
BIA/Kelsey's Annual U.S. Local Media Forecast, 2009-2014 — Update

Mobile Local Media

Sept. 24, 2010



Table of Contents

- Executive Summary
- Objectives and Methodology
- Overall Local Media Forecast
- Macro Trends in Local Media
- Media Level Overview and Forecasts

Executive Summary

- The size of the U.S. local media and advertising market at the end of 2009 was \$130.6 billion. This was a significant reduction of an earlier estimate as the principal drivers were more pronounced declines among nearly every medium included in this forecast and slower growth in the interactive sector.
- The general economic conditions worsened during 2009 causing advertising dollars to remain on the sidelines as businesses large and small, local, regional and national reined in spending levels.
- Through the first half of 2010 the advertising marketplace has rebounded somewhat faster than what was predicted. Total advertising is now expected to increase in 2010 by 2.1%.
- Two noticeable media that have seen larger than expected growth in 2010 were television, up 13.5% (due to stronger political advertising), and online advertising, up 30.2%.

Executive Summary

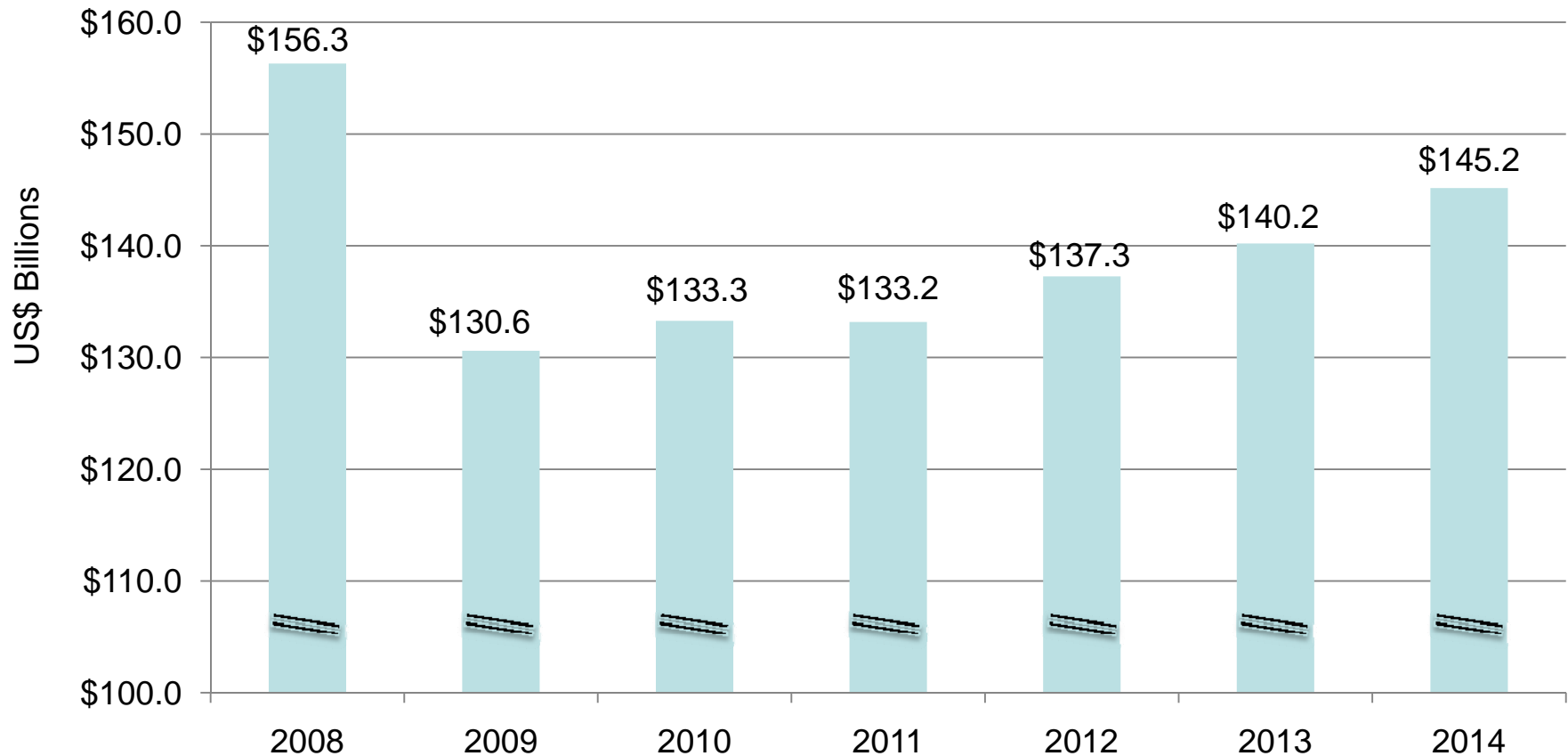
- With the economic recovery not progressing as fast as expected, especially in the lack of new jobs, we do not anticipate a rapid recovery among most traditional media over the forecast period (2009-2014).
- We don't expect meaningful recovery until 2012, when we forecast an increase of 3%, followed by increases of 3.1% in 2013 and 3.5% in 2014. By 2014, we project U.S. local media advertising to reach \$145.2 billion — this is nearly the same figure we forecast last year for 2013. The combination of greater structural change and the more severe downturn in 2009 has shifted the entire curve outward by an additional year.

