resulting ad volume growth will be compounded by premiums that develop for location-targeted ads.
- These premiums will result from higher performance for locally targeted mobile ads when compared with non-local ads. This is already evident in data shared by mobile ad networks.
- This performance is a function of higher relevance, immediacy and consumer buying intent, all of which are more prevalent in mobile than in many other print and digital media.



# Mobile Local Ad Spend by Format



# Mobile Ad Formats: Definitions and Drivers

Ad Format	Definitions	Key Inputs/Drivers
<b>Search</b>	Text advertising applied to search queries on mobile devices (both apps and mobile Web)	Search volume, CTRs, CPCs, ad coverage. Vetted against core search engine revenues.
<b>Display</b>	Display advertising applied to app and mobile Web inventory	Mobile Web use, page views, impressions, CPMs, sell-through rates. Vetted against ad network revenues.
<b>Video</b>	Rich media ad units distributed within app and mobile Web inventory	Similar to display, this is measured by a combination of impressions, ad rates, and current ad network revenues.
<b>SMS</b>	Commercial SMS messaging	SMS penetration, volume, CPMs, sell through. Vetted against ad network revenues.

# Mobile Ad Formats: Takeaways

- This forecast comprises advertising placed in mobile search, display, video and commercial SMS.
- These are bought and sold in various ways, meaning different formulas and forecast models apply.
- Search advertising currently holds the largest share, followed by display and SMS.
- Ad supported video was previously included within display, but was broken out separately in this forecast.
- Among these ad formats, search will continue to outweigh others and hold the largest share throughout the forecast period.
- Search growth will be driven by the ascent of the mobile Web as an entry point to mobile experiences (vs. apps).

# Mobile Ad Formats: Takeaways

- Mobile Web growth will in turn result from technological developments such as HTML5, as well as the economic advantages of mobile website development (vs. apps). This is especially true for SMBs.
- The market's move toward browser based solutions and cloud computing will further drive innovation that resides within the mobile browser (vs. apps).
- Mobile market leaders such as Google are behind this shift toward the mobile Web, as seen in their product development and other public statements.
- Search's positioning as a front door to browser based experiences will cause it to grow with the above factors.
- In addition to resulting volume increases, search's ad revenues in mobile will be driven by premium ad rates that develop as a function of its intent-driven nature.



## Questions and Comments:

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