Objectives and Methodology

- Objectives:
 - To provide a 360-degree view of the market for “local” advertising — “local” defined by some form of targeted messaging to specific geographic markets — spent by national, regional and SMBs
 - To offer clients an independent, objective and credible five-year forecast of the market situation
 - To give clients a view into key drivers/assumptions behind forecasts
- Methodology:
 - Gathered proprietary and secondary information
 - Generated preliminary forecasts by segment, which were discussed with leaders within key segments
 - Third-party and public company reports used to fine-tune forecasts
 - Tied bottom-up approach with top-down approach
 - Utilized long-standing industry expertise and knowledge to adjust drivers and key assumptions

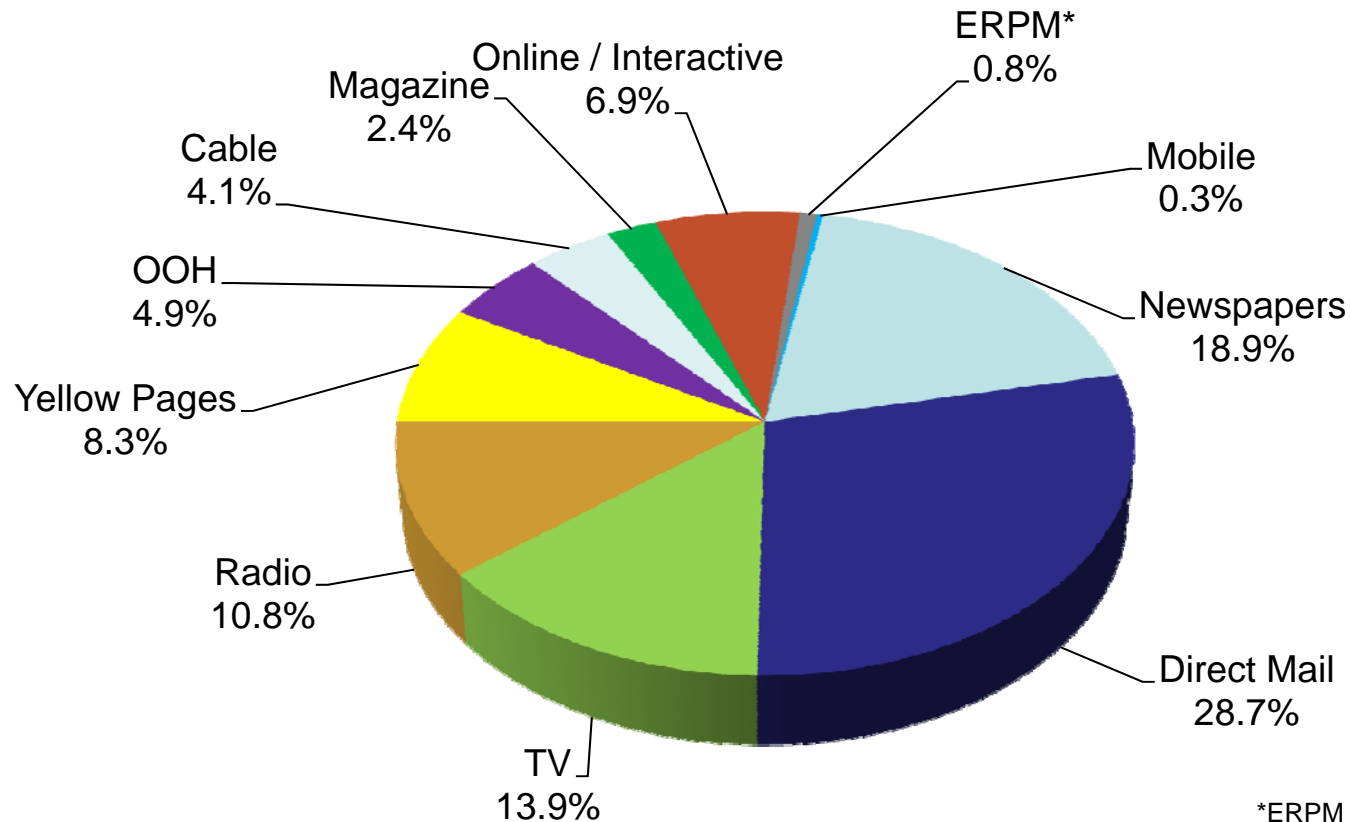
Local Media Five-Year Forecast

Total Local Ad Spend



Local Ad Market Currently Dominated by Traditional Media

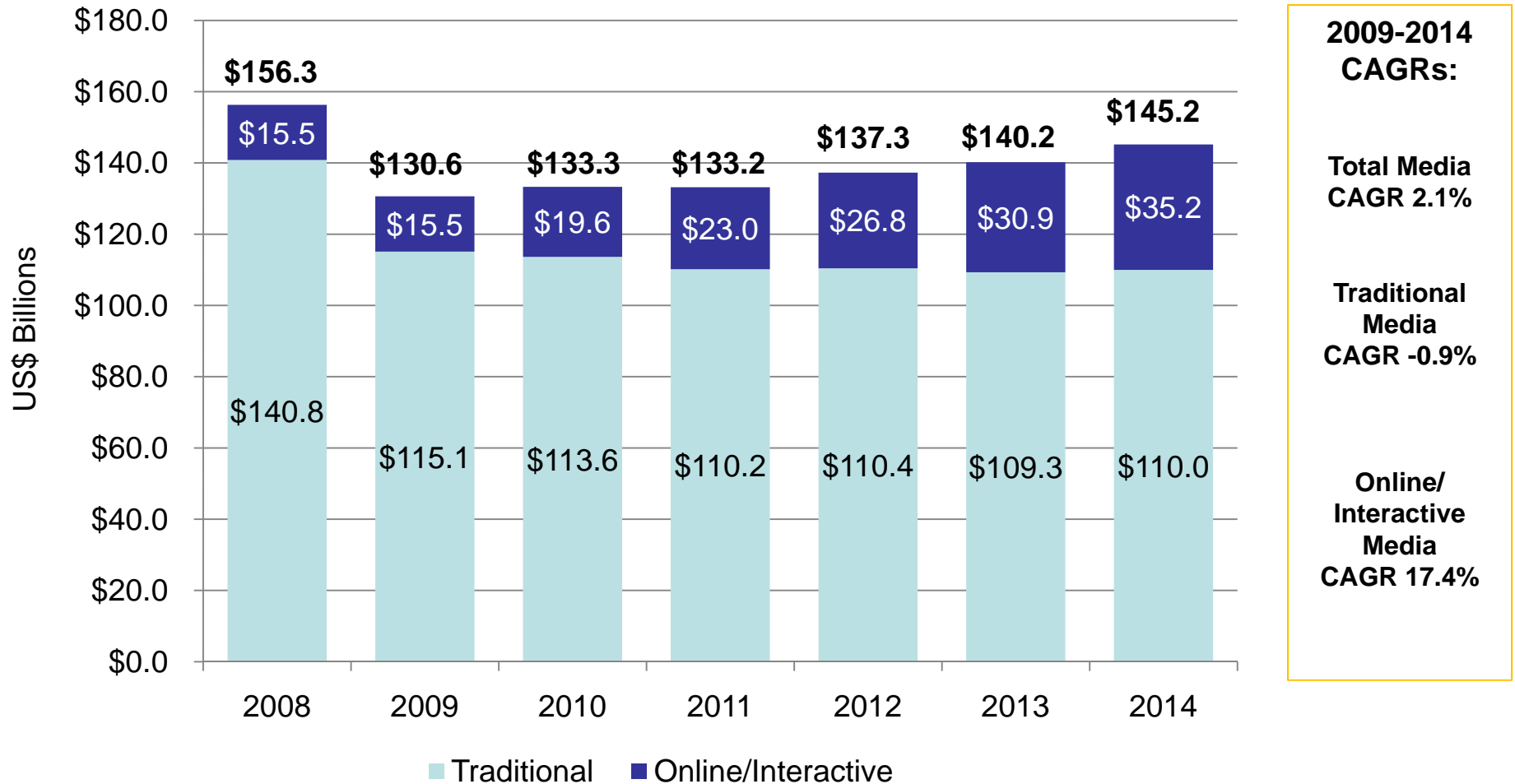
2010 U.S. Local Media Revenues — \$133.3 Billion



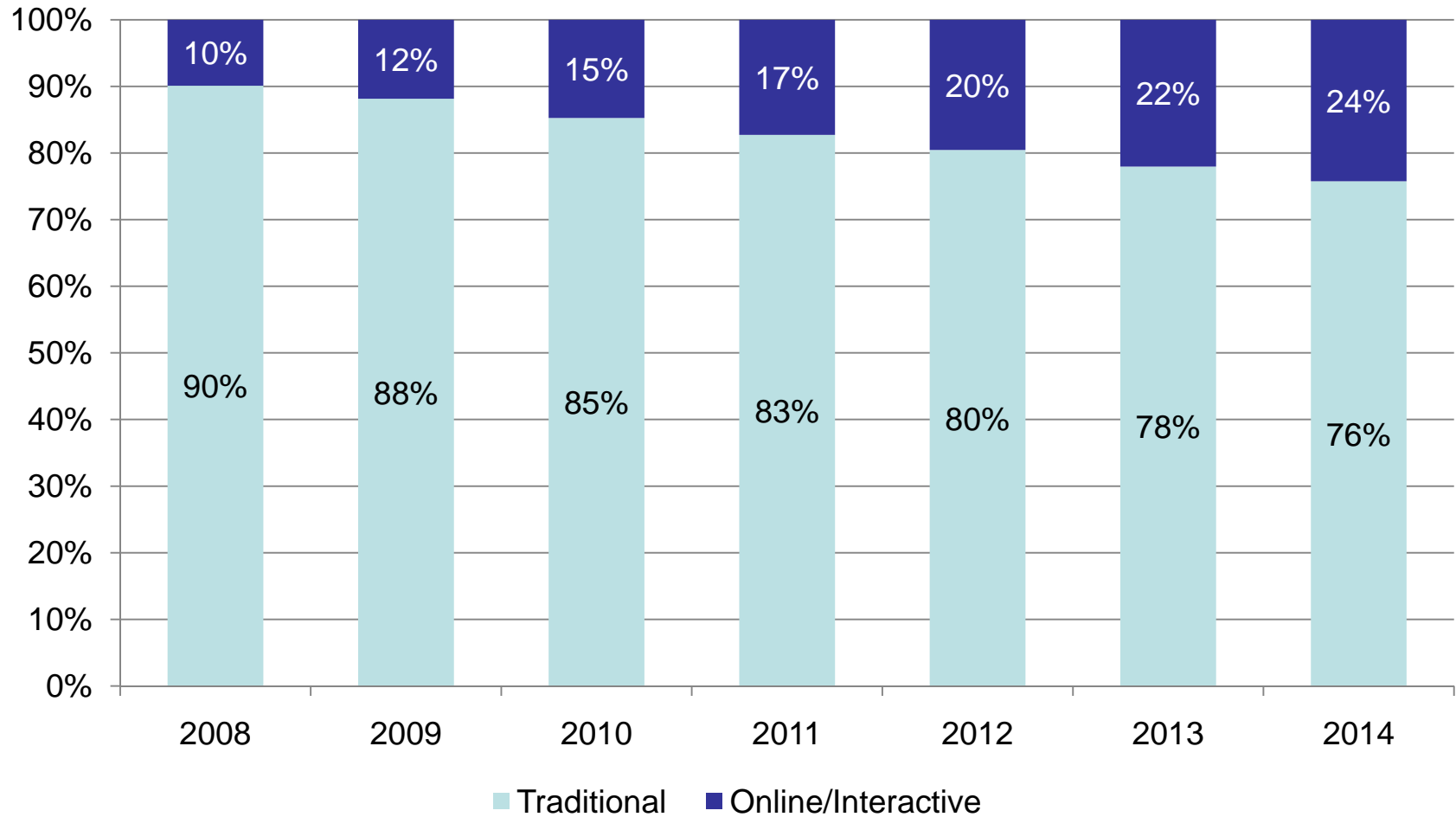
*ERPM = E-Mail, Reputation and Presence Management

Digital revenues associated with traditional media (e.g., Web sites 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.

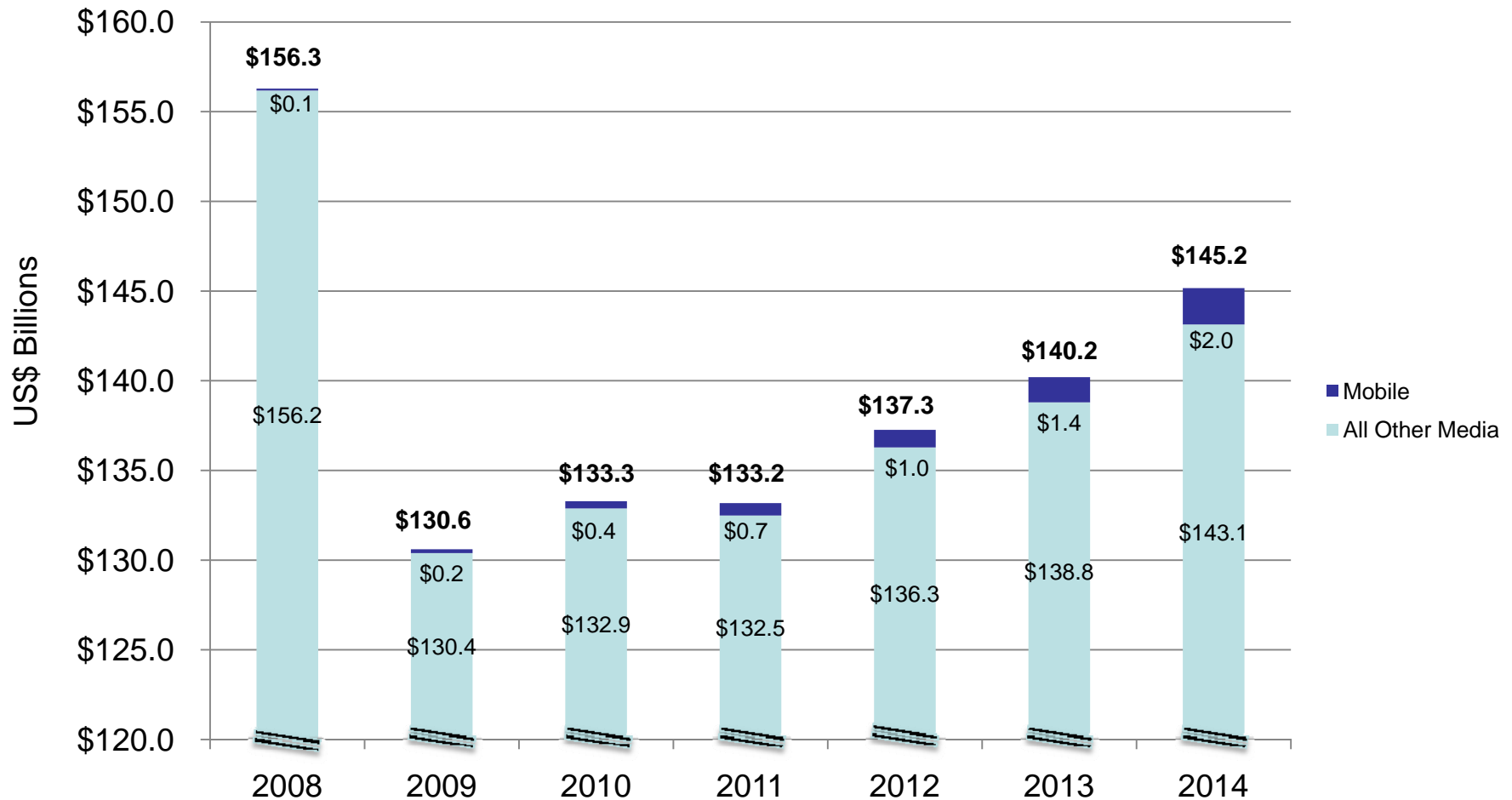
Steady Shift Toward Digital Media



Steady Shift Toward Digital Media



Local Ad Spend: Five-Year Forecast



Mobile Local Ad Spend: Five-Year Forecast



Annual Revenue Changes

Media	2009	2010	2011	2012	2013	2014
Mobile	106.6%	89.5%	71.6%	42.0%	42.6%	44.4%
Total	(16.4%)	2.1%	(0.1%)	3.1%	2.1%	3.5%
GDP	(1.7%)	4.0%	4.6%	5.0%	5.5%	5.5%

Mobile Local Media

- BIA/Kelsey projects U.S. mobile local ad revenues to grow from \$213 million in 2009 to \$2.02 billion in 2014.
- This represent a 0.2% share of local media in 2009, growing to 1.4% in 2014.
- This also represents the local portion of U.S. mobile ad revenues, defined as advertising (display, search and SMS) that is targeted based on a user's location and/or actionable locally.
- This subset therefore resides within total U.S. mobile ad revenues, which will be examined in a separate forecast in Q4.

Mobile Local Media

- Market forces are pulling ad spending into mobile media.
- Growth drivers include smartphone penetration (see BIA/Kelsey's Mobile Market View Wave III), mobile Web usage and related increases in ad inventory.
- Advertisers will also be drawn to mobile marketing as part of overall market shifts to digital advertising. Traditional media companies with sales forces will speed this shift in the face of falling offline revenues.
- A lack of traffic to fulfill quotas on geotargeted ads will likely accelerate publisher mobile Web site and application development.
- As we've seen in the online space over the past decade, tools will be introduced to democratize the mobile ad buying process. Google has already begun to bundle mobile ad placements within its pervasive AdWords search marketing platform.

Mobile Local Media

- Many others, including local media publishers, will similarly bundle mobile advertising to lower the barriers for SMB adoption.
- As a result, mobile advertising will move down market to SMB and mid-market segments, increasing the overall revenue opportunity, and share of geotargeted ads.
- This down-market shift will be coupled with large advertiser evolution and adoption of location targeted ad distribution on the mobile device.
- For large and small advertisers alike, location targeted ads will command premiums over non-local advertising, due to higher immediacy, consumer buying intent and conversion levels.

Questions and comments:

Michael Boland | mboland@kelseygroup.com | 415.462.1935

Copyright © 2010 BIA/Kelsey. All Rights Reserved.

This published material is for internal client use only. It may not be duplicated or distributed in any manner not permitted by contract. Any unauthorized distribution could result in termination of the client relationship, fines and other civil or criminal penalties under federal law. BIA/Kelsey disclaims all warranties regarding the accuracy of the information herein and similarly disclaims any liability for direct, indirect or consequential damages that may result from the use or interpretation of this information.

